

VISTA GROUP INTERNATIONAL LIMITED

# ANNUAL REPORT 2014



**VISTA**  
GROUP

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This report is dated 19 March 2015 and is signed on behalf of the Board of Vista Group International Limited by Kirk Senior, Chairman, and Murray Holdaway, Chief Executive.



**K Senior**  
CHAIRMAN  
19 March 2015



**M Holdaway**  
CHIEF EXECUTIVE  
19 March 2015



## CHAIRMAN'S LETTER

### Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present you with the inaugural annual report of Vista Group International Limited (Vista Group).

Vista Group delivered strong growth in 2014 and exceeded the revenue and profit forecasts set out as part of our initial public offering (IPO).

During the year, we listed Vista Group on both the NZX and ASX and raised the capital required to help facilitate our global expansion and transition from a cinema software company to a global film software group. This strategy is well advanced, including:

- The successful integration of our investments in MACCS and Movio into the Group.
- The implementation of two of the largest cinema circuits in the world (in the USA and China),
- Further development of our Movio Media big data analytics platform, and
- Preparation of the MACCS product and business structure in readiness for its strategic USA expansion.

We are a leader in the global film software industry and have entered 2015 with momentum and confidence.

Each of our businesses have exciting and immediate opportunities for growth and we continue to invest in our products and our team. Specifically, we have completed our first major acquisition since the IPO, by acquiring Ticketsoft in the USA. Further opportunities are being explored. Of particular note is that our big data business, Movio Media, is attracting high levels of interest from exhibitors and film studios.

We have had a heavy workload over the last year and it wouldn't have been possible without outstanding efforts from all the team.

We have put together a high calibre Board, with an excellent mix of experience, knowledge and personality.

Our executive team and staff are highly talented and motivated. In particular I would like to pay tribute to the significant contributions of our CEO, Murray Holdaway, and Finance Director, Brian Cadzow - their passion and commitment is unsurpassed.

Our track record is proven, our forward strategy is exciting and on target.

Enjoy the show.....

Yours sincerely,

**Kirk Senior**  
CHAIRMAN



## CEO'S LETTER

### Dear Shareholder,

I am delighted to present you with Vista Group's inaugural annual report.

The past year has been both busy and rewarding for the Vista Group team. We successfully completed our initial public offering, and closed acquisitions with both Movio and MACCS. We rolled out two of the largest cinema installations in Vista history in China and the US and we delivered financial results that saw both our revenue and profit exceeding the targets provided in the prospective financial information (PFI) contained in the Prospectus.

Vista Group's total revenue was \$47.2 million which was \$2 million higher than the PFI target. Profit attributable to shareholders was \$4.0 million which was \$0.6 million (or 17%) higher than PFI. The costs associated with the public listing mean that it may be more useful to compare the EBITDA for Vista Group of \$9.4 million, against PFI EBITDA of \$8.9 million, which provides a clearer picture of underlying performance. It should be noted that there was \$1.0 million of share based payments expensed in the actual results which were not in PFI forecast.

In addition, all Vista Group companies have made pleasing operational progress throughout the year.

Vista Entertainment Solutions has enjoyed an exceptional year. Vista's enterprise cinema management software was installed at 1,103 sites during 2014 which was approximately double our previous best year for cinema installations. This great performance was the result of finishing the Regal Entertainment Group project three months earlier than initially forecast and successfully installing 230 sites for Dadi Cinemas in China late in 2014. These 1,103 new cinema sites take Vista's number of sites worldwide to over 4,000 and mean that Vista now has 38% global market share in the large cinema (more than 20 screens) market.

In the smaller or independent cinema market, Vista's 'Software as a Service', cloud based product Veezi, has started to gain good traction in the USA. By the end of the financial year, Veezi had secured the business of over 150 customers which is consistent with PFI expectations.

Movio also had a good year and has positioned itself as the leading provider worldwide of individual cinema-going habits through their cloud database of more than 30 million movie goers. Movio has been successful in selling its cinema product throughout the USA but has

also secured a number of sales in Asia, commenced operations in Europe and hired their first employees in London. Movio also made good progress in the development of Movio Media which is an analytics and research platform that assists film distributors to make more targeted investment in film making and marketing to better match consumer needs.

MACCS, in which Vista Group owns a 50.1% shareholding, continued to rollout its film distribution software around the world. MACCS completed eight new installations including two in new countries bringing the total number of countries in which MACCS is installed to 38. Good progress has also been made throughout the year to enhance core products for the USA market. The target to secure a significant USA studio as a customer remains for 2015.

Número, our start-up company in which Vista Group own a 50% shareholding, has made good progress in the development of their product and collection of box office data in both Australia and New Zealand. Número's product has been receiving great reviews from distributors and exhibitors alike. Box Office data collection rates reached the 90 percent range in 2014 and have increased to almost 100% early in 2015. This places Número in a good position to secure their first paying customers in 2015.

This year, Vista Group has expanded with new subsidiaries, new customers and new geographies, and we grew the Vista Group team from 219 to 311 full time employees. We now operate in 66 countries and have offices in 6 countries.

Vista Group is strongly positioned to achieve its goal to become the leading provider of software to the film industry worldwide. Thank you for your continued support.

Yours sincerely,

**Murray Holdaway**  
CEO AND FOUNDER

# VISTA GROUP COMPANIES



## VISTA GROUP BUSINESSES

### CINEMA AND DISTRIBUTOR SOFTWARE

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Vista Entertainment Solutions (VES) completed a stellar year in 2014 with 1,103 new cinemas installed. This was approximately twice the 2013 number, which was the previous highest year. There were two key projects that contributed to this number. The Regal Entertainment Group implementation finished in November 2014, adding around 460 sites to the 120 that were installed in 2013. Regal are the largest cinema exhibitors worldwide with a total of 583 sites. In China, Dadi Cinemas installed 230 sites in just over 6 weeks through October and November. In addition to these large projects, significant customer installs were carried out in the USA, India, Mexico and Russia.

Through 2014 product development continued at a rapid pace, in particular with the release of a several new mobile products. Significant steps were taken toward having Vista certified in France and Brazil. This work should open up these markets for us in 2015.

VES has entered 2015 with a good sales pipeline and is well positioned to grow their worldwide market share in the large cinema circuit market to over 40% and continue the push towards the 50% mark.



Veezi is Vista's cloud based software as a service offering for independent cinemas. In 2014 we focused our efforts on the USA market for Veezi. By year end we had reached 150 sites, over 120 of which were in the USA. The number of sites was in line with our prospectus. As is the case with all software as a service businesses, revenue lags a little behind number of sites, but we are encouraged that the revenue per customer is higher than expected due to several new modules that we have added during 2014.

In 2015 we will be looking to expand Veezi's reach into other territories beyond the USA. While at present Veezi produces relatively small amounts of revenue, we are excited about the future potential and also the strategic positioning Veezi provides Vista Group in enabling a much larger section of the cinema industry to access Vista Group's products.



MACCS continued to perform well in their core product set of film distribution software. Eight new installations were carried out in two new countries bringing the number of countries they operate in to 38. At the same time MACCS has been working hard during 2014 to update their product for the US market. This was a very significant undertaking involving many man years of work and is now largely complete. Their goal of obtaining a significant US studio as a customer was not completed in 2014, however they are well placed to achieve this in 2015.

For their Software as a Service products, MACCSBox and DCinemaHub, many new territories were installed during 2014 and volumes of transactions through these systems have been growing steadily, which is very promising for these new products.

### DATA ANALYTICS

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Movio continued on their growth path in 2014, not only doubling revenue and staff numbers but also continuing to position themselves to be the leading provider of movie-going behaviour worldwide. Movio ended the year with customers in 11 countries with the biggest gains occurring in the USA for their exhibitor analytics and campaign management product. Many of these were Vista customers, but they also gained two new customers via the alliance with NCR. Also encouraging was the number of new customers gained throughout Asia for the exhibitor product, with new customers being gained in China, Vietnam and Malaysia. By the end of 2014 Movio had details for over 30 million movie goers in their database.

A beta version of studio analytics product was also completed in late 2014 and was branded Movio Media. This product has gone into trial in early 2015 and is the pre-cursor to Movio gaining revenue from studios running campaigns on the Movio data.



Numero is a start-up company formed in early 2014. The goal of Numero is to deliver the film industry with the next generation of box office reporting. The market is currently serviced by one provider. Throughout 2014, Numero was focused on bringing its technology to market and building their collection rate to cover the entire theatrical market in Australia and New Zealand. By the commencement of 2015, Numero had delivered a commercially viable product, well received by potential clients with collection rates approaching 100%. With many companies currently trialling the service, Numero is well placed to gain multiple customers throughout 2015.





VISTA GROUP INTERNATIONAL LIMITED  
(PREVIOUSLY VISTA GROUP LIMITED AND  
VSOURCE INVESTMENTS LIMITED)

# **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**



# CORPORATE INFORMATION

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## DIRECTORS

Kirk Senior appointed 3 June 2014  
Murray Holdaway  
Brian Cadzow  
Susan Peterson appointed 3 June 2014  
James Ogden appointed 3 June 2014

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## REGISTERED OFFICE

Level 3, Fujitsu House  
60 Khyber Pass Road  
Newton  
Auckland, 1023  
+64 9 984 4570

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**NATURE OF BUSINESS** Provision of management solutions for the film industry

**COMPANY NUMBER** 1353402

**ARBN** 600 417 203

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## AUDITOR

Grant Thornton New Zealand Audit Partnership  
Level 4, Grant Thornton House  
152 Fanshawe Street  
Auckland, 1140

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## SOLICITORS

### New Zealand

DLA Phillips Fox  
DLA Phillips Fox Tower  
L22, 205 Queen St  
Auckland, 1010

### UK

S J Berwin LLP  
10 Queen Street  
London, EC4R 1BE  
United Kingdom

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### USA

Hernandez Shaedel & Assoc  
2 North Lake Ave, Suite 930  
Pasadena, CA 91101  
USA

### Canada

Davies Ward Phillips & Vineberg  
1 First Canadian Place, 44th Floor  
Toronto, Ontario  
Canada, M5X 1B1

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## SHARE REGISTRY

### New Zealand

Link Market Services Ltd  
Level 7, Zurich House  
Auckland, 1142

### Australia

Link Market Services Ltd  
Level 12, 680 George St  
Sydney  
NSW 2000

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**COMPANY SECRETARY** David Black

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**BANKERS****New Zealand****ASB Bank Limited**

PO Box 35  
Shortland Street  
Auckland, 1140

**Bank of New Zealand**

Deloitte Centre  
80 Queen Street  
Auckland, 1142

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**UK****Barclays Bank PLC**

1 Churchill Place  
London, E14 5HP  
United Kingdom

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**USA****HSBC Bank USA, NA**

660 South Figueroa Street  
Los Angeles  
CA 90017  
United States of America

**Bank of America**

San Francisco  
P.O. Box 37000  
CA 94137  
United States of America

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**Union Bank of California**

Beverly Hills Priority 560  
P O Box 512380  
Los Angeles  
CA 90051  
United States of America

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**China****HSBC Bank (China) Coy. Ltd.**

Level 30, HSBC Building  
Shanghai ifc  
8 Century Avenue, Pudong  
Shanghai 200120  
People's Republic of China

**China Merchant Bank**

18F, Bus Plaza  
No.398 Huaihai Zhong Road  
Shanghai 200020  
People's Republic of China

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**Australia****Commonwealth Bank of Australia**

Level 10, 101 George Street  
Parramatta  
NSW 2150  
Australia

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## DIRECTORS' REPORT

The Board of Directors present the financial statements, of the Company and Group for the year ended 31 December 2014 and the independent auditor's report thereon.

For and on behalf of the Board of Directors who approved these financial statements for issue on 13 March 2015.



**K Senior**  
CHAIRMAN  
13 March 2015



**M Holdaway**  
DIRECTOR  
13 March 2015

# INDEPENDENT AUDITOR'S REPORT



Audit  
Grant Thornton New Zealand  
Audit Partnership

L4, Grant Thornton House  
152 Fanshawe Street  
PO Box 1961  
Auckland 1140

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F +64 (0)9 309 4892  
[www.grantthornton.co.nz](http://www.grantthornton.co.nz)

## TO THE SHAREHOLDERS OF VISTA GROUP INTERNATIONAL LIMITED

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the company and group financial statements of Vista Group International Limited on pages 13 to 56, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Directors responsibilities

The Directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities

Our responsibility is to express an opinion on the company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the company and group financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm carries out other assignments for Vista Group International Limited and its subsidiaries in the area of taxation advice and special consultancy projects. The firm has no other interest in the company or its subsidiaries.

# INDEPENDENT AUDITOR'S REPORT CONTINUED



## Opinion

In our opinion, the financial statements on pages 13 to 56:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and group as at 31 December 2014 and their financial performance and cash flows for the year ended on that date.

## Emphasis of Matter

We draw attention to Notes 1 and 30 noting that the financial statements have been reissued to reflect the correction of a technical accounting treatment error that was present in the audited financial statements that were issued on 27 February 2015. Our opinion is not modified in respect to this matter.

## REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Per the Financial Reporting Act 1993:

- We have obtained all the information and explanations that we have required;
- In our opinion proper accounting records have been kept by Vista Group International Limited as far as appears from an examination of those records.

A handwritten signature in black ink that reads "Grant Thornton".

**Grant Thornton New Zealand Audit Partnership**  
**Auckland, New Zealand**  
**13 March 2015**

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	GROUP		COMPANY	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue	6, 10	47,158	30,493	3,550	4,350
<b>Total revenue</b>		<b>47,158</b>	<b>30,493</b>	<b>3,550</b>	<b>4,350</b>
<b>Less expenses:</b>					
Sales and marketing expenses	7	3,374	2,108	84	-
Operating expenses	7	22,552	13,329	-	-
Administration expenses	7	14,638	6,974	333	(8)
<b>Total expenses</b>		<b>40,564</b>	<b>22,411</b>	<b>417</b>	<b>(8)</b>
<b>Operating profit</b>		<b>6,594</b>	<b>8,082</b>	<b>3,133</b>	<b>4,358</b>
Less Finance costs		422	106	377	-
Plus Finance income		(625)	(90)	(449)	(1)
Less Share of loss from associate		537	251	537	-
Plus Gain resulting on revaluating the previously held equity accounted 57% share of VCL when it became a subsidiary	13	(8,500)	-	-	-
Less Impairment of goodwill at 31 December 2014 that was initially recognised when VCL became a subsidiary	16	8,500	-	-	-
<b>Profit before tax</b>		<b>6,260</b>	<b>7,815</b>	<b>2,668</b>	<b>4,359</b>
Less tax expense	8	2,523	2,096	123	31
<b>Profit for the year</b>		<b>3,737</b>	<b>5,719</b>	<b>2,545</b>	<b>4,328</b>
Other comprehensive income					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		81	(5)	-	-
<b>Total Comprehensive Income for the year</b>		<b>3,818</b>	<b>5,714</b>	<b>2,545</b>	<b>4,328</b>
Attributable to:					
Owners of the Parent		3,994	5,714	2,545	4,328
Non-controlling interests		(176)	-	-	-
		<b>3,818</b>	<b>5,714</b>	<b>2,545</b>	<b>4,328</b>
<b>Earnings per share</b>					
Basic and diluted (cents per share)		5.9	9.6		

