VISTA GROUP INTERNATIONAL LIMITED

ANNUAL REPORT 2017

vistagroup.co

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This report is dated 29 March 2018 and is signed on behalf of the Board of Vista Group International Limited by Kirk Senior, Executive Chairman, and Murray Holdaway, Chief Executive.

K Senior
EXECUTIVE CHAIRMAN
29 March 2018

M Holdaway
CHIEF EXECUTIVE
29 March 2018

KIRK SENIOR EXECUTIVE CHAIRMAN *(left)*, **MURRAY HOLDAWAY** GROUP CEO *(right)*.

CHAIRMAN'S LETTER

Dear Shareholder,

Welcome to the Annual Report of Vista Group International Limited (Vista Group) for the financial year ending 31 December 2017.

I am pleased to announce to shareholders that the Vista team have delivered another very strong performance across a number of the key areas important to the business.

The financial results reflected another year of 20%+ revenue growth, our fourth consecutive year of doing so. It is great to see our revenue growth past the $100m mark.

As pleasing as the revenue growth has been, a year of record profitability resulted in a 57% increase in operating profit and a significant 104% improvement in cashflow. This enabled us to declare a fully imputed dividend 28% up on the prior year. This is at the top of our policy range reflecting our confidence in the business and the desire to reward shareholders.

Our balance sheet remains extremely strong which positions us well for internal and external growth opportunities.

In addition, we have made great progress in advancing our key strategies of continuing to support and grow our customers, develop new growth opportunities in new countries, to continue to build and innovate our Vista product and service portfolio and take greater control in our associate entities.

Murray will expand on our customers, market expansion and product expansion in his CEO report.

I would like to acknowledge our important strategic business partners and investing founders throughout the world who continue to play a very important role in facilitating global growth. We constantly review and assess these arrangements in line with our long-term strategy of maintaining controlling positions in all our businesses. Two such examples of this are:

- Senda – the acquisition of our long-standing business partner in Mexico improves our influence and profitability in the fast-growing South American region, with substantial growth forecast from Brazil and other markets.
- Vista China – post balance date we increased our equity stake and as a result will be able to consolidate the Vista China results. This will provide transparency and earnings growth on what will be the largest cinema market in the world going forward.

In January we announced an important executive change with Kimbal Riley taking over the Group CEO role from our Founder, Murray Holdaway, who will move into a key role of Chief Product Officer.

Kimbal has a long and successful career in the IT and Services industries in New Zealand and overseas. His four years at Vista Group as the CEO of our largest business, Vista Entertainment Solutions, have been outstanding, judged both in terms of financial performance as well as his broader leadership qualities.

Murray co-founded Vista in 1996 and has been a key driver of its success and culture. Murray's passion has always been centred on product innovation and customer service and this new role will enable him to have the freedom of mind to focus on the area where he has traditionally provided the greatest value. This is core to the Group's success, the heart and soul of what we do.

This is without doubt a case of 1+1=3 and I look forward with great enthusiasm to working with Kimbal and Murray in their new roles.

The years ahead look exciting – the cinema industry is growing significantly in many markets and becoming increasingly sophisticated in others. Both these attributes require superior software solutions, for which we are recognised as the global leader. Our goal is to maximise those opportunities and in doing so to build an even stronger company that delivers superior returns to our shareholders. There is no doubt we have the executive talent (in quality and depth) to achieve this goal particularly given the tremendous growth prospects we see going forward.

On behalf of the Board, I thank you for your continued support.

Yours sincerely,

Kirk Senior
EXECUTIVE CHAIRMAN

CEO'S LETTER

Dear Shareholder,

I am proud to report that the Vista Group turned in another stellar result for FY2017 and continued toward its aim to be the world's leading supplier of software to the film industry.

We are a global leader in our field, an outstanding achievement for a New Zealand founded company, and the Group continued to increase its market share across the globe in most of its product lines. Further, to accelerate our leadership position we completed the acquisition of our Latin American business partner, Senda, which has now been renamed as Vista Latin America. Further progress was made in the fast growing and large market of China, with Vista Group increasing its equity in Vista China post 2017 balance date.

The excellent growth in revenue, earnings, cash flow and customer wins was the combination of the various businesses within the operating group.

Highlights of the various operating groups include:

Vista Cinema, the largest of our businesses, added another 793 Vista sites across the globe taking the number of installed countries to 93. Two large and important markets, Italy and Brazil were opened and these markets are showing significant opportunities early in 2018. Market share in the enterprise area rose to approximately 43% (excluding China). We are confident of increasing this impressive market share, as significant opportunities still exist across the world in both mature and emerging markets.

Significant progress was made with the major innovation and investment by Vista Cinema in the development of the enterprise product, Vista Cinema, making it deployable in the cloud. The first modules from this development were installed in a cinema in New Zealand late in 2017.

Veezi continued its expansion, and although site number growth was slightly behind plan, revenue growth was above plan as average revenue per site continued to increase. An encouraging trend for Veezi and an endorsement of the market interest in the product, is that while sales and marketing effort has been focused on 6 countries, sign ups from the web presence have been achieved in 27 countries.

Vista Cinema is entering the 2018 year with a strong sales pipeline and looks set to continue with their exceptional growth.

Movio had an exceptional year, increasing revenue by 37%. Movio Cinema gained many new customers particularly in Latin America and Europe. This success continued to grow the active movie goers held in the Movio database. Importantly Movio Media gained some real traction in the USA with major long-term contracts being signed with studios and media companies. This enabled Movio to increase the revenue per moviegoer in the USA from 31 cents to 45 cents. This is a key metric for Movio and demonstrates that Movio Media will be a key driver of the value derived from the Movio data. In 2018 it is intended to launch Movio Media in new territories outside the USA.

Powster built upon the opening of its new Los Angeles studio by capturing significant amounts of new business from US based studios. 46% more movie destination sites were created and total visits to Powster movie sites were up 290%. An incredible statistic for Powster was that 87 of the top 100 grossing movies used a Powster movie platform during 2017.

MACCS has had a challenging year with the overrun of a large contract weighing heavily on the financial results for 2017. It is estimated that the project will be completed in the first half of 2018 and normal trading patterns will return to MACCS.