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		SHARE CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE- BASED PAYMENTS RESERVE	TOTAL ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	NON- CONTROLLING INTERESTS	TOTAL EQUITY
	NOTE	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>GROUP</b>								
<b>Balance at 1 January 2014</b>		<b>1,100</b>	<b>11,273</b>	<b>(40)</b>	<b>-</b>	<b>12,333</b>	<b>-</b>	<b>12,333</b>
Profit for the year		-	3,913	-	-	3,913	(176)	3,737
Other comprehensive income		-	-	81	-	81	-	81
Total comprehensive income		-	3,913	81	-	3,994	(176)	3,818
Issue of share capital		44,852	-	-	-	44,852	7,851	52,703
Share-based payments	28	-	-	-	1,013	1,013	-	1,013
Dividends	20	-	(3,500)	-	-	(3,500)	-	(3,500)
Acquisition of non-controlling interests		-	-	(470)	-	(470)	-	(470)
<b>Balance at 31 December 2014</b>		<b>45,952</b>	<b>11,686</b>	<b>(429)</b>	<b>1,013</b>	<b>58,222</b>	<b>7,675</b>	<b>65,897</b>
<b>GROUP</b>								
<b>Balance at 1 January 2013</b>		<b>1,100</b>	<b>9,958</b>	<b>(35)</b>	<b>-</b>	<b>11,023</b>	<b>-</b>	<b>11,023</b>
Profit for the year		-	5,719	-	-	5,719	-	5,719
Other comprehensive income		-	-	(5)	-	(5)	-	(5)
Total comprehensive income		-	5,719	(5)	-	5,714	-	5,714
Issue of share capital		-	-	-	-	-	-	-
Share-based payments	28	-	-	-	-	-	-	-
Dividends	20	-	(4,404)	-	-	(4,404)	-	(4,404)
<b>Balance at 31 December 2013</b>		<b>1,100</b>	<b>11,273</b>	<b>(40)</b>	<b>-</b>	<b>12,333</b>	<b>-</b>	<b>12,333</b>

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2014

		SHARE CAPITAL	RETAINED EARNINGS	SHARE- BASED PAYMENTS RESERVE	TOTAL ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	NON- CONTROLLING INTERESTS	TOTAL EQUITY
	NOTE	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>COMPANY</b>							
<b>Balance at 1 January 2014</b>		<b>1,100</b>	<b>5,556</b>	<b>-</b>	<b>6,656</b>	<b>-</b>	<b>6,656</b>
Profit for the year		-	2,545	-	2,545	-	2,545
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	2,545	-	2,545	-	2,545
Issue of share capital		44,852	-	-	44,852	-	44,852
Share-based payments	28	-	-	1,013	1,013	-	1,013
Acquisition of non-controlling interests		-	(462)	-	(462)	-	(462)
Dividends	20	-	(3,500)	-	(3,500)	-	(3,500)
Supplementary FITC payment on dividend		-	(52)	-	(52)	-	(52)
<b>Balance at 31 December 2014</b>		<b>45,952</b>	<b>4,087</b>	<b>1,013</b>	<b>51,052</b>	<b>-</b>	<b>51,052</b>
<b>COMPANY</b>							
<b>Balance at 1 January 2013</b>		<b>1,100</b>	<b>5,631</b>	<b>-</b>	<b>6,731</b>	<b>-</b>	<b>6,731</b>
Profit for the year		-	4,328	-	4,328	-	4,328
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	4,328	-	4,328	-	4,328
Issue of share capital		-	-	-	-	-	-
Share-based payments	28	-	-	-	-	-	-
Dividends	20	-	(4,403)	-	(4,403)	-	(4,403)
<b>Balance at 31 December 2013</b>		<b>1,100</b>	<b>5,556</b>	<b>-</b>	<b>6,656</b>	<b>-</b>	<b>6,656</b>

The accompanying notes form part of these financial statements



# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTE	GROUP		COMPANY	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	34	30,746	3,436	20,983	66
Trade and other receivables	11	21,898	11,206	6,112	-
Income tax receivable		231	-	102	25
<b>Total current assets</b>		<b>52,875</b>	<b>14,642</b>	<b>27,197</b>	<b>91</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	14	2,047	1,102	-	-
Investment in subsidiary	12	-	-	33,788	6,527
Investment in associates	12	-	2,528	-	-
Intangible assets	15	6,345	86	-	-
Goodwill	16	33,716	5,446	-	-
Deferred tax asset	9	-	145	-	43
<b>Total non-current assets</b>		<b>42,108</b>	<b>9,307</b>	<b>33,788</b>	<b>6,570</b>
<b>Total assets</b>		<b>94,933</b>	<b>23,949</b>	<b>60,985</b>	<b>6,661</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	16,885	9,908	-	5
Constructive obligations - associates	12	50	-	44	-
Income tax payable		735	6	-	-
Loans and borrowings	18	-	1,203	-	-
<b>Total current liabilities</b>		<b>17,670</b>	<b>11,117</b>	<b>44</b>	<b>5</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans and borrowings	18	4,671	499	4,671	-
Deferred consideration	13	5,218	-	5,218	-
Deferred tax liability	9	1,527	-	-	-
<b>Total non-current liabilities</b>		<b>11,416</b>	<b>499</b>	<b>9,889</b>	<b>-</b>
<b>Total liabilities</b>		<b>29,086</b>	<b>11,616</b>	<b>9,933</b>	<b>5</b>
<b>Net assets</b>		<b>65,897</b>	<b>12,333</b>	<b>51,052</b>	<b>6,656</b>
<b>EQUITY</b>					
Equity attributable to owners of the Parent:					
Share capital	22	45,952	1,100	45,952	1,100
Retained earnings		11,686	11,273	4,087	5,556
Foreign currency translation reserve		(429)	(40)	-	-
Share-based payment reserve	28	1,013	-	1,013	-
<b>Total equity attributable to owners of the Parent</b>		<b>58,222</b>	<b>12,333</b>	<b>51,052</b>	<b>6,656</b>
Non-controlling interests		7,675	-	-	-
<b>Total equity</b>		<b>65,897</b>	<b>12,333</b>	<b>51,052</b>	<b>6,656</b>

The accompanying notes form part of these financial statements

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	GROUP		COMPANY	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash was provided from:					
Receipts from customers		47,694	27,057	50	128
Dividends received		-	-	3,500	4,250
Interest received		459	90	450	-
		48,153	27,147	4,000	4,378
Cash was applied to:					
Operating expenses		(39,265)	(21,407)	(601)	46
Taxes paid		(2,028)	(2,789)	(155)	-
Interest paid		(177)	(106)	(49)	(1)
Listing costs		(1,826)	-	-	-
		(43,296)	(24,302)	(805)	45
<b>Net cash from operating activities</b>	21	<b>4,857</b>	<b>2,845</b>	<b>3,195</b>	<b>4,423</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash was applied to:					
Purchase of property, plant and equipment		(903)	(780)	-	-
Purchase of intangible assets		(184)	(72)	-	-
Purchase of non-controlling interests		-	-	-	-
Purchase of investments	13	(12,408)	(2,354)	(440)	-
Advance to associate		(1,500)	-	(1,500)	-
<b>Net cash applied to investing activities</b>		<b>(14,995)</b>	<b>(3,206)</b>	<b>(13,908)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Cash was provided from:					
Issue of ordinary shares		37,978	-	37,978	-
Drawdown of bank loans		4,839	-	4,839	-
Cash was applied to:					
Repayment of bank loans		(1,869)	(122)	-	-
Transaction costs on issue of shares		-	-	-	-
Dividends paid to owners of the Parent		(3,500)	(4,404)	(3,500)	(4,404)
Intercompany advances		-	-	(7,518)	-
<b>Net cash provided by financing activities</b>		<b>37,448</b>	<b>(4,526)</b>	<b>31,799</b>	<b>(4,404)</b>
<b>Net movement in cash held</b>		<b>27,310</b>	<b>(4,887)</b>	<b>21,086</b>	<b>19</b>
Cash balance at 1 January		3,436	8,328	66	47
Foreign exchange differences		-	(5)	(169)	-
<b>Cash balance at 31 December</b>		<b>30,746</b>	<b>3,436</b>	<b>20,983</b>	<b>66</b>

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The audited consolidated financial statements of Vista Group International Limited and its subsidiaries (collectively the Group) for the year ended 31 December 2014 were originally approved for issue by the Board of Directors on 27 February 2015 but they were reissued on 13 March 2015 following confirmation of a technical accounting treatment error. Additional details are provided in Note 30 which explains subsequent events.

Vista Group International Limited (the Company or the Parent) is a profit orientated company incorporated and domiciled in New Zealand, and whose shares are publicly traded on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). Vista Group International Limited completed an IPO in August 2014. The Company was previously called Vista Group Limited and before that, VSource Investments Limited. The Company changed its name to Vista Group International Limited on 18 June 2014.

The principal activity of the Group is the sale, support and associated custom development of the Vista Software for the cinema exhibition industry, an online cinema ticketing website and online data analysis and marketing.

## 2. STATEMENT OF COMPLIANCE

The financial statements for the Company and Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP the Company and Group are tier 1 for-profit entities as defined by the External Reporting Board in its *Accounting Standards Framework*.

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards (IFRS).

## 3. CHANGES IN ACCOUNTING POLICY

### 3.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There have been no new and revised accounting standards, interpretations or amendments effective during the year which have a material impact on the Group's accounting policies or disclosures.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards when they become effective.

	APPLICATION DATE OF STANDARDS	IMPACT ON GROUP FINANCIAL STATEMENTS	APPLICATION DATE FOR THE GROUP
NZ IFRS 9 (2014) <i>Financial Instruments</i> The New Zealand Accounting Standards Board (NZASB) issued the completed version of NZ IFRS 9 <i>Financial Instruments</i> , bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and all previous versions of NZ IFRS 9.	1 January 2018	The Directors are currently evaluating the impact of the new standard	1 January 2018

	APPLICATION DATE OF STANDARDS	IMPACT ON GROUP FINANCIAL STATEMENTS	APPLICATION DATE FOR THE GROUP
<p>NZ IFRS 15 <i>Revenue from Contracts with Customers</i></p> <p>NZ IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.</p> <p>The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p>	1 January 2017	The Directors are currently evaluating the impact of the new standard	1 January 2017
<p>Amendments to NZ IFRS 11 <i>Joint Arrangements: Accounting for Acquisitions of Interests</i></p> <p>The amendments to NZ IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant NZ IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to NZ IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.</p>	1 January 2016	The Directors are currently evaluating the impact of the new standard	1 January 2016

All other standards, interpretations and amendments approved but not yet effective in the current period are either not applicable to the Group or are not expected to have a material impact on the Group's financial statements and therefore have not been included in the analysis above.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost except for deferred consideration which is accounted for at fair value.

### 4.2 BASIS OF CONSOLIDATION

The Group's financial statements consolidate those of the company, Vista Group International Limited, and its subsidiaries as at 31 December 2014. A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss within the Statement of Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All subsidiaries have a reporting date of 31 December.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

In preparing the consolidated financial statements, all inter entity balances and transactions and unrealised profits and losses arising within the consolidated entity have been eliminated in full.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries to the amounts of the company and the non-controlling interests based on their ownership interests.

### 4.3 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

On initial recognition, the assets and liabilities of the acquired subsidiary are included in the Statement of Financial Position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Company's and Group's accounting policies.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss within the Statement of Comprehensive Income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with change in fair value recognised in either profit or loss to other comprehensive income within the Statement of Comprehensive Income.

Goodwill is initially measured at cost, being the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets, including identified intangible assets, of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss within the Statement of Comprehensive Income immediately after acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually irrespective of whether there is any indication of impairment. Any impairment is recognised in profit or loss within the Statement of Comprehensive Income. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The financial statements of the subsidiaries are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

### 4.4 INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## 4.5 FOREIGN CURRENCY

The financial statements are presented in New Zealand Dollars (NZD), which is the Company's and Group's functional currency. All financial information presented in NZD has been rounded to the nearest thousand dollars (\$'000).

### Transactions and balances

Transactions in foreign currencies that are settled in the accounting period are translated at the exchange rates prevailing at the dates of the transactions (spot exchange rate). Transactions in foreign currency that are not settled in the reporting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to NZD at period end exchange rates. Foreign exchange differences arising on their translation are recognised in the profit or loss within the Statement of Comprehensive Income.

### Group companies

On consolidation, the assets and liabilities of foreign operations are translated into NZD at the rate of exchange prevailing at the reporting date and items within the Statement of Comprehensive Income are translated at average exchange rates prevailing at the dates of the transactions. Any exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the cumulative translation differences recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into NZD at the closing rate.

## 4.6 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

### Sale of goods

Sale of goods comprises the sale of computer software licences and is recognised when the significant risks and rewards of ownership have been transferred by making the software usable to the licensee. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible non implementation and return of the software.

### Rendering of services

Services comprise of maintenance, service and development fees.

The amount of the selling price associated with the maintenance agreement is deferred and recognised as revenue over the period during which the service is performed. This deferred income is included in trade and other payables.

Service and development fees are one off charges and the revenue is recognised when the service is incurred.

### Interest income

Interest income is recognised as it accrues, using the effective interest method.

### Dividend income

Dividend income is recognised on the date the dividend is declared.

## 4.7 WARRANTIES

A liability for warranties is recognised when products are sold if a warranty is included with the sale. The amount of the liability is estimated using the Group's historical or published New Zealand industry data. If no data exists reasonable estimates are made. If a reasonable estimate cannot be made then no liability is recognised. Any changes to the liability are recognised in the profit or loss within the Statement of Comprehensive Income.

## 4.8 GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item it is recognised as a deduction against that cost on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 4.9 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Company or Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial liabilities are recognised initially at fair value and, in the case of loan and borrowings and payables, net of directly attributable transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

### Financial assets

For the purpose of subsequent measurement, financial assets are classified into only one category upon initial recognition: loans and receivables.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Criteria to determine impairment are described below:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less allowance for impairment. The Company's and Group's Trade and Related party receivables fall into this category of financial instruments.

Trade and other receivables are considered for impairment when there is objective evidence that the Company and Group will not be able to collect all amounts due according to their original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

If there is objective evidence that impairment exists for individual loans and receivables, the impairment loss is calculated as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows using the original effective interest rate. Receivables with a short duration are not discounted.

The Company and Group use an allowance account to reduce the carrying amount of trade and other receivables that are considered to be impaired (or in the case of a reversal of a write-down because of an event occurring after the impairment was recognised, an increase), unless there is no reasonable possibility of recovering any cash from the debtor.

### Financial liabilities

The Company's and Group's financial liabilities include loans and borrowings and trade and other payables.

All financial liabilities are measured subsequently at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company or Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Borrowing costs are expensed as incurred, unless they are directly attributable to the acquisition, construction or production of an asset.

Trade and other payables represent liabilities for goods and services provided to the Company and Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## 4.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

#### 4.11 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company or Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss within the Statement of Comprehensive Income as incurred.

Depreciation is provided on fixtures, fittings, computers and software. Depreciation is recognised in the profit or loss to write off the cost of an item of property, plant and equipment, less any residual value, over its expected useful life:

- Fixtures and fittings                      5 to 7 years straight line
- Computer equipment                      2.5 years straight line

#### 4.12 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment.

##### Development costs

Costs associated with maintaining computer software programmes are recognised as an expense within profit or loss in the Statement of Comprehensive Income as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when all of the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use
- management intends to complete the software product and use or sell it
- there is an ability to use or sell the software product
- it can be demonstrated how the software product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available, and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

##### Other intangible assets

Other intangible assets are amortised straight line over the following useful economic lives:

- Intellectual property                      10 to 15 years
- Customer relationships                      10 years
- Software licences                          2.5 years



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 4.13 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits, including holiday entitlement and sick leave, are current liabilities included in Trade and other payables, measured at the undiscounted amount that the Company and Group expects to pay as a result of the unused entitlement. A defined contribution plan is a post-employment benefit plan. The Group pays fixed contributions to an independent entity for certain employees during their employment. The Group have no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to several plans and insurances for individual employees that are considered defined contribution plans. Contributions to the plans are recognised as an expense in the year that relevant employee services are received.

## 4.14 EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in Trade and other payables when the dividends have been approved.

All transactions with owners of the Parent are recorded separately within equity.

## 4.15 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company or Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Company or Group that do not yet meet the recognition criteria of an asset are considered contingent assets. In a business combination contingent liabilities would be recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

## 4.16 LEASED ASSETS

All leases are treated as operating leases. Associated costs, such as maintenance and insurance, are expensed as incurred in profit or loss within the Statement of Comprehensive Income.

## 4.17 IMPAIRMENT TESTING OF GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of the Group's goodwill, intangible assets and property plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss within the Statement of Comprehensive Income.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### **4.18 INCOME TAXES**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, both in New Zealand and offshore jurisdictions.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss within the Statement of Comprehensive Income, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

#### **4.19 EARNINGS PER SHARE**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders outstanding, adjusted for shares held, for the effects of all dilutive potential ordinary shares, which comprise ordinary share settlement arrangement associated with the deferred acquisition of Virtual Concepts Limited (see note 20).