Cinema Intelligence and **Numero** made significant progress during 2017. Both these companies are expected to reach an EBITDA positive position in 2018. Cinema Intelligence gained significant new customers in Europe and Asia, with much of the revenue from these new deals falling into 2018. Numero continued to add more coverage across a number of territories and is setting itself up to add the important North American coverage in 2018.

movieXchange is a new product line started in 2017. The product completely out-performed all expectations in the short time it was in production – essentially just the 4th quarter. In this time more than 200,000 tickets were sold through the platform from which we earn revenue per ticket. The potential growth for movieXchange is significant as more 3rd party sellers and cinemas join the platform.

Stardust our first foray into social media, has shown encouraging growth with 24,000 monthly active users reached by the end of 2017. Our target is 50,000, a number that the industry considers to be significant enough to monetise and potentially provide a return on the investment we have made in Stardust.

Overall the Group had a very good year. The core products of Vista Cinema and Movio grew their businesses both in volumes, revenue and earnings, while our smaller businesses, with the exception of MACCS, made encouraging progress in their selected vertical.

I am extremely proud of the talent and capability of the Vista team and what we have achieved. We are a global company of great diversity servicing clients in different regions with different business practices and expectations. I would like to thank the Vista team for their customer focus, the continued innovation, enthusiasm and teamwork they display across our businesses and our customers all around the world.

I look forward to another year of continued strong growth. With the consolidation of China and Senda, the progress we are making in new and emerging markets and the continued support of our clients in taking on more of our portfolio of products and services, I remain very confident in the future of our company.

I am personally looking forward to supporting Kimbal in his new role of Vista Group CEO, allowing me to focus on innovation, enhancing and developing key products and supporting our customers.

My thanks to all stakeholders for supporting Vista Group.

Yours sincerely,

Murray Holdaway
CEO AND FOUNDER

VISTA GROUP COMPANIES

VISTA GROUP

CINEMA

vista

VEEZI

MovieTeam

MOVIO

MOVIO

ADDITIONAL GROUP COMPANIES

POWSTER

FLICKS

maccs

EARLY STAGE INVESTMENTS

CINEMA INTELLIGENCE

movieXchange

Stardust

ASSOCIATES

numero

VISTA CHINA

GROUP COMPANY OVERVIEW

Vista Group is continuing on its mission to become the leading provider of software to the film industry.

Vista Group operates in a vertical market which in many respects is similar to any other vertical industry. In most industries the sectors are known as manufacturing, supply, retail and consumer. In the film industry our sectors are known as:

- Production – entities that make movies
- Distribution – entities that distribute movies
- Cinema Exhibition – the cinemas that show the movies
- Moviegoer – the public that go to see a movie

The graphic below is a view of how Vista Group sees the vertical market that it operates in and where the products that it currently offers fit in to that vertical market.

With the integration of the products that Vista Group has created/acquired we are creating the position of following the film through the process of its creation to it being seen by a moviegoer and tracking all the contracts and attributes that are needed by each party in that chain. We are then in a position to report on the box office performance of the movie back through the channels to the entity that made and invested in the movie itself.

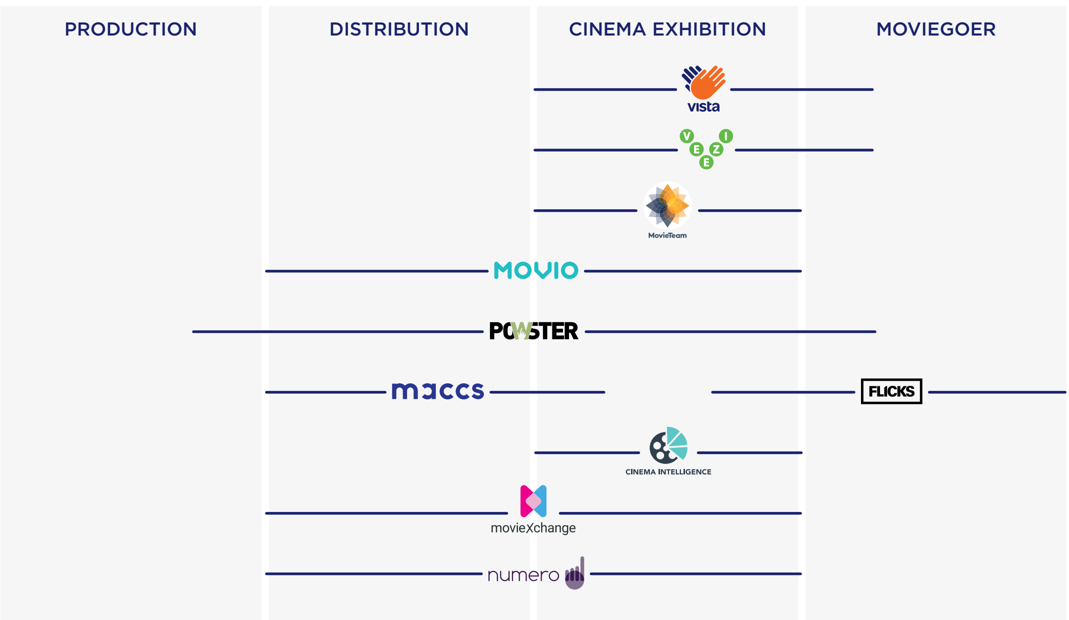
The data aggregation and analysis that is required by the film industry is significant. This provides many additional opportunities for Vista Group products such as Movio, Numero and Powster. This has created the opportunity to provide more efficient access to data for industry participants leading to investment in MovieXchange, Movio Media and other modules within the cinema products.

The Global cinema market is still expanding with the number of cinema screens and box office revenue growing. While growth in the US domestic market is slower, the international market lead by the Asia Pacific region is strong. The global market is also showing some key trends which participants are focussed on:

- Consolidation
- Premiumisation
- Data
- Marketing

These are trends that drive the Vista Group businesses forward as the functionality of our products supports participants in being able to drive improvement in their service offerings and maximize the opportunities to gather data and make use of it for targeted and efficient marketing. Our global market share and relationships with the largest and fastest growing businesses in the industry also generally provide benefits as consolidation occurs.

Vista Group continues to push to create products and services which lead the industry in terms of innovation and functionality to meet participant's needs. This focus has been strengthened with the appointment of Murray Holdaway (Founder and current CEO) to the new role of Chief Product Officer where he will be working on the group wide strategy to better determine market requirements and ensure our products maximise their value to the industry and Vista Group.