#### **4.20 SHARE-BASED PAYMENTS**

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The share-based payments comprise of gifted shares and shares that have been sold to employees for consideration less than fair value. No service or performance conditions are attached to these share-based payments.

The cost of equity-settled share-based payment transactions is determined by the fair value at the date when the grant is made using the listed share price (or an approximation if listed share price is not available) at the grant date.

That cost is recognised in profit and loss within the Statement of Comprehensive Income, together with a corresponding increase in the share based payment reserve in equity.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 5. CRITICAL ESTIMATES AND JUDGMENTS USED IN APPLYING ACCOUNTING POLICIES

### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

### Goodwill

Goodwill only arises in business combinations. The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement (see note 16).

NZ IFRS requires that goodwill is tested for impairment at least annually.

To determine if goodwill is impaired, the carrying value of the identified Cash Generating Unit (CGU) to which the goodwill is allocated, including the allocated goodwill, is compared to its recoverable amount. Recoverable amount in these circumstances is defined as the higher of the CGU's fair value less costs to sell and its value in use. Value in use is the present value of expected future cash flows from the CGU.

Goodwill has been allocated to CGU. This is the lowest level at which goodwill is monitored for internal management reporting purposes.

In determining the recoverable amount of each CGU the value in use calculation is based on a discounted cash flow approach.

Determination of appropriate cash flows and discount rates for the calculation of value in use is subjective and requires a number of assumptions and estimates to be made, including growth in net profit, timing and quantum of future capital expenditure, long term growth rates and the selection of discount rates to reflect the risks involved.

Other factors taken into account when testing goodwill for impairment include:

- actual financial performance against budgeted financial performance
- any material unfavourable operational factors and regulatory factors, and
- any material unfavourable economic outlook and market competitive factors.

The key assumptions made in determining the value in use calculations are included in Note 16 as it was not possible to determine the recoverable amount using the fair value less costs to sell approach.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and, hence, results.

Goodwill impairment testing undertaken at 31 December 2014 and 31 December 2013, except for Virtual Concepts Limited (see note 16), none of the goodwill allocated to each CGU had been impaired.

### Non consolidation of Virtual Concepts Limited

Prior to the Group acquiring the share capital that it did not then own in Virtual Concepts Limited in August 2014 the Group owned 57% of the share capital. The investment was classified as an associate under NZ IFRS 10 due to the Group not having control over Virtual Concepts Limited as a result of a shareholder agreement and no provision to a casting vote when decisions are made by Directors.

The equity method of accounting was used to prepare the consolidated financial statements. Prior to the adoption of NZ IFRS 10, that came in to effect for accounting periods beginning on or after 1 January 2013, the Group's interest in Virtual Concepts Limited were fully consolidated.

### Fair value of the deferred consideration on the acquisition of Virtual Concepts Limited

Part of the consideration payable to acquire the remaining 43% of the share capital of Virtual Concepts Limited was deferred contingent consideration split into two tranches. The first tranche is payable 1 April 2016 and the second tranche is payable on 1 April 2017.

The value of the deferred contingent consideration payable is based on several performance based criteria of Virtual Concepts Limited for the financial periods ending 31 December 2014, 2015 and 2016. The deferred contingent consideration was capped at \$9.8million.

The fair value of the consideration on acquisition was assessed by using a probability weighted average of all possible outcomes.

To reflect the time value of money the consideration has been discounted to a fair value at a discount rate of 8%.

At the date of acquisition the fair value of the deferred contingent consideration was determined to be \$5.9 million, discounted to \$4.9 million.

At the current reporting date the fair value of the deferred contingent consideration was reassessed and a portion of the discounting reversed. The fair value of the deferred contingent consideration at 31 December 2014 was \$5.2 million.

Further details of the assumptions used to determine the fair value of the deferred contingent consideration are disclosed in Note 13.

## 6. REVENUE

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Services	9,283	4,179	-	-
Maintenance	21,085	13,931	-	-
Products	16,790	12,052	-	-
Dividend received	-	1	3,500	4,250
Other	-	330	50	100
<b>Total operating revenue</b>	<b>47,158</b>	<b>30,493</b>	<b>3,550</b>	<b>4,350</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 7. EXPENSES

### 7.1 AUDITOR'S REMUNERATION INCLUDED IN ADMINISTRATION EXPENSES

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Auditing financial statements	121	73	-	-
Other assurance work	130	2	-	-
Half-year review	16	-	-	-
Tax return preparation	35	16	-	-
<b>Total auditor's remuneration</b>	<b>302</b>	<b>91</b>	<b>-</b>	<b>-</b>

Included in other assurance work is \$114,216 of fees that related to assurance services provided in respect of the issue of the Group prospectus that were allocated to issue costs expense in the Statement of Comprehensive Income and as a deduction against new share capital raised.

### 7.2 EMPLOYEE BENEFITS EXPENSE INCLUDED IN OPERATING AND ADMINISTRATION EXPENSES

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Wages and salaries	24,860	13,788	-	-
Share-based payment expense	1,013	-	-	-
Defined contribution plans	326	222	-	-
<b>Total employee benefits</b>	<b>26,199</b>	<b>14,010</b>	<b>-</b>	<b>-</b>

### 7.3 OTHER EXPENSES

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Included in finance income:</b>				
Net foreign exchanges differences	(166)	(77)	119	-
<b>Included in administration expenses:</b>				
Depreciation (Note 14)	537	297	-	-
Amortisation and impairment of intangible assets (Note 15)	469	39	-	-
Lease payments recognised as an operating lease expense	1,040	1,250	-	-

## 8. INCOME TAX

The relationship between the expected tax expense based on the domestic effective tax rate of Vista Group International Limited at 28% (2013: 28%) and the reported tax expense in the Statement of Comprehensive Income can be reconciled as follows, also showing major components of tax expense:

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Profit before tax	6,260	7,815	2,668	4,359
Exempt income – inter group dividends	-	-	(3,500)	(4,250)
Taxable income	6,260	7,815	(832)	109
Domestic tax rate for Vista Group International Limited	28%	28%	28%	28%
<b>Expected tax expense / (benefit)</b>	<b>1,753</b>	<b>2,188</b>	<b>(233)</b>	<b>31</b>
Foreign subsidiary company tax	47	(21)	-	-
Non-assessable income/non-deductible expenses	878	20	326	-
Prior period adjustment	(61)	86	30	-
Other	7	68	-	-
Deferred taxation not previously recognised	(101)	(102)	-	-
Benefit of deferred tax not recognised	-	(224)	-	-
Tax losses not recognised	-	81	-	-
<b>Actual tax expense</b>	<b>2,523</b>	<b>2,096</b>	<b>123</b>	<b>31</b>
<b>TAX EXPENSE COMPRISES:</b>				
Current tax expense	2,508	2,164	80	-
Deferred tax expense	15	(68)	43	31
<b>Tax expense</b>	<b>2,523</b>	<b>2,096</b>	<b>123</b>	<b>31</b>

Vista Entertainment Solutions Limited and Vista Group International Limited have formed an imputation credit group. As at 31 December 2014, the total group has \$1,030,170 (2013: \$3,007,382) of imputation credits available for use in subsequent reporting periods.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 9. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

	OPENING BALANCE	ACQUIRED AS PART OF A BUSINESS COMBINATION	RECOGNISED IN OTHER COMPREHENSIVE INCOME	RECOGNISED IN STATEMENT OF FINANCIAL PERFORMANCE	CLOSING BALANCE
<b>GROUP 2014</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade debtors and other receivables	17	-	-	16	33
Employee provisions	87	-	-	73	160
Other financial assets	(2)	-	-	(369)	(371)
Intangible assets	-	(1,657)	-	104	(1,553)
Unused tax losses	43	-	-	161	204
<b>Deferred tax temporary asset/(liability)</b>	<b>145</b>	<b>(1,657)</b>	<b>-</b>	<b>(15)</b>	<b>(1,527)</b>

	OPENING BALANCE	RECOGNISED IN OTHER COMPREHENSIVE INCOME	RECOGNISED IN STATEMENT OF FINANCIAL PERFORMANCE	CLOSING BALANCE
<b>COMPANY 2014</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Unused tax losses	43	-	(43)	-
<b>Deferred tax temporary asset/(liability)</b>	<b>43</b>	<b>-</b>	<b>(43)</b>	<b>-</b>

	OPENING BALANCE	RECOGNISED IN OTHER COMPREHENSIVE INCOME	RECOGNISED IN STATEMENT OF FINANCIAL PERFORMANCE	CLOSING BALANCE
<b>GROUP 2013</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade debtors and other receivables	-	-	17	17
Employee provisions	-	-	87	87
Other financial assets	-	-	(2)	(2)
Unused tax losses	74	-	(31)	43
<b>Deferred tax temporary asset/(liability)</b>	<b>74</b>	<b>-</b>	<b>71</b>	<b>145</b>

	OPENING BALANCE	RECOGNISED IN OTHER COMPREHENSIVE INCOME	RECOGNISED IN STATEMENT OF FINANCIAL PERFORMANCE	CLOSING BALANCE
<b>COMPANY 2013</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Used tax losses	74	-	(31)	43
<b>Deferred tax temporary asset/(liability)</b>	<b>74</b>	<b>-</b>	<b>(31)</b>	<b>43</b>

## 10. SEGMENT REPORTING

The Group operates in a single vertical film/cinema market and is structured through operating subsidiaries that report monthly to the Chief Executive. The Chief Executive is considered to be the chief operating decision maker in terms of NZ IFRS 8 *Operating Segments*. Revenue is reported via three main sources – Product, Maintenance, and Services and there is no material indirect revenue source. No allocation of costs or assets is made against these revenue groups that would enable disclosure of segmented information in this way. Geographical information is prepared on non-financial indicators for internal management but not to the extent of full revenue and cost analysis.

On this basis the only segmental information that is prepared and available is the revenues as disclosed in the financial statements and notes. Should the operation of the Group expand to wider market segments and/or the internal reporting needs expanding, more detailed segmental reporting will be required and this change will be reflected and the segment analysis prepared and included in the financial statements.

Revenue is allocated to geographical segments on the basis of where the sale is recorded by each operating entity within the Group. Independent resellers are used to promote the Vista products in multiple jurisdictions. The revenues recognised via these independent resellers are not allocated geographically rather they are shown within the Oceania Segment.

REVENUE	GROUP	
	2014 \$'000	2013 \$'000
Oceania	11,714	7,492
Asia	6,981	2,633
Americas	13,750	11,048
Europe/Africa	14,713	9,320
<b>Total external revenue</b>	<b>47,158</b>	<b>30,493</b>

No customers exceeded 10% of revenue in 2014 or 2013.

Non-current operating assets by location are presented in the following table:

NON-CURRENT OPERATING ASSETS	GROUP	
	2014 \$'000	2013 \$'000
Oceania	24,886	8,825
Asia	64	4
Americas	259	264
Europe/Africa	16,849	214
<b>Total non-current operating assets</b>	<b>42,058</b>	<b>9,307</b>



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 11. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade receivables	18,778	10,496	-	-
Sundry receivables	819	268	-	-
Prepayments	696	205	-	-
Related party receivables – trading	1,605	237	6,112	-
<b>Total trade and other receivables</b>	<b>21,898</b>	<b>11,206</b>	<b>6,112</b>	<b>-</b>

The Group has recognised a loss of \$261,000 (2013: \$25,878) in respect of bad and doubtful trade receivables during the year ended 31 December 2014. The loss has been included in administration expenses. The impairment allowance included in Trade receivables as at 31 December 2014 was \$444,000 (2013: \$162,469).

## 12. GROUP INFORMATION

### INVESTMENT IN SUBSIDIARIES

The financial statements of the Group include:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	SHAREHOLDING		COMPANY	
			2014 %	2013 %	2014 \$'000	2013 \$'000
Vista Entertainment Solutions Limited	Software development and licensing	New Zealand	100	100	6,527	6,527
Virtual Concepts Limited	Provision of online loyalty data analytics and marketing	New Zealand	100	57	18,308	-
Movio Limited	Provision of online loyalty data analytics and marketing	New Zealand	100	-	-	-
Movio (USA) Inc	Non-trading	USA	100	-	-	-
MACCS International BV	Software development and licensing	Netherlands	50.1	-	8,953	-
VBFFHub GmbH	Digital film distribution royalty management	Germany	45	-	-	-
Vista Entertainment Solutions (UK) Limited	Software licensing	England	100	100	-	-
Vista Entertainment Solutions (USA) Inc	Software licensing	USA	100	100	-	-
Vista Entertainment Solutions Ltd, Shanghai	Software licensing	China	100	100	-	-
Book My Show Limited	Online cinema ticketing website	New Zealand	74	100	-	-
Book My Show (NZ) Limited	Online cinema ticketing website	New Zealand	74	100	-	-
Vista Group Limited	Dormant	New Zealand	100	-	-	-
					<b>33,788</b>	<b>6,527</b>

Financial information of subsidiaries that have material non-controlling interests are provided below (in \$000's):

### PROPORTION OF EQUITY INTEREST HELD BY NON-CONTROLLING INTERESTS

NAME	COUNTRY OF INCORPORATION & OPERATION	2014
MACCS International BV	The Netherlands	49.9%

### ACCUMULATED BALANCES OF MATERIAL NON-CONTROLLING INTEREST

NAME	2014
MACCS International BV	7,640

### PROFIT/(LOSS) ALLOCATED TO MATERIAL NON-CONTROLLING INTEREST

NAME	2014
MACCS International BV	(210)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

SUMMARISED STATEMENT OF THE PROFIT OR LOSS FOR 2014	MACCS INTERNATIONAL BV
Revenue	4,234
Cost of sales	(3,305)
Administrative expenses	(1,079)
Finance costs	(5)
<b>Profit before tax</b>	<b>(155)</b>
Income tax	23
Profit for the year from continuing operations	(132)
Other comprehensive income	4
<b>Total comprehensive income</b>	<b>(128)</b>
Attributable to non-controlling interests	(66)
Dividends paid to non-controlling interests	-
<b>SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014</b>	<b>MACCS INTERNATIONAL BV</b>
Current Assets	2,026
Property, plant and equipment and other non-current financial assets (non-current)	365
Trade and other payable (current)	(1,137)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	-
<b>Total equity</b>	<b>1,254</b>
Attributable to:	
Equity holders of Parent	1,320
Non-controlling interest	(66)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### SUMMARISED CASH FLOW INFORMATION FOR YEAR ENDING 31 DECEMBER 2014

	MACCS INTERNATIONAL BV
Net cash from operating activities	(133)
Net cash from investing activities	-
Net cash from financing activities	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(133)</b>

MACCS had no contingent liabilities or capital commitments at 31 December 2014.

### INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

NAME OF THE ASSOCIATE	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD BY THE GROUP			
			2014 %	2013 %	COMPANY	
			2014 %	2013 %	2014 \$'000	2013 \$'000
Virtual Concepts Limited (VCL)	New Zealand	Provision of online loyalty data analytics and marketing	100	57	-	-
Número Limited	New Zealand	Box office analytics	50	-	(44)	-
					(44)	-

In the 2013 financial year the Group owned 57% of the shares in VCL. The investment in VCL was classified as an associate under NZ IFRS 10 due to the Group not having control over VCL. The Group's interest in VCL was accounted for using the equity method in the Group's financial statements. In August 2014 the Group acquired an additional 43% shareholding in VCL increasing its shareholding in VCL to 100% and therefore at 31 December 2014 is fully consolidated.

The Group has a 50% interest in Número Limited, which is a start-up business that is accounted for using the equity method in the consolidated financial statements. Número has a wholly owned subsidiary, Número (Aust) Pty Limited.

The following table illustrates the summarised financial information of the Group's investment in Numero Limited:

	2014 \$'000	2013 \$'000
Current assets	478	-
Non-current assets	627	-
<b>Total assets</b>	<b>1,105</b>	<b>-</b>
Current liabilities	1,605	-
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>1,605</b>	<b>-</b>
<b>Net assets</b>	<b>(500)</b>	<b>-</b>
Proportion of the Group's ownership	50.1%	-
<b>Constructive obligation to settle associate losses</b>	<b>(50)</b>	<b>-</b>
<b>Revenue</b>		
Profit / (loss) for the period	(980)	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(980)	-
Group's share of the profit for the period	(490)	-

A reconciliation of the above summarised financial information to the carrying amount of the investment in associates is set out below:

	2014 \$'000	2013 \$'000
Opening carrying value	2,528	174
Investment in associate	440	2,605
Acquisition of control in Virtual Concepts Limited	(2,528)	-
Share of loss from associate	(490)	(251)
<b>(Constructive obligation)/Investment in associate</b>	<b>(50)</b>	<b>2,528</b>

Numero Limited had no contingent liabilities or capital commitments as at 31 December 2013 and 2014.

## 13. BUSINESS COMBINATIONS

### ACQUISITIONS IN 2014

#### Acquisition of 50.1% of MACCS International BV

In April 2014, Vista Group acquired 25.1% of the share capital of MACCS International BV ("MACCS") with an option to acquire a further 25% of the shares for a total consideration of EUR5.75 million (\$9.27 million) for the 50.1%. All share capital acquired was from the existing owners of MACCS. MACCS has a 90% investment in VPF Hub GmbH; a German registered Company.

The option to acquire the 25% shareholding in MACCS was deemed to be substantive and the existing shareholders agreement provides sufficient power to the Company to determine that the Company controls MACCS from the date of the agreement. The shareholder's agreement permits the Company to make certain operating and strategic decisions, when there is a deadlock, for fixed consideration to the remaining shareholders.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Hence the results of MACCS have been consolidated from April 2014.

The fair value of the identifiable assets and liabilities of MACCS, translated at the NZD/Euro exchange rate as at the date of acquisition were:

	FAIR VALUE RECOGNISED ON ACQUISITION \$'000
Property, plant and equipment	419
Intangible assets	5,637
Trade debtors	1,181
Cash and cash equivalents	831
Other current assets	607
<b>Total Assets</b>	<b>8,675</b>
Trade creditors	475
Deferred tax liability	1,410
Other current liabilities	1,100
<b>Total Liabilities</b>	<b>2,985</b>
Total identifiable net assets at fair value	5,690
The acquisition date fair value of the non-controlling interest measured at fair value	(12,683)
Goodwill arising on acquisition (Note 16 before exchange differences)	11,911
<b>Purchase consideration transferred</b>	<b>4,918</b>
	<b>CASH FLOW ON ACQUISITION \$'000</b>
Net cash acquired with the subsidiary	831
Cash paid	(4,918)
<b>Net cash flow on acquisition</b>	<b>(4,087)</b>

The fair value of the trade receivables amounts to \$1.181 million. The gross amount of the trade receivables is \$1.250 million.

The Group elected to measure the non-controlling interest in the acquiree at fair value. The fair value of the non-controlling interest was determined by using a consistent valuation methodology used to value the controlling interest less a discount of 10% to reflect the lack of control exercised by the non-controlling interest.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of intangible assets.

From the date of acquisition until 31 December 2014 MACCS contributed \$4.234 million revenue and \$(0.155) million to net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue for the Group would have been \$48.609 million and net profit before tax for the period would have been \$6.506 million for the year ended 31 December 2014.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of MACCS with those of the Group. The goodwill, the intellectual property and customer relationship intangible assets are not deductible for income tax purposes.

Transaction costs of \$74,228 have been expensed and are included in administrative expenses in the statement of profit or loss and are part of the operating cash flows in the Statement of Cash Flows.

In September 2014 the option to acquire a further 25% of the voting share capital was exercised, increasing the Group's ownership in MACCS to 50.1%. Cash consideration of \$4.4m (EUR2.75m) was paid to the non-controlling shareholders.

### Acquisition of the remaining 43% of the share capital of Virtual Concepts

On 11 August 2014 the Group acquired the remaining 43% of the ordinary shares of Virtual Concepts Limited (VCL), an unlisted company based in New Zealand and specialising in online loyalty data analytics and marketing in exchange for cash and Group shares. VCL owns 100% of the share capital of Movio Ltd. The Group acquired a controlling interest in VCL because it complements the range of products that the Group currently offers its clients.

From the date of acquisition, VCL contributed \$2.304 million of revenue and \$0.201 million to the profit before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the latest annual reporting period, the unaudited, pro-forma revenue from continuing operations would have been \$49.270 million and the profit before tax from continuing operations for the Group would have been \$6.178 million.

The Group issued 2,924,791 ordinary shares as part consideration for the acquisition of the remaining 43% interest in Virtual Concepts Limited. The fair value of the shares was calculated with reference to the quoted price of the shares of the Company on listing date to the NZX, which was \$2.35 each. The fair value of the consideration therefore given was \$6.874 million.

Transaction costs of \$34,000 have been expensed and included in administrative expenses for the Company and Group during the period ended 31 December 2014.

The following table summarises the consideration transferred to acquire VCL and the amounts of identified assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest in VCL at the acquisition date.

The fair value of the purchase consideration transferred and determination of goodwill:

	\$'000
Cash	3,946
Shares issued at fair value	6,874
Cash/Shares - contingent deferred consideration (see below)	5,009
<b>Purchase consideration transferred</b>	<b>15,829</b>
The acquisition date fair value of the equity interest in the acquiree by the acquirer immediately before the acquisition date	10,982
Acquisition date fair value of identifiable assets	(1,346)
<b>Goodwill</b>	<b>25,465</b>

### Contingent consideration

As part of the purchase agreement with the previous owners of VCL, a contingent consideration amount has been agreed.

There will be additional cash and share payments to the previous owners of VCL depending on the business meeting certain performance criteria in the 2014, 2015 and 2016 financial periods. The deferred consideration is split into two tranches, with the first tranche payable on 31 March 2016 and the second tranche payable 31 March 2017.

The consideration is payable in cash and shares, with a minimum of 30% payable in cash. However the Group has the flexibility to increase the percentage of cash payable to between 30% and 100%. The maximum gross contingent consideration payable is \$9.75 million.

As at the acquisition date, the gross liability was \$5.9 million, which was discounted by \$1.0 million to give a net fair value of the contingent consideration of \$4.9 million. A discount rate of 8% was used.

A significant increase (decrease) in the probability of VCL achieving the performance targets would result in higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate and own non-performance risk would result in lower (higher) fair value of the liability.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A reconciliation of the initial fair value measurement of the contingent consideration liability and what has been reported at the balance date is provided below:

<b>DEFERRED CONSIDERATION</b>	<b>\$'000</b>
Liability recognised at the date of the business combination	4,946
Unwinding of discount during the reporting period (including in interest expense)	272
As at 31 December 2014	5,218

As of 31 December 2014 there were no changes in the recognised amounts or range of outcomes for the contingent consideration recognised as a result of VCL.

### ASSETS ACQUIRED AND LIABILITIES ASSUMED

The fair values of the identifiable assets and liabilities of VCL as at the date of acquisition were:

<b>ASSETS</b>	<b>FAIR VALUE RECOGNISED ON ACQUISITION \$'000</b>
Property, plant and equipment	168
Cash and cash equivalents	465
Trade receivables	587
Other current assets	391
Intangible assets	1,169
<b>Total Assets</b>	<b>2,780</b>
Trade payables	84
Other current liabilities	1,023
Deferred tax liability	327
<b>Total Liabilities</b>	<b>1,434</b>
<b>Total identifiable net assets at fair value</b>	<b>1,346</b>
The acquisition date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date	(10,982)
Goodwill arising on acquisition (Note 16)	25,465
<b>Purchase consideration transferred</b>	<b>15,829</b>
	<b>CASH FLOW ON ACQUISITION \$'000</b>
Net cash acquired with the subsidiary	465
Cash paid	(3,946)
<b>Net cash flow on acquisition</b>	<b>(3,481)</b>

The fair value of the assets acquired includes trade receivables of \$0.587 million.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of intangible assets.

The goodwill of \$25.465 million comprises the value of expected revenue synergies arising from the acquisition. None of the goodwill or the intangible assets recognised are expected to be deductible for income tax purposes.

As a result of the entity obtaining control over VCL, the Company's previously held 57% is required under NZ IFRS 3 Business Combinations to be re-measured to its fair value. This technical accounting requirement results in a one-off gain of \$8.5 million having to be recognised in profit or loss within the Statement of Comprehensive Income. In turn this transaction requires the Group to recognise an additional \$8.5 million of goodwill. However, as required by NZ IAS 36 Impairment of Assets, after taking into consideration another four months of trading activity and wider developments within the industry sector, the amount of goodwill initially recognised was subjected to an impairment test at 31 December 2014 (see Note 16).

The fair value of the non-controlling interest in VCL, was based on a valuation using revenue multiples for annual recurring and non-recurring forecast revenue as appropriate for a SaaS (Software as a Service) business in the IT sector, allowing for adjustments due to the lack of control or marketability of the non-controlling interest.

VCL has no contingent liabilities or capital commitments at 31 December 2014, and the purchase price allocation process has been completed, subject to any final adjustments that might arise within the 12 month of the acquisition date as provided for in NZ IFRS 3.

	GROUP	
	2014 \$'000	2013 \$'000
Net cash paid on acquisition of MACCS	(4,087)	-
Net cash paid on acquisition of VCL	(3,481)	-
<b>Net cash paid at time of acquisition of controlling interest in subsidiaries</b>	<b>(7,568)</b>	<b>-</b>
Cash paid on acquisition of a further 25% of MACCS	(4,400)	-
<b>Net cash paid for acquisition of interests in subsidiaries</b>	<b>(11,968)</b>	<b>-</b>
Net cash paid for acquisition of associates	(440)	(2,354)
<b>Total purchase of investments</b>	<b>(12,408)</b>	<b>(2,354)</b>



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 14. PROPERTY, PLANT AND EQUIPMENT

	FIXTURES AND FITTINGS	COMPUTER EQUIPMENT	TOTAL
	\$'000	\$'000	\$'000
<b>GROUP 2014</b>			
<b>GROSS CARRYING AMOUNT</b>			
Balance 1 January	1,098	1,451	2,549
Additions	473	430	903
Acquisition through business combinations	591	543	1,134
Disposals	-	-	-
Exchange differences	(7)	(11)	(18)
Balance 31 December	2,155	2,413	4,568
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>			
Balance 1 January	(447)	(1,000)	(1,447)
Current year depreciation	(142)	(395)	(537)
Acquisition through business combinations	(228)	(318)	(546)
Depreciation written back on disposal	-	-	-
Exchange differences	5	4	9
Balance 31 December	(812)	(1,709)	(2,521)
<b>Carrying amount 31 December</b>	<b>1,343</b>	<b>704</b>	<b>2,047</b>

## GROUP 2013

### GROSS CARRYING AMOUNT

Balance 1 January	789	992	1,781
Additions	309	459	768
Disposals	-	-	-
Balance 31 December	1,098	1,451	2,549

### ACCUMULATED DEPRECIATION AND IMPAIRMENT

Balance 1 January	(373)	(777)	(1,150)
Current year depreciation	(74)	(223)	(297)
Disposals	-	-	-
Balance 31 December	(447)	(1,000)	(1,447)
<b>Carrying amount 31 December</b>	<b>651</b>	<b>451</b>	<b>1,102</b>

There was no impairment losses on property, plant and equipment for the Group during the year ended 31 December 2014 (2013: \$Nil).

## 15. INTANGIBLE ASSETS

	SOFTWARE LICENCES	INTELLECTUAL PROPERTY	CUSTOMER RELATIONSHIPS	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>GROUP 2014</b>				
<b>COST</b>				
Balance 1 January 2014	229	-	-	229
Additions - internally developed	184	-	-	184
Disposals	-	-	-	-
Exchange Differences	(80)	(53)	(130)	(263)
Acquisition through business combinations	1,803	1,461	3,543	6,807
Balance 31 December 2014	2,136	1,408	3,413	6,957
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
Balance 1 January 2014	(143)	-	-	(143)
Amortisation	(138)	(63)	(268)	(469)
Disposals	-	-	-	-
Impairment	-	-	-	-
Balance 31 December	(281)	(63)	(268)	(612)
<b>Carrying amount 31 December 2014</b>	<b>1,855</b>	<b>1,345</b>	<b>3,145</b>	<b>6,345</b>
<b>GROUP 2013</b>				
<b>COST</b>				
Balance 1 January 2013	157	-	-	157
Additions - internally developed	72	-	-	72
Balance 31 December 2013	229	-	-	229
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
Balance 1 January 2013	(104)	-	-	(104)
Amortisation	(39)	-	-	(39)
Balance 31 December 2013	(143)	-	-	(143)
<b>Carrying amount 31 December 2013</b>	<b>86</b>			<b>86</b>

The Group has expensed \$4,649,500 of aggregated research and development expenditure associated with software development for 2014 (2013: \$2,182,677).

There were no impairment losses associated with recognised intangible assets for the Group during the 12 month period ended 31 December 2014 (2013: \$Nil). None of the Group's intangible assets have been pledged as security for loans and borrowings.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 16. GOODWILL

The net amount of goodwill can be analysed as follows:

	GROUP	
	2014 \$'000	2013 \$'000
<b>Gross carrying amount</b>		
Opening balance	5,446	5,446
Acquired through business combinations	37,376	-
Exchange differences	(606)	-
Disposals	-	-
Closing balance	42,216	5,446
<b>Accumulated impairment</b>		
Opening balance	-	-
Impairment loss recognised on VCL	8,500	-
Closing balance	-	-
<b>Carrying amount 31 December</b>	<b>33,716</b>	<b>5,446</b>

	GROUP	
	2014 \$'000	2013 \$'000
Vista Entertainment Solutions Limited (VESL)	5,446	5,446
Virtual Concepts Limited (VCL)	16,965	-
MACCS International BV (MACCS)	11,305	-
<b>Goodwill allocation at 31 December</b>	<b>33,716</b>	<b>5,446</b>

The Directors are of the opinion that the goodwill amounts generated as a result of the business combinations above have an indefinite useful life, as the operations of entities acquired are expected to generate revenues for the group into the foreseeable future.

The Directors have carried out an annual impairment review of goodwill allocated to the CGUs, in order to ensure that recoverable amounts exceed aggregate carrying amounts. Because of the importance of this calculation in light of the technical accounting treatment error that was identified in Note 30 in relation to VCL, the Directors took independent expert advice to support certain assumptions and their assessment of the carrying amount at 31 December 2014.

Given the increase in goodwill (see note 13) the carrying amount exceeded the recoverable amounts therefore impairment had to be recognised at 31 December 2014.

Key assumptions made in determining the value in use calculation for each CGU are as follows:

### DISCOUNT RATE

A discount rate of 12% has been applied to VESL and MACCS. A discount of 16% has been applied to VCL. The difference in these discount rates represents the perceived risk of these investments. With these risk weightings, the value in use model produces a positive outcome for VESL and MACCS, and the fair value model applied to VCL results in an impairment of \$8.5 million (see Note 13).

## BUDGETED NET PROFIT

In each of the three CGUs the cash flow projections use amounts based on financial budgets and forecasts approved by the Board, covering the next 4 years for MACCS and VESL and 5 years for VCL. The budgeted revenue is based on known and targeted opportunities in each year and a conservative zero growth rate has been applied to VESL and MACCS. For VCL a 3% growth rate was assumed recognizing the future potential of this investment.

The goodwill impairment testing undertaken as at 31 December 2014 produced the following results. The sensitivity analysis showed that:

- For VESL there is no reasonable sensitivity that would result in the carrying value exceeding the recoverable amount
- For MACCS the recoverable amount exceeds the carrying amount by \$3.168 million. A 4% increase in the discount rate would result in the carrying value exceeding the recoverable amount
- For VCL the carrying amount equals its recoverable amount.

There are no other reasonable sensitivities that would result in the carrying value exceeding the recoverable amount.