GROUP TRADING
OVERVIEW

GROUP TRADING OVERVIEW

↑ 20% **TOTAL REVENUE** **$106.6m**

↑ 20% **RECURRING REVENUE** **$64.3m**

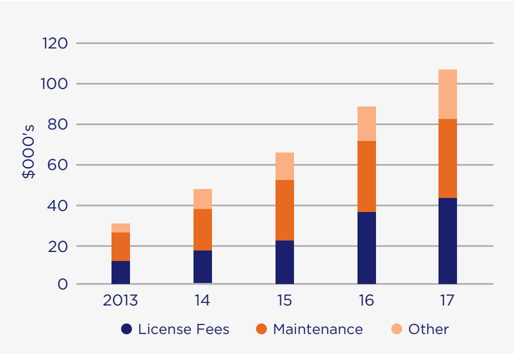
↑ 57% **OPERATING PROFIT** **$20.4m**

↑ 42% **EBITDA**[(1)] **$25.0m**

↑ 104% **OPERATING CASHFLOW** **$11.0m**

FINAL DIVIDEND **1.74 cents/share**

REVENUE ANALYSIS



Vista Group produced strong revenue growth (20%), positive operating cash flow ($11.0m) and maintained a strong balance sheet to provide a platform for the continued growth of Vista Group. Earnings based on EBITDA[(1)] have improved 42% to $25.0m. Vista Group continued its strong focus on software development, the improvement of its existing products and the creation of new products for the market. In line with previous market advice Vista Group has capitalised $2.8m towards key projects in Vista Cinema and Movio and $2.2m towards its early stage investments in movieXchange and Stardust.

One of the more pleasing aspects to the result was the improvement in the quality of the underlying EBITDA[(1)] as a percentage of revenue which increased to 23.5% across Vista Group despite the negative results from the early stage investment segment and MACCS.

This result continues to highlight the key financial and operating strengths of Vista Group:

- Consistent strong revenue growth
- Strong annuity revenue
- Sustained profitability
- Positive operating cash generation
- Leading global position in an expanding film industry
- Dividend payer

The 2017 trading result has set Vista Group up for another strong year in 2018 with planned penetration to new markets and growth in emerging large markets providing growth opportunities across all businesses. The exciting new capabilities of the Movio product, the increased penetration and usage of Movio Media, the growth expected from Vista China (now that it will be consolidated during 2018) and the continued strength of the global cinema market will also drive the business forward in 2018 and beyond.

(1) EBITDA is a Non-GAAP measure and is defined as earnings before net finance expense, income tax, depreciation, amortisation, acquisition costs and equity-accounted results from associate companies. Expenses related to the VCL deferred consideration is also excluded. This is consistent with the measure used in the Prospectus dated 3 July 2014. Depreciation and amortisation in 2017 $3.6m (2016: $3.3m).

GROUP TRADING OVERVIEW
CINEMA

The Cinema segment is still the largest segment within Vista Group and represents 63% of total revenue and 79% of EBITDA. This segment has for the fourth year outperformed growth forecasts across all metrics – sites installed, revenue and EBITDA. The growth in the customer base for this segment is important not just for the revenues of this segment but for the opportunity it provides other Vista Group companies to provide their software and services to customers that are already familiar with Vista Group.

vista

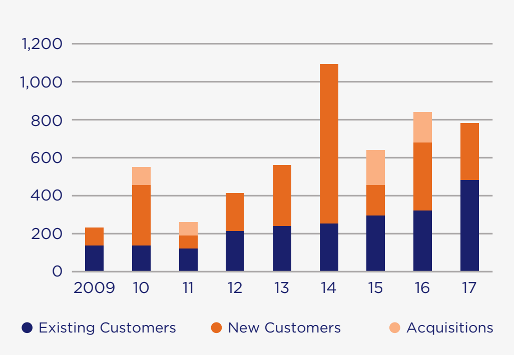
a total solution for cinema exhibitors in the Large Circuit Market

Vista Cinema delivered another impressive performance in 2017 with 793 new cinema sites added. Revenue growth of 22% (excluding the China consolidated revenue in FY2016 of $6.7m) and a 34% improvement in EBITDA performance to $19.8m. Most pleasing was the quality improvement in EBITDA, up 5.5 percentage points to 29.3% of revenue.

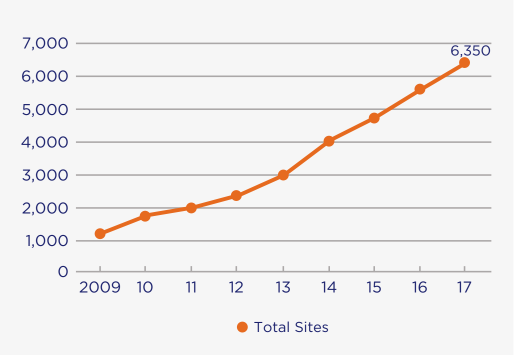
Vista Cinema was implemented in 11 new countries, most notable being Brazil, Italy and Austria. These countries together with China, Japan, and Saudi Arabia represent some of the largest new market opportunities for Vista Cinema in 2018 and beyond. Vista Cinema ended 2017 with 6,350 sites implemented globally – an increase of 14% from the previous year. The 793 additional sites was made up from 179 sites in China and 614 in the rest of the world. In addition, Vista Cinema implemented its software in 49 non cinema sites for existing customers in related small retail food and beverage operations bringing this to 334 in total.

Exciting new developments in both new and existing product areas were well advanced in 2017. In particular, the work on the transition to a cloud version of Vista Cinema has gathered momentum with the first modules delivered in Q1 2018.

NEW SITES ADDED

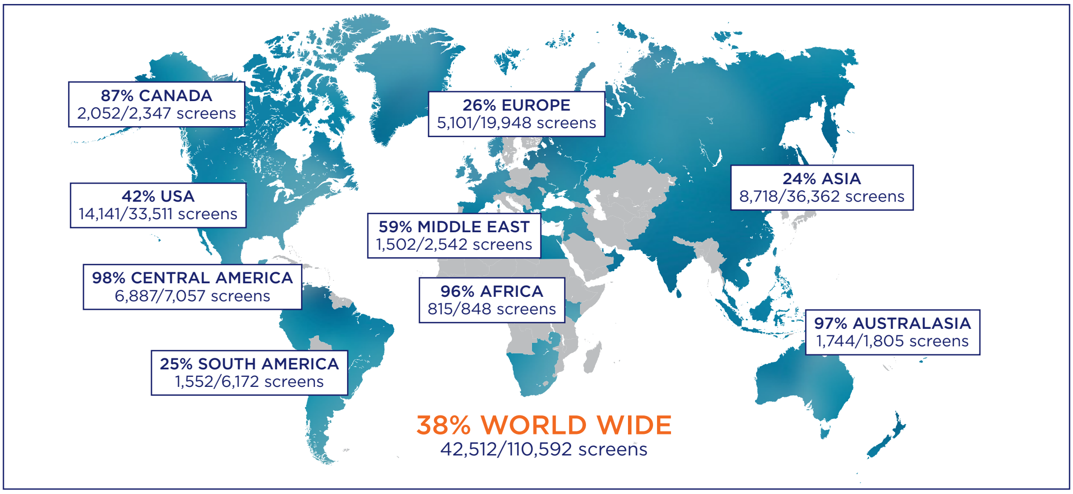


TOTAL SITE COUNT



VISTA MARKET SHARE

Vista Cinema percentage of the world market – for Cinema Exhibition Companies with 20+ screens.



the cloud-based cinema management solution for small 'Independent' cinemas

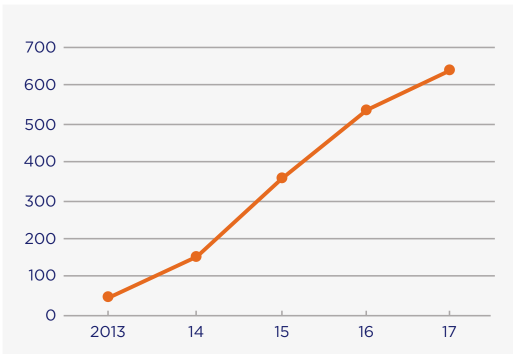
Veezi increased site numbers 23% (112) to reach 643 contracted site at year end. The release of new chargeable modules (Kiosk, Veezi Voucher & Gift Card Manager) along with revenue sharing arrangements with third parties (payment providers, other sales channels) has lifted the revenue per site 8% to $517 per month. Combined with site number increases this has lifted the ARR (Annualised Recurring Revenue) at year end by 30% to $4.0m. Veezi is expecting increased site numbers in 2018 as we progress opportunities in Europe and the key growth market of China.

↑ 23%

COUNTRIES WITH VEEZI SITES

27

TOTAL SITE COUNT



a cloud-based application for cinema staff scheduling

MovieTeam

Our SaaS product for staff scheduling and management has increased its user base and revenues and is now finding opportunities outside the initial launch market of the USA. 12 new customers were obtained in 2017 and we will continue to see growth in the customer base which will drive ARR to higher levels in 2018.

MOVIO

The Movio segment is the second largest segment within Vista Group and represents 14.5% of total revenue and EBITDA. Movio delivered a terrific result in 2017 with revenue up 37% to $15.5m and EBITDA up 111% to $3.6m

MOVIO global leader in data driven marketing for the film industry

Movio's purpose is to connect moviegoers with their ideal movie and it continues to be the global leader in data driven marketing in providing products and services to cinema exhibitors, film studios and their media agencies and other specialists in film advertising.

Movio continues to be one of the key growth engines for Vista Group and the execution of the growth strategy to increase the number of long term agreements in the USA, along with penetration of international markets, will enable Movio to capture market share in the increasing area of 'digital marketing spend' alongside traditional marketing channels.

Movio Cinema revenue grew 18% in 2017 with customers in Latin America and Europe providing the growth. Connection volumes (email, SMS and other modes of messaging) increased 28% to 1.8m which demonstrates the continued high usage rate by customers of the product.

Movio Media increased its revenue 150% in 2017, driven by the successful launch of the digital media campaign offerings. Key new customers were signed in 2017 (Twentieth Century Fox, Epsilon, Viacom and STX) with revenue still derived solely from the USA market. The opportunity to increase revenue in the USA and the use of the product in international markets provides a significant future growth opportunity for Movio Media.

↑ 37%

TOTAL REVENUE GROWTH

$15.6m

↑ 150%

REVENUE GROWTH

Movio Media

↑ 44%

REVENUE / ACTIVE USA MOVIEGOER

45 cents

GROWTH STRATEGY

Movio has a growth strategy that it is implementing to secure the future potential of this segment.

- Increase active moviegoers held by Movio:
  - increase Movio Cinema users including non Vista Cinema users
  - increase access to online moviegoers outside direct loyalty membership
  - increase channels to access data on active moviegoers to increase overall potential data set.
- Increase Revenue per active moviegoer:
  - increase USA revenue per active moviegoer as media campaigns usage lifts and number of channels grows
  - activate Movio Media in additional territories outside the USA
  - increase Revenue per active moviegoer outside the USA as media campaigns commence using USA successes as a template.

	ACTIVE MOVIEGOERS (MILLIONS)		REVENUE/ ACTIVE MOVIEGOER (NZ CENTS)	
	2016	2017	2016	2017
USA	22	24	31	45
Rest of World	16	21	28	23
Global	38	45	30	35

GROUP TRADING OVERVIEW

ADDITIONAL GROUP COMPANIES

The Additional Group Companies segment comprises the businesses of Powster, MACCS and Flicks. Together this segment represents 11.5% of total revenue and 2.4% of EBITDA.

POWSTER world leading film marketing products

Powster had a strong 2017 with significant growth achieved across its product set. For its core movie destination sites growth of 46% was achieved with over 1,300 sites created and these attracted a record 422m total visitors, an increase of 290%.

Powster opened a studio in Los Angeles in 2017 to have a direct presence in the USA market. This has proven to be successful and the team in this location will build to meet market needs. The core development team is still based in London (UK) and continues to deliver market leading products including the recently released 'Trailered'.

There are significant opportunities for Powster to leverage from existing and new technologies provided by other Vista Group companies and products to the film industry and this should assist with new avenues for growth into the future.

↑ 46%

DESTINATION SITES

1,300

TOP GROSSING MOVIES USING POWSTER

87 out of 100

FLICKS movie and cinema review and showtime guide site

While still a relatively small business in terms of revenue, since joining Vista Group in 2016 Flicks has grown to become the largest independent movie site in Australasia.

Flicks has created a new product 'Your Cinema' to provide websites for smaller independent cinemas. This has built Flicks revenue and through integration with Veezi, provided additional revenue benefits.