## 17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade payables	912	430	-	-
Sundry accruals	2,218	1,437	-	5
Prebilled licence and maintenance income	12,210	7,075	-	-
Employee benefits	1,545	966	-	-
Related party payables - trading	-	-	-	-
<b>Total trade and other payables</b>	<b>16,885</b>	<b>9,908</b>	<b>-</b>	<b>5</b>

## 18. LOANS AND BORROWINGS

In November 2013, the Group established a \$2.0m commercial credit facility with ASB Bank Limited to fund working capital requirements. The interest rate is floating at 6.25% per annum.

In March 2014, the Group established a EUR 3.0 million facility to acquire 25.1% of the share capital of MACCS BV.

The loan facility agreement with ASB Bank Limited is secured by a general security agreement under which the Bank has a security interest in all the Group's tangible assets.

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current	-	1,203	-	-
Non-current	4,671	499	4,671	-
<b>Total loans and borrowings</b>	<b>4,671</b>	<b>1,702</b>	<b>4,671</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 19. OTHER EQUITY RESERVES

### Foreign currency translation reserve (FCTR)

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries for consolidation purposes.

### Share based payment reserve

The share based payment reserve is used to record any equity share based incentives where the value of the cash received for the equity is lower than the value of the equity at the time of the allocation of the equity. The reserve value represents the difference between the value at the time of allocation and the cash received.

## 20. EARNINGS PER SHARE AND DIVIDENDS

### Earnings per share

Both the basic and diluted earnings per share (EPS) have been calculated using the profit attributable to shareholders of the Parent as the numerator, i.e. no adjustments to profit were necessary in 2014 or 2013.

The following reflects the income and share data used in the basic and diluted EPS computations:

	GROUP	
	2014 \$'000	2013 \$'000
Profit attributable to ordinary shareholders of the Parent for basic earnings	3,994	5,714
Profit attributable to ordinary shareholders of the Parent adjusted for the effect of dilution	3,994	5,714
<b>Weighted average number of shares</b>		
Weighted average number of shares in basic earnings per share	68,123	59,750
Shares deemed to be issued for no consideration in respect of share-based payments	-	-
<b>Weighted average number of shares used in diluted earnings per share</b>	<b>68,123</b>	<b>59,750</b>

The number of shares on issue throughout 2013 was 10,000. There was a share split in July 2014 which increased the shares on issue to 59,750,000, so this number has been used in the calculation of weighted average number of shares in 2013.

No diluted EPS amounts have been provided because the ordinary share settlement arrangement that is associated with the deferred acquisition of Virtual Concepts Limited is anti-dilutive.

### Dividends

Total dividends of \$3,500,000 were declared and paid by the Company, prior to the IPO in August 2014, in the year ended 31 December 2014 (2013: \$4,350,000).

MONTH	COMPANY
	2014 \$'000
May (\$350 per share)	3,500
<b>Total dividends</b>	<b>3,500</b>
MONTH	COMPANY
	2013 \$'000
February (\$185 per share)	1,850
May (\$100 per share)	1,000
August (\$150 per share)	1,500
<b>Total</b>	<b>4,350</b>

## 21. RECONCILIATION OF NET SURPLUS TO CASH FLOWS

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Net profit / (loss) after tax</b>	<b>3,737</b>	<b>5,719</b>	<b>2,545</b>	<b>4,328</b>
<b>Non-cash items</b>				
Amortisation	469	39	-	-
Depreciation	537	297	-	-
Share based payment expense	1,013	-	-	-
Unwinding of discount on deferred consideration	209	-	209	-
Share of loss from associate	537	-	531	-
Allowance for bad debts	261	26	-	-
	<b>3,026</b>	<b>362</b>	<b>740</b>	<b>-</b>
<b>Movements in working capital</b>				
(Decrease) / increase in accounts payable	5,232	869	(63)	(39)
(Increase) / decrease in short term advance	(1,500)	99	7	100
(Increase) / decrease in accounts receivable	(6,322)	(3,435)	145	(43)
Increase / (decrease) in taxation receivable	684	(769)	(179)	77
Net change in working capital	<b>(1,906)</b>	<b>(3,236)</b>	<b>(90)</b>	<b>95</b>
<b>Net cash flows from operating activities</b>	<b>4,857</b>	<b>2,845</b>	<b>3,195</b>	<b>4,423</b>

## 22. CONTRIBUTED EQUITY

	GROUP AND COMPANY			
	2014 NO OF SHARES '000	2013 NO OF SHARES '000	2014 \$'000	2013 \$'000
<b>Shares issued and fully paid:</b>				
Beginning of the year	10	10	1,100	1,100
Share number split July 2014	59,740	-	-	-
Share issues August 2014	20,063	-	44,852	-
Share issues December 2014	160	-	-	-
<b>Total shares authorised at 31 December</b>	<b>79,973</b>	<b>10</b>	<b>45,952</b>	<b>1,100</b>

On 11 August 2014, the Company issued 20,063,089 ordinary shares to new shareholders and employees.

On 23 December 2014, the Company issued 160,000 ordinary shares to employees.

All shares are ordinary authorised, issued and fully paid shares. They all have equal voting rights and share equally in dividends and any surplus on winding up. The shares have no par value.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 23. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

### ASSUMPTIONS USED IN DETERMINING FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

#### Cash and cash equivalents

These are short term in nature and carrying value is equivalent to their fair value.

#### Trade, related party and other receivables

These assets are short term in nature and are reviewed for impairment; the carrying value approximates their fair value.

#### Trade, related party and other payables

These liabilities are short term in nature and are reviewed for impairment; the carrying value approximates their fair value.

#### Loan and advances

Fair value is estimated based on current market interest rates available for receivables of similar maturity and risk. The interest rate is used to discount future cash flows.

#### Borrowings

Borrowings have fixed and floating interest rates. Fair value is estimated using the discounted cash flow model based on a current market interest rate for similar products; the carrying value approximates their fair value.

	NOTE	GROUP		COMPANY	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial assets - fair value</b>					
Loans and receivables					
Trade receivables	11	18,778	10,496	-	-
Related party receivables - non trading	11	1,605	237	6,112	-
		<b>20,383</b>	<b>10,733</b>	<b>6,112</b>	<b>-</b>
<b>Financial liabilities - fair value</b>					
At amortised cost					
Related party payables - trading	17	-	-	-	-
Trade payables	17	912	430	-	-
Loans and borrowings	18	4,671	1,702	4,671	-
		<b>5,583</b>	<b>2,132</b>	<b>4,671</b>	<b>-</b>

## 24. OPERATING LEASE COMMITMENTS

At 31 December 2014, the Group had operating lease commitments in respect of property and equipment.

At 31 December 2014, total future minimum payments under non-cancellable operating leases were payable as follows:

	2014	2013
	TOTAL FUTURE MINIMUM PAYMENTS	TOTAL FUTURE MINIMUM PAYMENTS
GROUP	\$'000	\$'000
Less than one year	1,073	821
Between one and five years	3,900	2,374
More than five years	70	475
	<b>4,593</b>	<b>3,670</b>

  

	2014	2013
	TOTAL FUTURE MINIMUM PAYMENTS	TOTAL FUTURE MINIMUM PAYMENTS
COMPANY	\$'000	\$'000
Less than one year	-	-
Between one and five years	-	-
More than five years	-	-
	<b>-</b>	<b>-</b>

## 25. CAPITAL COMMITMENTS

There were no capital commitments for Company and Group at 31 December 2014 (2013: \$Nil).



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 26. RELATED PARTIES

The Company and Group's related parties include its subsidiaries and other related parties.

All of the related party transactions during the period were made on normal commercial terms and no amounts owed by related parties have been provided for, written off or forgiven during the period (2013: \$Nil).

The types of related party transactions undertaken during the period were dividends and directors' fees.

### 26.1 COMPANY RELATED PARTY DISCLOSURES

ENTITY	NATURE OF TRANSACTION	2014		2013	
		TRANSACTION \$'000	RECEIVABLE/ (PAYABLE) \$'000	TRANSACTION \$'000	RECEIVABLE/ (PAYABLE) \$'000
<i>Transactions with subsidiaries:</i>					
Vista Entertainment Solutions Limited	Dividends	3,500	-	4,350	-
Vista Entertainment Solutions Limited	Payments made on behalf of	-	-	-	-
Movio Limited	Intercompany Loan	272	317	(344)	45
Virtual Concepts Limited	Intercompany Loan	-	-	(97)	-
<i>Transactions with associates:</i>					
Numero Limited	Intercompany Loan	1,605	1,605	192	192

The amounts receivable/payable are unsecured and no guarantees are in place. No interest is charged on amounts owing between Group subsidiary entities. No balances receivable are impaired as at 31 December 2014 (2013: \$Nil).

### 26.2 OTHER RELATED PARTIES

During the prior year the loan to Invista Share Nominee Limited was fully repaid.

GROUP & COMPANY	NATURE OF RELATIONSHIP	2014		2013	
		TRANSACTION \$'000	RECEIVABLE/ (PAYABLE) \$'000	TRANSACTION \$'000	RECEIVABLE/ (PAYABLE) \$'000
Invista Share Nominee Limited	Common shareholders	-	-	13	-

### 26.3 COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Company and Group have a related party relationship with its key management personnel. Key management personnel include the Company's board of directors.

Key management personnel remuneration includes the following expenses:

COMPANY AND GROUP	2014 \$'000	2013 \$'000
Salaries and fees including bonuses	2,150	1,172
Share based payments:	586	-

## 27. GOVERNMENT GRANTS

During the reporting period the Group received \$677,000 (2013: \$366,325) from the New Zealand Government to assist with Research & Development. There are no unfulfilled conditions or contingencies attached to these grants.

## 28. SHARE BASED PAYMENTS

### VISTA GROUP EMPLOYEE GIFT PLAN

The Company offered to eligible employees a limited number of fully paid ordinary shares in Vista Group International Limited for no consideration. No vesting conditions were attached to the offer.

### VISTA GROUP EMPLOYEE OFFER PLAN

Vista Group International Limited offered to eligible employees fully paid ordinary shares in Vista for \$1.88 per share, being a 20% discount of the final listing share price of \$2.35. The Offer Plan involved a minimum of 500 shares per application. No vesting conditions were attached to the offer.

### VISTA GROUP EMPLOYEE REWARD AND RETENTION OFFER PLAN

In August 2014 Vista Group International Limited offered to certain employees 31,915 fully paid ordinary shares in the Company valued at \$2.35 per share for no consideration. In addition in December 2014 Vista Group International Limited offered to certain employees 160,000 fully paid ordinary shares in Vista valued at \$3.80 per share for no consideration. Both Offers Plans were made under the existing escrow arrangements. No vesting conditions were attached to the offer.

The expense recognised for employee services received during the year is shown in the following table:

	2014 \$'000	2013 \$'000
Expense arising from share-based payment transactions	1,013	-
Total expense	1,013	-

## 29. CONTINGENT LIABILITIES

There were no contingent liabilities for the Company or the Group at 31 December 2014 (2013: \$Nil).

## 30. SUBSEQUENT EVENTS

Following the release of its audited financial statements on 27 February 2015, and after the market closed on both the NZX and ASX, Group management was advised by its auditor that there may be a technical accounting treatment error in those financial statements.

The press release that was issued on 2 March 2015 indicated that if an adjustment was required, it would result in the Group having to increase the value of Goodwill in the Statement of Financial Position of the Group; the resulting increase to reported profit would then flow through to the Group Statement of Comprehensive Income to retained earnings.

This exercise was completed on 11 March 2015, and as noted in the Statement of Comprehensive Income and in Note 13 an additional amount of \$8.5 million was recognised in goodwill as a gain on acquisition. The additional goodwill that was recognised was then subject to an impairment test at 31 December 2014, as required by NZ IAS 36, and as described in Note 16, the Directors, working with its external advisors determined that an impairment expense of \$8.5 million also needed to be reported in profit or loss within the Statement of Comprehensive Income.

None of these adjustments triggered any taxable events and there was no effect on profit, total comprehensive income, Statement of Financial Position or cash flows.

After the annual reporting date the Group announced that it has entered a conditional agreement to acquire US cinema software company Ticketsoft, including access to all customers, intellectual property and employees. The terms of the agreement are confidential, however it is subject to commercially sensitive conditions that the Vendor is confident it can meet.

Other than noted above, the Directors are not aware of any other matters or circumstances since the end of the reporting period not otherwise dealt with in the financial statements that have significantly or may significantly affect the operations of the Company or Group.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 31. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company and Group's capital management objective is to provide an adequate return to its shareholders. This is achieved by pricing products and services commensurately within the level of risk.

The Company and Group monitors capital requirements to ensure that it meets its lending covenant obligations and to maintain an efficient overall financing structure.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

GROUP	2014 \$'000	2013 \$'000
Consolidated shareholders' funds	65,897	12,333
Consolidated assets	95,109	23,949
Capital ratio	69%	52%

## 32. FINANCIAL INSTRUMENTS RISK

The Group is exposed to three main risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 23. The main types of risks are currency risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively monitoring and securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

### FOREIGN CURRENCY RISK

Most of the Group's transactions carry a component that is ultimately repatriated back to NZD. Exposures to currency exchange rates arise from the Group's overseas sales, which are primarily denominated in US dollars (USD), Pounds Sterling (GBP) and Euros (EUR).

To mitigate the Group's exposure to foreign currency risk, non-NZD cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. The Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into NZD at the closing rate:

	USD \$'000	GBP \$'000	EUR \$'000
<b>31 December 2014</b>			
Financial Assets	10,264	3,255	4,184
Financial Liabilities	(3,304)	(1,533)	(8,341)
<b>Total exposure</b>	<b>6,960</b>	<b>1,722</b>	<b>(4,157)</b>
<b>31 December 2013</b>			
Financial Assets	6,771	5,381	1,411
Financial Liabilities	(1,172)	(1,651)	(358)
<b>Total exposure</b>	<b>5,599</b>	<b>3,730</b>	<b>1,053</b>

The following table illustrates the sensitivity of profit or loss and equity in regards to the Group's financial assets and financial liabilities and the USD/NZD exchange rate the GBP/NZD exchange rate and the EUR/NZD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the NZD/USD exchange rate for the year ended at 31 December 2014 (2013: 10%). A +/- 10% change is considered for the NZD/GBP exchange rate (2013: 10%). A +/- 10% change is considered for the NZD/EUR exchange rate (2013: 10%) Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

	PROFIT/EQUITY		
	USD \$'000	GBP \$'000	EUR \$'000
<b>31 December 2014</b>			
10% strengthening in NZD	(633)	(157)	378
10% weakening in NZD	773	191	(462)
<b>31 December 2013</b>			
10% strengthening in NZD	(493)	(310)	-
10% weakening in NZD	602	376	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

## CREDIT RISK

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised in Note 23.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality.

At each reporting date the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at each reporting date, analysed by the length of time past due, are:

	2014 \$'000	2013 \$'000
Not more than 3 months	6,571	2,047
Between 3 months and 4 months	720	250
Over 4 months	1,843	1,718
	9,134	4,015

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management considers the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### LIQUIDITY RISK

Liquidity risk is the risk that the Group might be unable to meet its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. Approximately 10% of the Group's debt will mature in less than one year at 31 December 2014 (2013: 11%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments.

	ON DEMAND \$'000	LESS THAN 3 MONTHS \$'000	3 TO 12 MONTHS \$'000	1 TO 5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
<b>2014</b>						
Loans and borrowings	-	-	-	4,671	-	4,671
Other financial liabilities	-	1,546	-	-	-	1,546
Trade and other payables	-	912	-	-	-	912
	-	<b>2,458</b>	-	<b>4,671</b>	-	<b>7,129</b>
<b>2013</b>						
Loans and borrowings	1,203	-	-	499	-	1,702
Other financial liabilities	-	966	-	-	-	966
Trade and other payables	-	430	-	-	-	430
	<b>1,203</b>	<b>1,396</b>	-	<b>499</b>	-	<b>3,098</b>

### 33. NET TANGIBLE ASSETS PER SHARE

	2014	2013
Net tangible assets per share (dollars)	\$0.686	\$1,827.20

Net tangible assets per share represents the total net assets divided by the number of ordinary shares on issue at the reporting date, adjusted for the effect of intangible assets and deferred tax balances.