↑ 46%

SITE VISITS IN AUSTRALIA

6.6m

↑ 42%

PAGE VISITS IN AUSTRALIA

17.9m

maccs provides world leading theatrical distribution software

MACCS performed below expectation which impacted on the overall performance of this segment.

The focus in 2017 has been the completion of the Warner Bros. implementation in the USA. This has proven to be complex and as a result additional resources have been applied to finalise the project. The costs associated with this work have been provided for in 2017 which has further impacted the results.

On the positive side, there are now 5,500+ cinema sites delivering weekly audited box office to MACCSBox which is building the recurring revenue base of the business.

GROUP TRADING OVERVIEW
EARLY STAGE INVESTMENTS

This segment comprises businesses which are characterised as being in a start-up phase. This means that they are yet to generate significant revenue or positive EBITDA and Vista Group is continuing to invest in them to bring them successfully to market.

In 2017 this segment did double revenues to $1.2m but showed increased negative EBITDA to $1.7m. In addition Vista Group continued to invest in the development of these businesses as we believe in their potential for the future. This resulted in a further $2.2m of capitalised internally generated software for this segment.

CINEMA INTELLIGENCE

film forecasting and scheduling

- Strong 2nd half performance with high percentage of recurring revenue.
- Increased pipeline and closure of 2 significant contracts for 2018 implementation.
- Market opportunity large as penetration of Vista Cinema customers still low.
- Many opportunities for new products to complement the Vista Cinema product suite.
- Targeted to have positive EBITDA in 2018.

movieXchange

media sharing and access to new ticket selling channels

MX Film is a platform for exchanging the digital media assets (posters, stills, trailers etc) relating to a film between the IP owners (typically film distributors) and the users of these – at present cinema exhibitors.

MX Tickets is a Software as a Service product that enables cinema owners to connect to a wide range of 3rd party ticket selling channels. The service assists clients with online and mobile ticket processing for which Vista receives a payment based on a per ticket rate from the 3rd party sellers.

- MX Film now producing revenue with 10 customers in USA and Australia.
- MX Film has a very wide potential customer set.
- MX Tickets had transaction volumes and revenue ahead of internal targets in FY17 and is currently only deployed in USA but it is a global opportunity.

Stardust

social app to share video reaction to movies and tv shows

- Active user numbers growing well since launch now at 24,000 and on target to reach key milestone of 50,000.
- Activity rates (videos posted and reactions) increasing month on month. 20K reaction videos posted in December 2017.

GROUP TRADING OVERVIEW
ASSOCIATES

Vista Group still held two investments in associates at year end. In a post balance date event it has been announced that Vista Group has acquired additional equity in Vista China and from a point in 2018 (when regulatory approval is obtained) to enable Vista China to be consolidated in to the Vista Group results as a subsidiary.

numero box office tracking and reporting product

- Reached $1M NZD ARR by Q4 2017.
- Targeting positive EBITDA by end of 2018.
- Transitioning Australasian trial users to full commercial terms through 2018.
- Customer feedback on product is very positive.
- China cinema data being reported with 3 major US studios contracted.
- Collection for Korea, South Africa, Malaysia/Singapore services commenced, other key territories being added through 2018.
- USA market a key focus for 2018.

VISTA CHINA China reseller for Vista Group products

2017 OPERATIONS

Vista China grew its revenue by 71% to $17m and on an operational profit basis (before recognition of the localisation fee of $8.0m) it produced a positive result of $4.0m. Site numbers increased by 179 to a total of 759 which represents around 12% of the large cinema market in China. The first Veezi sites were installed in 2017 and represent a significant opportunity for the future. The business established a new office in Beijing and now has 48 staff across its 2 offices.

GROWTH OUTLOOK

The Chinese film and cinema market remains one of the fastest growing in the world. It is already the second largest market by box office revenue and at current growth rates will become the largest over the next 2 years. This provides a huge upside for the Vista China operation as it:

- increases site market share in the large cinema market;
- establishes Veezi in the smaller independent sites where the market size is large. This is in turn supported by Chinese government regulation which is forcing smaller cinemas to operate electronic box office systems;
- increases the share of online ticket sales processed for customers where a revenue share is obtained;
- increases sales of direct web and mobile solutions for cinema customers;
- obtains data access for Movio and Numero to enable revenue to earned from the provision of Chinese box office and moviegoer data.

The transition of the Vista China business back to being reported as a subsidiary will be very positive for Vista Group. It will enable the growth of Vista China and the impact of the China market as a whole to be better reflected, and valued, within the Vista Group results.

CORPORATE RESPONSIBILITY

Vista Group has grown from a small company created by 5 founders and then a group of very loyal employees many of whom over time became senior managers and shareholders in the business. The goal that Vista Group should not just be a successful company but a great place to work, a great supplier and a good corporate citizen in the territories in which it operates remains at the core of the way the business operates today.

EMPLOYEES & RECRUITMENT

Our People

Vista Group's success has been built on good people doing good things. Our ability to attract and retain talent has been at the heart of our success. Our staff not only deliver great customer outcomes but have fun together while doing so. Vista Group genuinely care for our staff and put their wellbeing at the heart of the decisions we make.

We acknowledge our responsibility as a key employer in the tech industry in New Zealand and are looking to continue to take a leadership role in developing both our staff and industry as a whole.

Diversity

Vista Group always looks for great talent in the people it hires and diversity of thought that leads to fantastic idea generation. We recognise the structural issues around gender imbalance (numbers and pay) and under-representation of certain groups in the tech industry and work to improve this as much as we can within Vista Group itself. As the tech industry suffers from a shortage of talent in New Zealand, and in other territories in which we operate, we have become approved by immigration authorities to recruit talented people from overseas to help grow the employee base of the business. We have customers in 90 countries around the world and while our staff do not quite cover all those countries we certainly represent a wide range of counties with over 20 languages spoken by staff. This creates an enormous benefit to an outward looking, export oriented New Zealand business.

Relationship with Universities

From its early days Vista Group formed a strong relationship with Auckland University and a key project course run through the Information Systems department (IS340). For 9 years we had project teams of 3 work in Vista to create prototypes of new modules, many of which have become part of the Vista Group product set. We are very proud of the fact that a high percentage of those staff have become permanent staff members upon graduating with many moving onto to leadership roles.

Since then we have created strong relationships with other faculties and Universities to provide our knowledge to them and to provide project work for students and specialist post graduate students.

Vista Group has assisted SESA (Software Engineering Students Association) through organising co-managed events to ensure students can enjoy some activities outside of study and of course to learn a little about Vista Group.

Interns and Graduates

Vista Group runs a strong intern and graduate recruitment program as part of our dedication to developing the tech talent of tomorrow. A testament to our strong employment brand is that we now have over 650 applicants for the intern program each year. The program involves us bringing up to 12 interns into the business over summer. They work on projects and spend time in development teams. Part time work is offered through the year where this fits a student's schedule. A testament to the success of the program is that many of the interns join as graduates on completion of their studies. In addition Vista Group companies run a strong graduate recruitment program through the Universities to bring fresh new talent in to the organisation.

Robotics

On a smaller scale Vista Group has for many years been a supporter of one of the most successful secondary school VEX robotics teams in New Zealand. The Lynfield College team (a west Auckland school) has won several world titles (held in the USA) and through sponsorship by Vista and the Vista staff it has assisted in the building of the Robots and travel costs. In 2017 ex Lynfield students competed and won the world robot fighting wars in China and have since been invited to compete in a battlebots series to be filmed for Discovery channel in the USA.

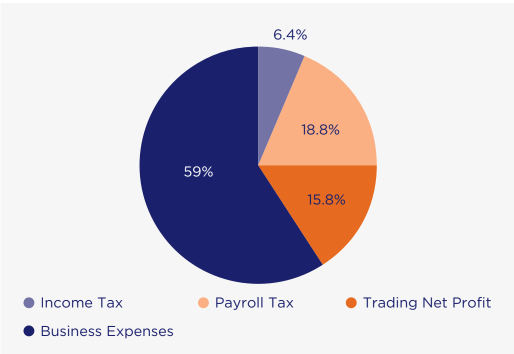
TAXES PAID

Vista Group is committed to being a good corporate citizen and understands the importance of paying tax and the positive contribution that tax makes to the jurisdictions in which it operates. Vista Group does not actively structure its businesses or policies to divert profits to low tax jurisdictions or tax havens. The largest single cost element within Vista Group is employee/contractor costs. This means that in addition to income taxes Vista Group is a significant payer of payroll based taxes in all the jurisdictions in which it operates. Vista Group uses payroll practices and systems approved in each jurisdiction to ensure that it meets all of the obligations with respect to correctly deducting and paying these taxes to the local tax authorities.

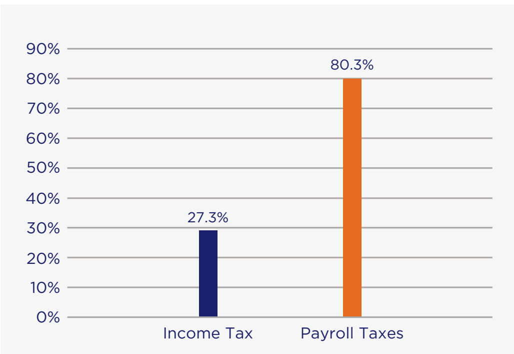
The pie chart shows the significant share of total revenue (when combined they are greater than our profit) that taxes make up.

The bar graph shows taxes as a percentage of Trading Net Profit.

TAXES AS A PERCENTAGE OF TOTAL REVENUE



TAXES AS A PERCENTAGE OF TRADING NET PROFIT



VISTA FOUNDATION

Vista Group is passionate about the New Zealand film industry and wanted to help the next generation of feature film-makers launch their careers.

The principal aim of the Foundation is to foster a viable, successful, and inclusive local film industry in New Zealand. By providing support and education for necessary skills and expertise, the Foundation will encourage the production of exceptional works of New Zealand cinema, and extend the opportunities available to more groups and individuals. These aims have been recognised and the Foundation has now achieved charitable status in New Zealand.

A well-supported local film industry will enable material that builds the cultural base of New Zealand film, in turn creating works of international appeal that showcase both New Zealand culture, and the film-making talent of New Zealanders.

Roger Donaldson (producer and director of several New Zealand classics and several Hollywood blockbusters) is the patron and the independent Board of the Vista Foundation has several leading industry representatives alongside two Vista representatives.

The Foundation has funded and has current projects underway to support:

- Vista Film Marketing Program – in conjunction with the NZ Film Commission;
- Incubator for emerging female filmmakers – conjunction with the Directors & Editors Guild;
- Documentary filmmakers legacy project – conjunction with the Arts Foundation.

It is also in the process of approval for several additional projects with wider educational appeal to groups which would otherwise struggle to participate in filmmaking or the Arts.

With establishment funding from the founding shareholders of Vista Group, the intent of Vista Group to continue funding support in future years and a program to raise additional funds from existing successful industry participants, the Vista Foundation is positioning itself to meet its principal aims for many years to come.

VISTA
FOUNDATION

FINANCIAL STATEMENTS

CORPORATE INFORMATION

DIRECTORS	Kirk Senior Murray Holdaway Brian Cadzow Susan Peterson James Ogden Cris Nicolli	
REGISTERED OFFICE	Level 3, Fujitsu House 60 Khyber Pass Road Newton Auckland, 1023 New Zealand Phone +64 9 984 4570	
NATURE OF BUSINESS	Provision of management solutions for the film industry	
COMPANY NUMBER	1353402	
ARBN	600 417 203	
AUDITOR	**PricewaterhouseCoopers** 188 Quay St, Auckland, 1142	
SOLICITORS	**New Zealand** **DLA Piper New Zealand** 50-64 Customhouse Quay PO Box 2791 Wellington, 6140	**Hudson Gavin Martin** Level 8 2 Commerce Street Auckland 1010
	UK **DLA Piper UK LLP** 1 St Paul's Place Sheffield S1 2JX United Kingdom	
	USA **DLA Piper LLP (US)** 550 South Hope Street, Suite 2300 Los Angeles, CA 90071-2678 USA	**Hernandez Shaeldel & Assoc** 2 North Lake Ave, Suite 930 Pasadena, CA 91101 USA
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SHARE REGISTRY

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Australia
Link Market Services Ltd
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BANKERS

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NSW 2150
Australia

Netherlands

ING Bank
Amsterdam se Poort
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

DIRECTORS' REPORT

The Board of Directors present the financial statements of the Group for the year ended 31 December 2017 and the independent auditor's report thereon.