### 34. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash and cash equivalents	25,652	3,436	15,926	66
Term deposits	5,094	-	5,057	-
<b>Total cash and cash equivalents</b>	<b>30,746</b>	<b>3,436</b>	<b>20,983</b>	<b>66</b>

## 35. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI)

### STATEMENT OF COMPREHENSIVE INCOME

	GROUP	
	2014 ACTUAL \$'000	2014 PFI \$'000
Revenue	47,158	45,244
<b>Total revenue</b>	<b>47,158</b>	<b>45,244</b>
<b>Less expenses:</b>		
Sales and marketing expenses	3,374	2,708
Operating expenses	22,552	22,045
Administration expenses	12,812	12,506
Offer costs	1,826	1,708
<b>Total expenses</b>	<b>40,564</b>	<b>38,967</b>
<b>Operating profit</b>	<b>6,594</b>	<b>6,277</b>
Less Finance costs	(422)	(465)
Plus Finance income	625	487
Less Share of loss from associate	(537)	(348)
Plus gain resulting on revaluating the previously held equity accounted 57% share of VCL when it became a subsidiary	8,500	-
Less impairment of goodwill at 31 December 2014 that was initially recognised when VCL became a subsidiary	(8,500)	-
<b>Profit before tax</b>	<b>6,260</b>	<b>5,951</b>
Less tax expense	2,523	2,204
<b>Profit for the year</b>	<b>3,737</b>	<b>3,747</b>
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	81	-
<b>Total comprehensive income for the year</b>	<b>3,818</b>	<b>3,747</b>
Attributable to:		
Owners of the Parent	3,994	3,440
Non-controlling interests	(176)	307
	<b>3,818</b>	<b>3,747</b>

The increase in revenue was driven by a strong finish to the year from VESL through implementations of its cinema management software.

The inclusion of the expense related to the share based payments in 2014 (\$1,013,000) was in addition to the expenses provided for in the PFI.

The technical accounting treatment of recognising the goodwill on the previously held interest in VCL at acquisition and the impairment of goodwill as a result of the 31 December 2014 impairment test were not recognised in the PFI. The outcome of the recognition under the treatments was a zero profit effect.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## STATEMENT OF FINANCIAL POSITION

	GROUP	
	2014 ACTUAL \$'000	2014 PFI \$'000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	30,746	32,098
Trade and other receivables	21,898	16,548
Income tax receivable	231	-
<b>Total current assets</b>	<b>52,875</b>	<b>48,646</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,047	2,697
Investment in associate	(50)	162
Intangible assets	6,345	6,672
Goodwill	33,716	33,972
<b>Total non-current assets</b>	<b>42,058</b>	<b>43,503</b>
<b>Total assets</b>	<b>94,933</b>	<b>92,149</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	16,885	14,730
Income tax payable	735	264
Loans and borrowings	-	629
<b>Total current liabilities</b>	<b>17,620</b>	<b>15,623</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred consideration	5,218	5,173
Deferred tax liability	1,527	1,868
Loans and borrowings	4,671	4,823
<b>Total non-current liabilities</b>	<b>11,416</b>	<b>11,864</b>
<b>Total liabilities</b>	<b>29,036</b>	<b>27,487</b>
<b>Net assets</b>	<b>65,897</b>	<b>64,662</b>
<b>EQUITY</b>		
Equity attributable to owners of the Parent:		
Share capital	45,952	45,985
Retained earnings	11,686	10,411
Foreign currency translation reserve	(429)	-
Share based payments reserve	1,013	-
Total equity attributable to owners of the Parent	58,222	56,396
Non-controlling interests	7,675	8,266
<b>Total equity</b>	<b>65,897</b>	<b>64,662</b>

Receivables were above the PFI levels due to the higher trading levels in the last quarter of the year. This was also reflected in current liabilities due to higher levels of pre-billed maintenance and license revenue.

## STATEMENT OF CASH FLOWS

	GROUP	
	2014 ACTUAL \$'000	2014 PFI \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
Receipts from customers	47,694	44,354
Taxes received	-	-
Dividends received	-	-
Interest received	459	486
	48,153	44,840
Cash was applied to:		
Operating expenses	(39,265)	(34,935)
Taxes paid	(2,028)	(1,800)
Interest paid	(177)	(239)
Listing costs	(1,826)	(1,708)
	(43,296)	(38,682)
<b>Net cash from operating activities</b>	<b>4,857</b>	<b>6,158</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was provided from:		
Sale of investments	-	-
	-	-
Cash was applied to:		
Purchase of fixed assets	(903)	(1,799)
Purchase of software	(184)	-
Purchase of investments	(12,408)	(13,677)
Advance to Associate	(1,500)	-
	(14,995)	(15,476)
<b>Net cash applied to investing activities</b>	<b>(14,995)</b>	<b>(15,476)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash was provided from:		
Proceeds from issue of shares, net of transaction costs	37,978	38,060
Proceeds from borrowings	4,839	4,823
	42,817	42,883
Cash was applied to:		
Repayment of bank loans	(1,869)	(1,117)
Dividends paid	(3,500)	(3,786)
	(5,369)	(4,903)
<b>Net cash provided by financing activities</b>	<b>37,448</b>	<b>37,980</b>
<b>Net movement in cash held</b>	<b>27,310</b>	<b>28,662</b>
Cash balance at 1 January	3,436	3,436
Foreign exchange differences	-	-
<b>Cash balance at 31 December</b>	<b>30,746</b>	<b>32,098</b>

Cash inflows and outflows from trading showed some variation to PFI. This was as a result of general timing differences in receipts and payments from the original PFI forecast.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## STATEMENT OF CHANGES IN EQUITY

	GROUP	
	2014 ACTUAL \$'000	2014 PFI \$'000
Opening balance at 1 January	12,333	12,333
Profit for the year	3,913	3,747
Other comprehensive income	81	-
Share of loss non-controlling interests	(176)	-
<b>Total comprehensive income for the year</b>	<b>3,818</b>	<b>3,747</b>
Equity attributable to non-controlling interests	7,851	7,959
Acquisition of subsidiary	-	(762)
<b>Transactions with shareholders</b>		
Contribution by new shareholders from the issue of new share capital:	40,000	40,000
Dividends paid to shareholders	(3,500)	(3,500)
IPO and listing costs charged against equity	(2,021)	(1,940)
Share based payments reserve	1,013	-
FCTR-Acquisition of non-controlling interests	(470)	-
Increase in share based deferred consideration	6,873	6,825
<b>Closing balance at 31 December</b>	<b>65,897</b>	<b>64,662</b>



**CORPORATE**  
**GOVERNANCE**

# CORPORATE GOVERNANCE INFORMATION

The Investor Centre section of the Company's website ([vistagroup.co.nz](http://vistagroup.co.nz)) includes copies of the following corporate governance documents referred to in this section:

- Constitution
- Corporate Governance Code and Appendices (the Code), including:
  - Code of Ethics
  - Securities Trading Policy & Guidelines
  - Shareholder Participation
  - Audit & Risk Management Committee Charter
  - Nominations & Remuneration Committee Charter
- Diversity Policy
- Continuous Disclosure Policy
- Risk and Compliance Framework Summary

The Board recognises the importance of good corporate governance, particularly its role in delivering improved corporate performance and protecting the interests of all stakeholders.

The Board is responsible for establishing and implementing the Company's corporate governance frameworks, and is committed to fulfilling this role in accordance with best practice while observing applicable laws, the NZX Corporate Governance Best Practice Code (NZX Code), the New Zealand Financial Markets Authority Corporate Governance in New Zealand – Principles and Guidelines handbook (FMA Guidelines) and the Corporate Governance Principles and Recommendations (2nd Edition) issued by the ASX Corporate Governance Council (ASX Recommendations).

This section sets out the Company's commitment to good corporate governance and addresses the Company's compliance with the eight fundamental principles of the ASX Recommendations. In doing so, the Company's compliance with the NZX Code is also addressed.

For the reporting period to 31 December 2014, the Company considers its corporate governance practices have adhered to the ASX Recommendations, except where noted below.

## **PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

*Companies should establish and disclose the respective roles and responsibilities of the Board and management*

The Board is the overall and final body responsible for all decision making within the Company, having a core objective to effectively represent and promote the interests of shareholders with a view to adding long-term value to the Company.

The Code describes the Board's role and responsibilities and regulates internal Board procedures. The Board has the responsibility to work to enhance the value of the Company in the interests of the Company and the shareholders.

### **The Board**

The Board is responsible for directing the Company and enhancing shareholder value in accordance with good corporate governance principles. Further, the Board has statutory responsibilities for the affairs and activities of the Company, with delegation to the Chief Executive Officer (the CEO) and other management of the Company.

The main functions of the Board, the CEO and senior executive team are set out in the Code. There is a clear delineation between the Board's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon other officers of the Company.

The Board reserves certain functions to itself. These include:

- approve, and from time to time review, the Company's corporate mission statement;
- select and (if necessary) replace the CEO;
- ensure that the Company has adequate management to achieve its objectives and to support the CEO and that a satisfactory plan for management succession is in place;
- review and approve the strategic, business and financial plans prepared by management;
- review and approve certain material transactions, and make certain investment and divestment decisions;
- approve and oversee the administration of the Company's technology development strategy;
- monitor the Company's performance against its approved strategic, business and financial plans and to oversee the Company's operating results;
- ensure ethical behaviour by the Company, the Board and management, including compliance with the Company's constitution, the relevant laws, listing rules and regulations and the relevant auditing and accounting principles;
- implement and from time to time review the Company's Code of Ethics, foster high standards of ethical conduct and personal behaviour and hold accountable those Directors, managers or other employees who engage in unethical behaviours;
- ensure the quality and independence of the Company's external audit process; and
- assess from time to time its own effectiveness in carrying out these functions and the other responsibilities of the Board.

### **Performance evaluation of senior executives**

The Board is responsible for monitoring the performance of the CEO against the Board's requirements.

The Nominations and Remuneration Committee is responsible for evaluating the performance of the CEO and oversees the CEO's evaluation of senior management that report directly to the CEO. The functions of the Committee are set out in the Nominations & Remuneration Committee Charter, a copy of which is available on the Company's website.

For the financial year ended 31 December 2014, the performance evaluation process of the Company was undertaken with respect to the senior management. The performance evaluation of the CEO and senior management in the future will be based on criteria set by the Nominations and Remuneration Committee which will include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives agreed at the beginning of each financial year. Performance evaluations of the CEO and senior management team will be completed in accordance with the process established by the Company's Nominations and Remuneration Committee and the terms of the Code (as applicable).

**Delegation:** To enhance efficiency, the Board has delegated some of its powers to Board Committees and other powers to the CEO. The CEO's employment contract is not for a specific term. The day-to-day leadership and management of the Company is undertaken by the CEO and senior management.

The CEO is responsible for:

- leading the implementation of the Board approved strategy;
- recommending policy and the strategic direction of the Company for approval by the Board;
- providing management of the day to day operations of the Company; and
- acting as the spokesperson of the Company.

The terms of the delegation by the Board to the CEO are documented in the Code and more clearly set out in the Company's Delegated Authority Manual. This manual also establishes the authority levels for decision-making within the Company's management team.

The CEO has also formally delegated decision making to senior management within their areas of responsibility and subject to quantitative limits to ensure consistent and efficient decision making across the Company.

## **PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

***Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties***

**Composition of the Board:** At 31 December 2014, the Board comprised five Directors, as follows:

- Kirk Senior
- James Ogden
- Susan Peterson
- Murray Holdaway
- Brian Cadzow

The Board has a broad range of IT, film industry, financial, sales, business and other skills and expertise necessary to meet its objectives. On 3 June 2014 Kirk Senior was appointed as non-executive Chairman, and on the same date James Ogden and Susan Peterson were appointed as non-executive Independent Directors. The Company's Constitution currently requires a minimum of three Directors and a maximum of eight.

**Selection and role of Chairman:** The Chairman of the Board is elected by the Directors. The Board supports the separation of the role of Chairman (Kirk Senior) and CEO (Murray Holdaway) in accordance with the requirements of the NZX Code and the ASX Recommendations. The Chairman's role is set out in the Code and includes to manage the Board effectively, to provide leadership to the Board, and to facilitate the Board's interface with the CEO.

**Director independence:** The Code requires that a minimum of two Directors be "independent". The Board takes into account the guidance provided under the NZX Main Board Listing Rules, the ASX Listing Rules and the ASX Recommendations, in determining the independence of Directors. Under those rules and recommendations, Directors are considered to be independent if they are non-executive and do not have an interest or relationship that could or could be perceived to unreasonably influence their decisions relating to the Company or interfere with their ability to act in the Company's best interests. The Board will review any determination it makes as to a Director's independence on becoming aware of any information that may have an impact on the independence of the Director. For this purpose, Directors are required to ensure that they immediately advise the Board of any relevant new or changed relationships to enable the Board to consider and determine the materiality of the relationships. As at 31 December 2014, the Board considered that James Ogden and Susan Peterson are Independent Directors. As at 31 December 2014, the Board has determined that Murray Holdaway and Brian Cadzow are not Independent Directors because of their executive responsibilities and substantial shareholding.

Kirk Senior provides consulting services to the Company, in addition to his role as Chairman, and therefore the Board does not consider that he is an Independent Director.

Whilst the Board does not comply with the ASX Recommendation that a majority of the Board should be Independent Directors, the Board considers that it has an appropriate mix of skills, experience and independence to ensure the Company is governed in a manner that ensures that the interests of all shareholders are represented and protected. The Board is also confident that proper processes are in place to address the needs and expectations of stakeholders with respect to independence in decision-making and the management of any conflicts of interest.

The ASX Recommendations and FMA Guidelines require that the Chairman should be an Independent Director. Whilst Mr Senior is not considered an Independent Director, he is considered to be the most appropriate Director to act as Chairman because of the depth of his leadership and operational experience and considerable professional network across the international film industry. The Board is confident that Mr Senior is capable of exercising independent views and judgement in exercising his role as Chairman.

**Conflicts of interest:** The Code outlines the Board's policy on conflicts of interest. Where conflicts of interest do exist, Directors excuse themselves from discussions and do not exercise their right to vote in respect of such matters.

**Nomination and appointment:** The procedures for the appointment and removal of Directors are ultimately governed by the Company's Constitution. The Company has established a Nominations and Remuneration Committee governed by the Nominations and Remuneration Committee Charter, a copy of which is available on the Company's website. The primary objectives of the Nominations and Remuneration Committee are to ensure that a formal and transparent method for the nomination and appointment of Directors exists; to recommend Director appointments to the Board; and to regularly review the composition of the Board to ensure the right composition of Directors is maintained.

The Nominations and Remuneration Committee does this by:

- making recommendations to the Board as to its size;
- reviewing the composition of the Board to ensure the most appropriate balance of skills, qualifications and experience;
- reviewing Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board;

- reviewing criteria for determining suitability of potential Directors in terms of balance of the Board;
- identifying and maintaining a list of suitably qualified people who could be approached for future Board positions;
- ensuring there is an appropriate induction programme in place for all new Directors; and
- making recommendations to the Board about the appointment and re-election of Directors.

When recommending to the Board suitable candidates for appointment as Directors, the Committee will consider, among other things:

- the candidate's experience as a Director;
- their skills, expertise and competencies; and
- the extent to which those skills complement the skills of existing Directors.

Kirk Senior (Chair), Susan Peterson and James Ogden are the current members of the Nominations and Remuneration Committee. The majority of this Committee are Independent Directors. The Nominations and Remuneration Committee is chaired by Kirk Senior who is not an Independent Director for ASX purposes. The Board is confident that Mr Senior is capable of exercising independent views and judgement in exercising his role as Chair of the Nominations and Remuneration Committee.

**Performance evaluation of the Board, its Committees and individual Directors:** The Chair of the Board must ensure that rigorous, formal processes for evaluating the performance of the Board, Board Committees and individual Directors are in place and the Chair must lead such processes. Further, as part of that evaluation process the Board must establish performance criteria for itself and review its performance against those criteria (at least) annually. The Board must also review its relationship with management annually. As part of the review process, the Board will use, evaluate, and where necessary action, the results of a board performance questionnaire. Further, the Committee undertakes an annual self-review of its objectives and responsibilities. In addition, those objectives and responsibilities are also reviewed (as against the Nominations and Remuneration Committee Charter) by the Board and CEO. As the Board was only constituted in its current form in June 2014 ahead of the NZX Main Board and ASX listing in August 2014, the Board proposes to undertake the first of the evaluations referred to above in the third quarter of 2015, to enable a full year of operation to be reviewed.

**Board Committees:** The Board established and adopted Charters for two Committees during the year: the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

The membership of each Committee at 31 December 2014 was:

- Audit and Risk Management Committee – Susan Peterson (Chair), Kirk Senior and James Ogden
- Nominations and Remuneration Committee – Kirk Senior (Chair), Susan Peterson and James Ogden

Other Committees may be established from time to time.

As the Company has only been listed on the NZX Main Board and ASX since August 2014, no formal meetings of the Nominations and Remuneration Committee were held during the financial year ended 31 December 2014. Matters required to be dealt with were covered by the full Board in this period. As an agenda item at the October 2014 Board meeting, which was also attended by the auditors, the members of the Audit and Risk Management Committee considered and actioned the matters required by the Audit and Risk Committee Charter. The Company will report on the number of meetings of those committees and attendance of those appointed to these Committees in subsequent annual reports.

**Retirement and re-election:** The Board acknowledges and observes the relevant Director rotation/retirement rules under the NZX Main Board Listing Rules and the ASX Listing Rules.

No Directors have retired or been re-elected since the Company was listed on the NZX Main Board and ASX in 2014.

**Director remuneration:** Directors' fees are currently set at a maximum of \$500,000 per annum for the non-executive Directors. The actual amount of fees paid in the past year was \$303,002.

Full disclosure of Directors' remuneration is set out at page 67.

**Board access to information and advice:** The Director – Finance and Legal is responsible for supporting the effectiveness of the Board by ensuring that policies and procedures are followed and co-ordinating the completion and dispatch of the Board agendas and papers. All Directors have access to the senior management team, including the Director – Finance and Legal, to discuss issues or obtain information on specific areas in relation to items to be considered at Board meetings or other areas as they consider appropriate. Further, Directors have unrestricted access to Group records and information.

The Board, the Board Committees and each Director have the right, subject to the approval of the Chairman, to seek independent professional advice at the Company's expense to assist them to carry out their responsibilities as a Director or Committee member. Further, the Board and Board Committee members have the authority to secure the attendance at meetings of external parties with relevant experience and expertise.

**Director education:** All Directors are responsible for ensuring they remain current in understanding their duties as Directors. To ensure ongoing education, Directors are regularly informed of developments that affect the Company's industry and business environment, as well as company and legal issues that impact the Directors themselves. Directors have access to management and any additional information they consider necessary for informed decision making.

**Directors' share ownership:** All Directors and employees are required to comply with the Company's Securities Trading Policy and Guidelines in undertaking any trading in the Company's shares. The table of Directors' shareholdings is included in the Disclosures section of this Annual Report.

**Indemnities and insurance:** In accordance with Section 162 of the Companies Act 1993 and the Company's Constitution, the Company indemnifies the Directors in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as Directors. The Directors' and Officers' Liability insurance covers risks normally covered by such policies arising out of acts or omissions of Directors and employees in their capacity as such. In addition, the Company acquired prospectus insurance for its initial public offering. Details are recorded in the interests register as required by the Companies Act 1993.

**Board meetings:** From listing on the NZX Main Board and ASX on 11 August 2014 until 31 December 2014 the Board has met formally 5 times. At each scheduled meeting the Board considers key financial and operational information as well as matters of strategic importance. Directors who are not members of the Committees may attend the Committee meetings.

**Company subsidiaries:** The Company has three wholly owned subsidiaries, Vista Entertainment Solutions Limited ("VESL"), Virtual Concepts Limited and Vista Group Limited. VESL has four wholly owned subsidiaries consisting of Vista Entertainment Solutions Ltd, Shanghai, Vista Entertainment Solutions (USA) Inc., Vista Entertainment Solutions (UK) Limited and Vista Entertainment Solutions (Canada) Limited. Board meetings were held for each of these subsidiaries during the year ended 31 December 2014, with material matters raised in these meetings reported to the Company's Board, as appropriate.

**PRINCIPLE 3 –  
PROMOTE ETHICAL AND  
RESPONSIBLE DECISION MAKING**

***Companies should actively promote ethical and responsible decision-making***

The Board maintains high standards of ethical conduct and the CEO is responsible for ensuring that high standards of conduct are maintained by all staff.

**Code of Ethics:** The Company has adopted a Code of Ethics which plays a key role in establishing the framework by which the Company's employees are expected to conduct themselves. A copy of the Code of Ethics is available on the Company's website. The Code of Ethics is intended to facilitate decisions that are consistent with the Company's values, business goals and legal and policy obligations. The Code of Ethics covers, among other things, conflicts of interest, gifts and behaviours. The Code of Ethics will guide the Company and its employees to:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account the Company's legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Any person who becomes aware of a breach or suspected breach of the Code of Ethics is required to report it immediately in accordance with the Code of Ethics.

**Diversity Policy:** The Company has adopted a formal Diversity Policy, a copy of which is available on the Company's website. The Diversity Policy sets out the Company's commitment to achieving diversity in the attributes and experiences of the Board, management and staff across a broad range of criteria including gender, background, and education (amongst others).

The Diversity Policy requires the Board to annually review the Company's performance against the previous year's objectives and prepare a written statement which will be included in the annual report. However, given that the Diversity Policy has only been adopted recently and the Company is still establishing the information required in order to set the objectives against which progress will be measured in subsequent years, it is not possible to prepare such a written statement for this annual report. The statement will be included in subsequent annual reports.

**Gender Diversity Statistics as at 31 December 2014**

	MALE		FEMALE		TOTAL
	NO.	%	NO.	%	
Board	4	80.0%	1	20.0%	5
Senior Executive*	8	88.9%	1	11.1%	9
Total Staff	233	75.2%	77	24.8%	310

\*For the purposes of this annual report, "Senior Executive" means the senior executive team constituted in accordance with the Code, and who report directly to the CEO. The senior executive team are "officers" for the purposes of the NZX Main Board Listing Rules.

**PRINCIPLE 4 –  
SAFEGUARD INTEGRITY  
IN FINANCIAL REPORTING**

***Companies should have a structure to independently verify and safeguard the integrity of their financial reporting***

**Audit and Risk Management Committee:** The Board has an Audit and Risk Management Committee whose primary objective is to assist the Board in fulfilling its responsibilities by:

- ensuring the quality and independence of the Company's external audit process;
- overseeing (among other things):
  - the integrity of external financial reporting,
  - application of accounting policies,
  - financial management,
  - the risk management framework and monitoring compliance with that framework;
  - providing a formal forum for communication between the Board and senior financial management;
  - regularly reviewing the Company's internal controls and systems;
  - undertaking an annual self-review of the Committee's objectives;
  - regularly reporting to the Board on the operation of the Company's risk management and internal control processes; and
  - providing sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company.

The current members of the Audit and Risk Management Committee are Susan Peterson (Chair), Kirk Senior, and James Ogden. All three Committee members are non-executive Directors, a majority of

whom are Independent Directors. The Audit and Risk Management Committee is chaired by Susan Peterson who is an Independent Director and not Chair of the Board.

Directors who are not members of the Audit and Risk Management Committee and employees of the Company will only attend Audit and Risk Management Committee meetings at the invitation of the Committee.

A copy of the Audit and Risk Management Committee Charter is available on the Company's website.

#### **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

*Companies should promote timely and balanced disclosure of all material matters concerning the company*

The Company is subject to the disclosure requirements of securities and other laws in New Zealand and Australia and is required to comply with the NZX Main Board and ASX Listing Rules.

The Company is committed to notifying the market through full and fair disclosure to the NZX Main Board and ASX of any material information related to its business that is required to be disclosed by the applicable listing rules. The Company is mindful of the need to keep stakeholders informed through a timely, clear and balanced approach which communicates both positive and negative news. These notifications are available on the Company's website.

The Company is also required to comply with the periodic disclosure requirements under the NZX Main Board and ASX Listing Rules.

In accordance with ASX Recommendation 5.1, the Company has adopted a Continuous Disclosure Policy which establishes procedures that are aimed at ensuring that the Directors and all employees of the Company are aware of and fulfil their disclosure obligations under the NZX Main Board and ASX Listing Rules. A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

The Continuous Disclosure Policy creates a Disclosure Committee which will determine whether information is material and whether it should be released. The Disclosure Committee is made up of the Board Chair, Audit and Risk Management Committee Chair and the remaining Independent Director. The Policy has been communicated internally to ensure that it is strictly adhered to by the Board and the Company's employees.

The Company has been listed on the NZX Main Board and ASX since 11 August 2014 and has at all times complied with its continuous disclosure obligations under the NZX Main Board Listing Rules, the Financial Markets Conduct Act 2013 (NZ), and the ASX Listing Rules.

#### **PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS**

*Companies should respect the rights of shareholders and facilitate the effective exercise of those rights*

In accordance with ASX Recommendation 6.1, the Code addresses Shareholder Participation. This section of the Code is designed to highlight the Board's accountability to shareholders. Further, this section encourages shareholders to use the annual general meeting to ask questions and make comments on the performance of the Company. This section of the Code highlights that the Board welcomes input from shareholders and encourages shareholders to submit questions in writing prior to the annual general meeting so that an informed answer can be given at that meeting, and also indicates that the Board will ensure that the Company's external auditors are available for questioning by shareholders at the annual general meeting.

A copy of the Code is available on the Company's website. The Company's website, [www.vistagroup.co.nz](http://www.vistagroup.co.nz), provides information to shareholders and investors about the Company. The website includes copies of past annual reports, results announcements, media releases and general Company information.

#### **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

*Companies should establish a sound system of risk oversight and management and internal control*

The identification and effective management of the Company's risks are a priority of the Board. The CEO is accountable for all operational and compliance risk across all of the Company's operations and businesses. The Director – Finance and Legal has management accountability for the effective implementation of the Risk Framework (as defined below) across all of the Company's businesses.

The Company has in place an overarching Operating Risk and Compliance Framework (the "Risk Framework"), supported by operating risk and compliance policies that aim to ensure that Vista Group, its Directors and employees will comply with relevant regulatory requirements such as New Zealand laws, NZX and ASX listing rules and relevant codes of practice.

The purpose of the Risk Framework is to ensure a consistent approach to operating and compliance risk across all the Company's businesses in all geographies where the Company operates. The Risk Framework sets out the specific areas for which the CEO and Director – Finance and Legal are accountable.

In addition to the Risk Framework, the Code provides that the Audit and Risk Management Committee will regularly report to the Board on the operation of the Company's risk management and internal control



processes and provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company. During the financial year ended 31 December 2014, the Board received and considered reports from the IPO Due Diligence Committee as to the effectiveness of the Company's management of its material business risks. In addition, the Company's senior management has recently established a Risk Register, which is to be reviewed at each Board meeting.

ASX Recommendation 7.3 is not applicable as the provisions of Chapter 2M of the Corporations Act do not apply to the Company. Accordingly, the Company will not seek or obtain the assurance from management ordinarily required by section 295A of the Corporations Act and will not be complying with Recommendation 7.3 (or any other related recommendations) on an ongoing basis.

#### **PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY**

*Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear*

The Chairman receives \$150,000 per annum. The Independent Directors receive \$75,000 per annum each. The CEO and other executive Directors receive remuneration from the Company and its subsidiaries (the Vista Group) and do not receive Directors' fees. Shareholders have approved the Directors' fees in aggregate for all Directors at \$500,000 per annum. This fee pool includes headroom for a possible additional Director, should an appropriate candidate be identified in the future. Directors are also entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings, or otherwise in connection with the Vista Group's business.

#### **Nominations and Remuneration Committee:**

The Company has established a Nominations and Remuneration Committee, which is governed by the Nominations and Remuneration Committee Charter. In addition to the objectives mentioned above, further primary objectives of the Committee are to ensure that a formal and transparent method to recommend Director remuneration packages exists and to assist the Board in the establishment of remuneration policies and practices, including setting and reviewing the CEO's remuneration and that of other senior executives and Directors (both non-executive and executive). The Committee is also required to regularly review and recommend changes to Director remuneration to ensure that remuneration is at an appropriate level and effectively managed.

As stated above, the Nominations and Remuneration Committee has three members, consists of a majority of Independent Directors and is not chaired by an Independent Director. As stated above, the Board is confident that Mr Senior is capable of exercising independent views and judgement in exercising his role as chair of the Nominations and Remuneration Committee.

Executive and senior management total remuneration is currently made up of two components: fixed remuneration and short term performance incentives. Executives and senior managers will transition, following adoption of a long term incentive plan, to an arrangement comprising three components: fixed remuneration, short term performance incentives and a long term incentive plan. This is to ensure appropriate weighting of incentives between short and longer-term performance and to align executive packages with longer-term shareholder value.

**Fixed remuneration:** Fixed remuneration consists of base salary and benefits.

**Short term performance incentives:** The short term performance incentive will be an annual risk cash salary performance bonus which is a specific percentage of each executive's base salary. The executives' and senior managers' right to short term performance incentives will be conditional on the performance of the individual and Company and will be assessed annually by the Board.

**Long-Term incentive plan:** The Vista Group intends to establish a long term incentive plan (the LTI Plan) for executives and senior managers. The LTI Plan aims to align executives and senior managers' interests with those of shareholders, by providing a proportion of remuneration on an "at-risk" basis aligned to the achievement of defined performance targets. The structure of the LTI Plan will be finalised in the first half of 2015.

# DISCLOSURES

## Directors

The names of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

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**K Senior**, BBus (Chairman),  
joined the board on 3 June 2014

Kirk brings a strong international film industry background acquired from 18 years with the Village Roadshow Limited Group. Kirk was formerly CEO (and prior to that, CFO) of Village Cinemas, one of the world's leading cinema companies.

Kirk was also a director of Village Cinemas and many of its subsidiaries and joint ventures throughout the world.

Prior to Village Cinemas, Kirk was a chartered accountant with Ernst & Young in Australia and the UK. Kirk also advises and provides consulting services to other companies in the film and entertainment industries.

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**M Holdaway**, BSc, BCom (Executive Director)

Murray is the co-founder and Chief Executive of the Vista Group. Murray has been the product visionary for Vista Entertainment Solutions over the past 15 years.

Prior to running the Vista Group, Murray was a founding shareholder and Chief Executive of Madison Systems Ltd (which was a joint venture partner in Vista Entertainment Solutions when it formed in 1996). From its beginnings in 1988 Madison became one of the largest IBM re-sellers in New Zealand. Madison was involved in two separate cinema system developments before the Vista Cinema product was created. Madison was sold to Infinity in 2001 and it was at this time that Murray transferred full time to work on Vista Cinema.

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**B Cadzow**, BCom, CA (Executive Director)

Brian is the Director - Finance and Legal and one of the co-founders of the Vista Group. Brian has had a long career in Finance positions in the Industrial, Media, Transport and Technology sectors for both listed (up to 2000) and private companies. Brian operated his own consulting business for 10 years (with the Vista Group as a major client) until joining the Vista Group as a full time employee in his current role in 2008.

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**S Peterson**, BCom, LLB (Independent Director),  
joined the board on 3 June 2014

Susan has a strong financial and governance background gained from a long history with the ANZ where she was General Counsel and Company Secretary before moving on to other business leadership roles,

including General Manager of Wealth Business and Performance encompassing private banking, insurance and funds management. Susan was also a director on many of ANZ's New Zealand subsidiary company boards.

Susan is currently an Independent Director of Wynyard Group Limited and The New Zealand Merino Company Limited. Susan also chairs the Audit and Risk Committees for these companies. Susan is a Tribunal Member of the NZ Markets Disciplinary Tribunal and a Ministerial Appointee to The National Advisory Council for the Employment of Women. Susan is also on the Board of IHC and on the Strategic Advisory Board of the New Zealand Heart Foundation.