For and on behalf of the Board of Directors who approved these financial statements for issue on 28 February 2018.

Kirk Senior
EXECUTIVE CHAIRMAN
28 February 2018

M Holdaway
CHIEF EXECUTIVE
28 February 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	SECTION	2017 NZ$'000	2016 NZ$'000
Revenue		106,623	88,589
Total revenue	3	**106,623**	**88,589**
Sales and marketing expenses		7,669	7,100
Operating expenses		51,676	42,849
Administration expenses		26,689	22,949
Acquisition expenses		960	1,338
Foreign currency (gains)/losses		(770)	1,378
Total expenses		**86,224**	**75,614**
Operating Profit		**20,399**	**12,975**
Finance costs		(680)	(580)
Finance income		350	480
Share of loss from associates	4.4	(3,256)	(914)
Capital gain on sale of Vista China		-	41,069
Profit before tax		**16,813**	**53,030**
Tax expense	8.1	(6,830)	(3,550)
Profit for the period		**9,983**	**49,480**
Profit for the period is attributable to:			
Owners of the parent		9,676	48,620
Non-controlling interests		307	860
		9,983	**49,480**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		3,146	(1,779)
Total comprehensive income for the period		**13,129**	**47,701**
Total comprehensive income for the period is attributable to:			
Owners of the parent		12,768	47,201
Non-controlling interests		361	500
		13,129	**47,701**
Earnings per share for profit attributable to the equity holders of the parent			
Basic (cents per share)	6.2	$0.06	$0.30
Diluted (cents per share)	6.2	$0.06	$0.30

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

		ATTRIBUTABLE TO THE OWNERS OF THE PARENT						
		CONTRIBUTED EQUITY	RETAINED EARNINGS	FOREIGN CURRENCY RESERVE	SHARE-BASED PAYMENT RESERVE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SECTION	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Balance at 1 January 2017		55,654	71,281	(991)	1,695	127,639	10,728	138,367
Profit for the period		-	9,676	-	-	9,676	307	9,983
Other comprehensive income		-	-	3,092	-	3,092	54	3,146
Total comprehensive income		**-**	**9,676**	**3,092**	**-**	**12,768**	**361**	**13,129**
Issue of equity		1,107	-	-	-	1,107	-	1,107
Share-based payments	6.3	249	-	-	466	715	37	752
Dividends paid	6.2	-	(5,751)	-	-	(5,751)	(699)	(6,450)
VCL share based payment	4.2	811	-	-	(412)	399	-	399
Acquisition of non-controlling interests	4.1	-	-	-	-	-	797	797
Balance at 31 December 2017		**57,821**	**75,206**	**2,101**	**1,749**	**136,877**	**11,224**	**148,101**
Balance at 1 January 2016		45,952	22,661	164	2,296	71,073	7,979	79,052
Profit for the period		-	48,620	-	-	48,620	860	49,480
Other comprehensive loss		-	-	(1,419)	-	(1,419)	(360)	(1,779)
Total comprehensive income		**-**	**48,620**	**(1,419)**	**-**	**47,201**	**500**	**47,701**
Issue of share capital		7,983	-	-	-	7,983	-	7,983
Share-based payments		75	-	-	1,043	1,118	-	1,118
Disposal of Vista China		-	-	264	-	264	-	264
VCL contingent consideration		1,644	-	-	(1,644)	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	2,249	2,249
Balance at 31 December 2016		**55,654**	**71,281**	**(991)**	**1,695**	**127,639**	**10,728**	**138,367**

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	SECTION	2017 NZ$'000	2016 NZ$'000
CURRENT ASSETS			
Cash	5.1	20,954	15,798
Short term deposits	5.1	-	5,540
Trade and other receivables	7.1	71,119	73,392
Income tax receivable		212	449
Total current assets		**92,285**	**95,179**
NON-CURRENT ASSETS			
Property, plant and equipment	7.3	4,637	4,162
Investment in associates	4.4	26,066	27,669
Goodwill	4.3	62,844	50,285
Other intangible assets	7.2	16,061	12,789
Deferred tax asset	8.2	2,342	1,541
Total non-current assets		**111,950**	**96,446**
Total assets		**204,235**	**191,625**
CURRENT LIABILITIES			
Trade and other payables	7.5	14,769	14,519
Deferred revenue		23,751	22,473
Contingent consideration		-	3,122
Borrowings related party	5.3	614	-
Income tax payable		2,069	2,315
Total current liabilities		**41,203**	**42,429**
NON-CURRENT LIABILITIES			
Borrowings	5.3	10,709	4,848
Deferred revenue		1,379	3,444
Employee benefits – VCL acquisition		-	343
Contingent consideration	4.1	908	-
Provisions		292	279
Deferred tax liability	8.2	1,643	1,915
Total non-current liabilities		**14,931**	**10,829**
Total liabilities		**56,134**	**53,258**
Net assets		**148,101**	**138,367**
EQUITY			
Contributed equity	6.1	57,821	55,654
Retained earnings		75,206	71,281
Foreign currency revaluation reserve		2,101	(991)
Share based payment reserve	6.3	1,749	1,695
Total equity attributable to owners of the parent		136,877	127,639
Non-controlling interests	4.4	11,224	10,728
Total equity		**148,101**	**138,367**

For and on behalf of the Board who authorised these financial statements for issue on 28 February 2018.

Kirk Senior Chairman

Susan Peterson Chair Audit and Risk Committee

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	SECTION	2017 NZ$'000	2016 NZ$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		105,143	69,247
Interest received		86	476
Payments to suppliers		(87,141)	(58,502)
Taxes paid		(6,784)	(5,484)
Interest paid		(259)	(317)
Net cash inflow from operating activities		**11,045**	**5,420**
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7.3	(1,629)	(3,353)
Internally generated software and other intangibles	7.2	(5,005)	(4,890)
Related party loan – Numero	4.4	-	(1,121)
Related party advance – Numero	4.4	(1,703)	-
Acquisition of a business, net of cash acquired	4.1	(7,545)	(7,163)
Contingent consideration paid	4.2	(2,824)	-
Disposal of Vista China		-	(1,439)
Proceeds from Vista China transaction		8,301	-
Net cash (applied to) investing activities		**(10,405)**	**(17,966)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		-	7,983
Loans and borrowings	5.3	6,475	-
Dividends paid to non-controlling interest		(699)	
Dividends paid to the owners of the parent	6.2	(5,751)	-
Net cash inflow from financing activities		**25**	**7,983**
Net increase/(decrease) in cash and short term deposits		665	(4,563)
Cash and short term deposits at the beginning of the year		21,338	27,300
Foreign exchange differences		(1,049)	(1,399)
Cash and short term deposits at end of period		**20,954**	**21,338**

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

General information

The notes are consolidated into nine sections. Each section contains an introduction which is indicated by the symbol above. The first section outlines general information about Vista Group and guidance on how to navigate through this document.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out throughout the document where they are applicable. These policies have been consistently applied to all years presented, unless otherwise stated.