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**J Ogden**, BCA (Hons), FCA, CFInstD (Independent Director),  
joined the board on 3 June 2014

James brings strong financial expertise to the Board and director experience across a broad range of industries. He has had a distinguished career as an investment banker for eleven years, six years as Country Manager for Macquarie Bank and five years as a director of Credit Suisse First Boston. James has also worked in the New Zealand dairy industry in chief executive and finance roles for eight years. James is also a director of The Warehouse Group Limited, Somerset Group Holdings Limited, Alliance Group Limited and Motor Trade Association Limited. Former directorships include NZ Post Limited, Kiwibank Limited, NZX-listed Powerco Limited and Capital Properties New Zealand Limited.

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The following persons ceased to hold office as directors of Vista Group International Limited during the period:

**B Wighton**, resigned 3 June 2014

**G Trounson**, resigned 3 June 2014

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## Stock exchange listings

On 11 August 2014, the Company commenced quotation and trading of its shares on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX) and in doing so became an issuer under the Financial Reporting Act 1993.

## Use of cash and cash equivalents

In accordance with ASX Listing Rule 4.10.19, the Board has determined that the Company has used the cash and cash equivalents that it had at the time of admission to ASX in a way consistent with its business objectives for the year ended 31 December 2014.

### Entries recorded in the interests register

The Company maintains an Interests Register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013. The following are particulars of entries made in the Interests Register for the period 1 January 2014 to 31 December 2014.

Directors' interests, Directors' disclosed interests, or cessations of interest, in the following entities pursuant to section 140 of the Companies Act 1993 during the year ended 31 December 2014.

NAME OF DIRECTOR	ENTITY	NATURE OF GENERAL DISCLOSURE
Murray Holdaway	Invista Share Nominee Limited	Director and Shareholder
	Holdaway and Geary Trust	Trustee
	Retva Limited	Director
Brian Cadzow	B&J Associates Consulting Limited	Director and shareholder
	Invista Share Nominee Limited	Director and shareholder
	B&J Cadzow Family Trust	Trustee
	MACAB Trust	Trustee
	Johnson Trust	Trustee
	Titirangi Golf Club Inc.	Board member
Kirk Senior	Kirk Senior Pty Limited	Director and Shareholder
	Senior Family Super Fund Pty Limited	Director and Shareholder
	Kirk Senior Family Trust	Trustee
James Ogden	The Warehouse Group Limited	Director
	Summerset Group Holdings Limited	Director
	Seaworks Limited	Director
	Motor Trade Association Limited	Director
	DEKRA NZ Limited	Director
	AMP Property Portfolio	Independent Member of Governance Committee
	Pencarrow Private Equity Fund	Independent Member of the Investment Committee
	Ministry of Social Development's Value for Money Advisory Board	Chairman
	Crown Forest Rental Trust	Member of the Audit and Risk Committee
	NZ Markets Disciplinary Tribunal	Member
Alliance Group Limited	Director	
Susan Peterson	IHC	Board member
	The New Zealand Merino Company Limited	Director and Chairman of Audit and Risk Committee
	Scribe NZ Limited	Director
	Wynyard Group Limited	Shareholder, Director and Chairman of Audit and Risk Committee
	National Advisory Council for the Employment of Women	Ministerial Appointee
	NZ Heart Foundation Advisory Board	Member
	NZ Markets Disciplinary Tribunal	Member
	Peterson Mellsop Family Trust	Trustee and Beneficiary

**Share dealings of Directors:** Directors disclosed, pursuant to section 148 of the Companies Act 1993, the following acquisitions and disposals of relevant interests in the Company shares during the year ended 31 December 2014.

DATE OF ACQUISITION OR DISPOSAL	NAME OF DIRECTOR	NO & CLASS OF SHARES ACQUIRED OR (DISPOSED)	NATURE OF RELEVANT INTEREST	CONSIDERATION PAID OR RECEIVED
11 August 2014	Murray Holdaway	(5,733,013)	Beneficial	\$2.35 per share being issue price under IPO
11 August 2014	Brian Cadzow	(3,973,375)	Beneficial	\$2.35 per share being issue price under IPO
11 August 2014	Kirk Senior	(1,130,709)	Beneficial	\$2.35 per share being issue price under IPO
11 August 2014	James Ogden	130,000	Registered holder and beneficial owner	Issued for cash of \$2.35 per share being issue price under IPO
11 August 2014	Susan Peterson	42,553	Registered holder and beneficial owner	Issued for cash of \$2.35 per share being issue price under IPO

#### Shareholdings of Directors at 31 December 2014

NAME OF DIRECTOR	DIRECTLY HELD	HELD BY ASSOCIATED PERSONS
Murray Holdaway		9,353,862
Brian Cadzow		6,482,875
Kirk Senior		1,844,841
James Ogden	130,000	
Susan Peterson	42,553	

**Remuneration of Directors:** Details of the total remuneration of, and the value of other benefits received by, each Director of the Company during the financial year ended 31 December 2014 are as follows:

DIRECTOR	FEES	REMUNERATION
Murray Holdaway	-	355,788
Brian Cadzow	-	291,813
Kirk Senior	178,002	270,289
James Ogden	62,500	-
Susan Peterson	62,500	-

**Employee remuneration:** The following table shows the number of employees (including employees holding office as Directors of subsidiaries) whose remuneration and benefits for the year ended 31 December 2014 were within the specified bands above \$100,000. The remuneration figures shown in the table include all monetary payments actually paid during the course of the year ended 31 December 2014. The table does not include amounts paid post 31 December 2014 that related to the year ended 31 December 2014, such as short-term incentive scheme bonuses. The table below includes the remuneration of Murray Holdaway and Brian Cadzow. No Director of a subsidiary receives or retains any remuneration or other benefits from the Company for acting as such.

#### Employee Remuneration Ranges

FROM	SALARY RANGE		STAFF NUMBER
		TO	
\$100,000	-	\$109,999	13
\$110,000	-	\$119,999	11
\$120,000	-	\$129,999	3
\$130,000	-	\$139,999	2
\$140,000	-	\$149,999	4
\$150,000	-	\$159,999	5
\$170,000	-	\$179,999	4
\$180,000	-	\$189,999	2
\$190,000	-	\$199,999	1
\$200,000	-	\$209,999	1
\$280,000	-	\$289,999	1
\$290,000	-	\$299,999	1
\$310,000	-	\$319,999	1
\$350,000	-	\$359,999	1
\$650,000	-	\$659,999	1
<b>Total</b>			<b>51</b>

#### Analysis of shareholding at 28 February 2015

RANGE	NUMBER OF HOLDERS	NUMBER OF SHARES	% OF SHARES ISSUED
1 - 1,000	151	90,296	0.11%
1,001 - 5,000	254	733,186	0.92%
5,001 - 10,000	86	644,954	0.81%
10,001 - 50,000	98	2,118,437	2.65%
50,001 - 100,000	6	387,543	0.48%
Greater than 100,000	31	75,998,673	95.03%
	<b>626</b>	<b>79,973,089</b>	<b>100.00%</b>

## Twenty largest shareholders at 28 February 2015

	INVESTOR NAME	NUMBER OF SHARES	PERCENTAGE HOLDING
1	New Zealand Central Securities Depository Limited	19,923,856	24.91%
2	Murray Lawrence Holdaway & Helen Rachel Geary & Stephen John McDonald	9,353,862	11.70%
3	Brian John Cadzow & Julie Ann Cadzow & Peter Allen Lewis	6,482,875	8.11%
4	Bruce Alexander Wighton & Marianne Bachler & Peter John Clark	5,415,979	6.77%
5	J P Morgan Nominees Australia Limited	4,959,964	6.20%
6	Gregory James Trounson & Donald Mackenzie Gibson & Kathryn Mary Lee Trounson	4,352,787	5.44%
7	National Nominees Limited	3,524,716	4.41%
8	HSBC Custody Nominees (Australia) Limited	2,966,878	3.71%
9	Bruce Alan Forbes & Derek Geoffrey Forbes	2,091,250	2.61%
10	Kirk Senior Pty Limited	1,844,841	2.31%
11	Citicorp Nominees Pty Limited	1,546,930	1.93%
12	Peter Joseph Beguely & Samuel James Beguely	1,438,120	1.80%
13	Smallco Investment Manager Ltd	1,392,751	1.74%
14	David Smith & Lara Smith	1,329,915	1.66%
15	Waspp Corporation Ltd	1,154,707	1.44%
16	John Trevor Hanson & Bruce Trevor Hanson	1,096,532	1.37%
17	Mark E Pattie & Kelly M Pattie & Northern Trustee Services (No. 74) Limited	1,081,714	1.35%
18	Smith Family Holdings Ltd	1,081,714	1.35%
19	Philip Meredith & Hornbuckle Mitchell Trustees Limited	1,078,009	1.35%
20	Matthew Preen & Richard Galbraith	585,311	0.73%
		<b>72,702,711</b>	<b>90.89%</b>

**Substantial Product Holders:** According to notices given under the Securities Markets Act 1988 (which was replaced by the Financial Markets Conduct Act 2013 on 1 December 2014), the following persons were Substantial Product Holders in the Company at 31 December 2014 in respect of the number of voting securities set opposite their names:

NAME OF SUBSTANTIAL PRODUCT HOLDER	NUMBER OF ORDINARY SHARES
Vista Group International Limited*	40,612,563
Murray Lawrence Holdaway, Helen Rachel Geary and Stephen John McDonald as Trustees of the Holdaway and Geary Trust	9,353,862
Brian John Cadzow, Julie Ann Cadzow and Peter Allen Lewis as Trustees of the B&J Cadzow Family Trust	6,482,875
Bruce Alexander Wighton, Marianne Bachler and Peter John Clarke as Trustees of the Wighton Bachler Holdings Trust	5,415,979
Gregory James Trounson, Donald Mackenzie Gibson and Kathryn Mary Lee Trounson as Trustees of The Trounson Family Trust	4,352,787
Devon Funds Management Limited	4,254,995

\*The restrictive undertakings to the Company, NZX Limited and the non-interested Directors of the Company referred to under the section "restricted securities" below results in a requirement for the Company to notify a Substantial Product Holding.

The total number of issued voting shares of the Company at 28 February 2015 was 79,973,089. Where voting at a meeting of the shareholders is by voice or a show of hands, every shareholder present in person, or by representative has one vote, and on a poll, every shareholder present in person or by representative has one vote for each fully paid ordinary share in the Company. At 28 February 2015 there was 1 shareholder holding less than a marketable parcel of shares as defined in the ASX Listing Rules, based on the closing price of A\$4.18. The ASX Listing Rules define a marketable parcel as a parcel of shares not less than A\$500.

**Restricted securities:** The following shares are restricted securities or securities subject to voluntary escrow under ASX listing rule 4.10.14.

Each shareholder owning shares in the Company prior to listing on the NZX Main Board in August 2014 ("the Existing Shareholders"), and each Independent Director, has entered into an escrow arrangement with the Company under which:

- the Existing Shareholders have agreed not to sell or otherwise dispose of:
  - their existing Company shares which were not sold at the time of the listing; and
  - any Company shares purchased by them under the Vista Group employee offer (where that Existing Shareholder was an eligible employee offeree);

- the Independent Directors have agreed not to sell or otherwise dispose of any Company shares purchased by them at the time of the listing, until the first trading day after the Vista Group's preliminary announcement has been released to the market in respect of its financial results for the year ending 31 December 2015, without the approval of the Directors who are not "interested" in the decision (as that term is defined in the Companies Act), the Company and NZX.

In addition: (a) the Existing Shareholders and Independent Directors may transfer their escrowed shareholding to an "affiliate" (being a person owned or controlled by, or under common ownership or control with, the Existing Shareholder and in relation to a family trust includes any beneficiary of that trust) of the relevant Existing Shareholder or Independent Director provided that such "affiliate" has agreed to be bound by the escrow terms; and (b) the Existing Shareholders and Independent Directors may accept any full or partial takeover offer made in respect of Shares under the Takeovers Code or similar scheme or arrangement. An "escrow" is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the securities concerned for the period of the escrow, subject to any exceptions in the escrow arrangement concerned.

In addition, on 23 December 2014 the Company issued 160,000 Company Shares to three senior staff members

as part of a reward and retention plan. These Company Shares are subject to retention and escrow through until 31 March 2016, with a right of repurchase by the Company at zero value should the staff member leave in the retention period. The terms of the escrow are the same as the terms of escrow for the Existing Shareholders as set out above.

The total number of restricted Securities is 40,772,563 Company shares.

**Options:** Nil

**Auditor Remuneration:** Grant Thornton continued to act as auditor to the Company for the 2014 financial year. The amount payable to Grant Thornton by the Company and its subsidiaries for audit and non-audit services for the financial year ending 31 December 2014 is disclosed in Note 7.1 to the financial statements, together with an explanation of the nature of the non-audit services. The Board considers that due to the nature and quantum of these non-audit services, the auditor's independence is not compromised.

**Waivers:** The Company had no NZX waivers granted or published by NZX within or relied upon in the 12 months ending 31 December 2014. The Company has been granted waivers from the ASX which are standard for a New Zealand company listed on the ASX including confirmation that ASX will accept financial statements denominated in New Zealand dollars and prepared and audited in accordance with New Zealand Generally Accepted Accounting Principles and Auditing Standards.

The Company is incorporated in New Zealand. Accordingly, the Company is not subject to Chapters 6, 6A, 6B or 6C of the Corporations Act 2001 (Cth) dealing with the acquisition of shares (including substantial holdings and takeovers).

Securities in the Company are generally freely transferable, aside from the limitations on the acquisition of securities set out below, including:

- The New Zealand Takeovers Code, under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding to 20% or more of the voting rights of the Company can only occur in permitted ways. These include a full or partial takeover offer in accordance with the Takeovers Code, an acquisition or an allotment approved by an ordinary resolution of shareholders, a creeping acquisition (in certain circumstances), or a compulsory acquisition once a shareholder owns or controls 90% or more of the shares.
- The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005, under which the consent of the New Zealand Overseas Investment Office is likely to be required where an "overseas person" acquires shares in the Company that amount to 25% or more of the shares issued by

the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

- The New Zealand Commerce Act 1986, which is likely to prevent a person from acquiring shares in the Company if the acquisition would, or would be likely to, have the effect of substantially lessening competition in the market.

**Subsidiary company Directors:** The following people held office as Directors of subsidiary companies at 31 December 2014:

- Kirk Senior: VESL, Vista Entertainment Solutions (USA) Ltd, Virtual Concepts Ltd, Movio Ltd and Movio Inc.
- Murray Lawrence Holdaway: VESL, MACCS International B.V., Vista Entertainment Solutions (UK) Ltd, Vista Entertainment Solutions (Shanghai), Vista Entertainment Solutions (Canada) Ltd, Book My Show Ltd, Book My Show (NZ) Ltd, Numero Ltd, Numero (Aus) Pty Ltd.
- Brian John Cadzow: VESL, Virtual Concepts Ltd, MACCS International B.V., Vista Entertainment Solutions (UK) Ltd, Vista Entertainment Solutions (USA) Ltd, Vista Entertainment Solutions (Canada) Ltd, Book My Show Ltd, Book My Show (NZ) Ltd, Numero Ltd, Numero (Aus) Pty Ltd.
- William Stanley Palmer: Movio Inc.
- L.H. Huls: MACCS International B.V.
- Mathieu H.W. Van As: MACCS International B.V.
- Rajesh Chandrakant Balpande: Book My Show Ltd & Book My Show (NZ) Ltd.
- Simon John Burton: Numero Ltd & Numero (Aus) Pty Ltd.
- Joel Johnston Hedrick: Numero Ltd & Numero (Aus) Pty Ltd.
- Sven Andresen: VPF Hub.

**Annual Meeting:** The Company's Annual Meeting of shareholders will be held in Auckland on 20 May, 2015 at 9:30 am. A notice of Annual Meeting and Proxy Form will be circulated to shareholders in April 2015.

**Donations:** The Vista Group made donations of \$20,036 to nine charitable organisations during the 2014 financial year.







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