Accounting policies are identified by the symbol above.

Critical judgements and estimates in applying the accounting policies

Further details of the nature of these Critical Judgements and estimates may be found throughout the financial statements as they are applicable and are identified by the symbol above.

1. GENERAL INFORMATION

These consolidated financial statements are for Vista Group International Limited (the 'Company' and its subsidiaries, collectively 'Vista Group') which is a 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).

The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of Vista Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

In accordance with the Financial Markets Conduct Act 2013, because financial statements are prepared and presented for Vista Group, separate financial statements for the Company are not presented.

The principal activity of Vista Group is the sale, support and associated development of software for the film industry.

These financial statements were approved by the Directors on 28 February 2018.

2. BASIS OF PREPARATION

This section outlines the legislation and accounting standards which have been followed in the preparation of these financial statements along with explaining how the information has been aggregated.

2.1 KEY LEGISLATION AND ACCOUNTING STANDARDS

The consolidated financial statements of Vista Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). Vista Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand financial reporting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

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

2.2 ADOPTION OF NEW ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by Vista Group. The key items applicable to Vista Group are:

NZ IFRS 15: Revenue from Contracts with Customers
(Effective date: annual periods beginning on or after 1 January 2018)

NZ IFRS 15 deals with revenue recognition and 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. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. Vista Group intends to adopt NZ IFRS 15 on its effective date. Vista Group has worked through the Cinema segment's contracts, being the most material part of Vista Group with reference to this new standard. The impact of the new standard on Cinema contracts is understood however a quantitative assessment has not yet been completed. NZ IFRS 15 is not expected to cause a significant adjustment to how revenue will be recognised within the Cinema segment. For other segments the impact of the standard will be assessed in early 2018.

NZ IFRS 9: Financial Instruments
(Effective date: annual periods beginning on or after 1 January 2018)

NZ IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is effective for accounting periods beginning on or after 1 January 2018. Vista Group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 16: Leases
(Effective date: periods beginning on or after 1 January 2019)

NZ IFRS 16, 'Leases', which replaces the current guidance in NZ IAS 17, was published by the International Accounting Standards Board (IASB) in January 2016. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'. Vista Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

There are no other standards that are not yet effective and that would be expected to have a material impact on Vista Group.

2.3 BASIS OF CONSOLIDATION

Vista Group's financial statements consolidate those of the Company, and its subsidiaries as at 31 December 2017. A subsidiary is an entity over which Vista Group has control. Control is achieved when Vista 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 to direct the activities of the investee.

Consolidation of a subsidiary begins when Vista Group obtains control over the subsidiary and ceases when Vista Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included within the statement of comprehensive income from the date Vista Group gains control until the date Vista Group ceases to control the subsidiary. All subsidiaries have a reporting date of 31 December. 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 Vista Group. Vista 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.

Vista Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Company.

2.4 FOREIGN CURRENCY

Functional and presentation currency

Items included in the financial statements of each of Vista Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand Dollars (NZD), which is Vista Group's presentation currency. All financial information has been presented rounded to the nearest thousand dollars ($000).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign Currency Translation Reserve (FCTR)

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

Group companies

The results and financial position of all Vista Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement and statement of other comprehensive income, are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

(c) all resulting exchange differences are recognised in other comprehensive income;

(d) goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other expenses.

2.5 INVESTMENT IN ASSOCIATE

Associates are those entities over which Vista Group is able to exert significant influence but which are not subsidiaries or jointly controlled entities. Vista Group's investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. In the event of loss of control of a subsidiary, resulting in an associate company, this is recognised initially at fair value. The carrying amount of the investment in an associate is increased or decreased to recognise Vista Group's share of the profit or loss and other comprehensive income of the associate after the acquisition date. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When Vista Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, Vista Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between Vista Group and its associates are eliminated to the extent of Vista Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The carrying amount of equity-accounted investments are tested for impairment in accordance with the policy described in section 7.4.

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

2.6 GROUP INFORMATION

The financial statements include the following subsidiaries:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	SHARE-HOLDING 2017	SHARE-HOLDING 2016
Vista Entertainment Solutions Limited	Software development and licensing	New Zealand	100%	100%
Virtual Concepts Limited	Holding company	New Zealand	100%	100%
Movio Limited	Provision of online loyalty data analytics and marketing	New Zealand	100%	100%
Movio Inc	Provision of online loyalty data analytics and marketing	USA	100%	100%
MACCS International BV	Software development and licensing	Netherlands	50.1%	50.1%
MACCS US	Software licensing	USA	50.1%	50.1%
Vista Entertainment Solutions (UK) Limited	Software licensing	United Kingdom	100%	100%
Vista Entertainment Solutions (USA) Inc	Software licensing	USA	100%	100%
Vista Entertainment Solutions (Canada) Limited	Non-active	Canada	100%	100%
Vista Group Limited	Non-active	New Zealand	100%	100%
Senda Direccion Technologica SA de CV	Software licensing	Mexico	60%	0%
Senda DO Brasil servicos de tecnología LTDA	Software licensing	Brazil	60%	0%
Book My Show Limited	Online cinema ticketing website	New Zealand	74%	74%
Book My Show (NZ) Limited	Online cinema ticketing website	New Zealand	74%	74%
Share Dimension BV	Software development and licensing	Netherlands	50%	50%
SC Share Dimension SRL	Software development	Romania	50%	50%
Flicks Limited	Advertising sales	New Zealand	100%	100%
Powster Limited	Marketing and creative solutions	United Kingdom	50%	50%
Powster Inc	Marketing and creative solutions	USA	50%	0%
Stardust Solutions Limited	Application development and licensing	New Zealand	74.85%	75.1%
Stardust Entertainment Inc	Application licensing	USA	74.85%	75.1%
MovieXchange International Limited	Web platform development and licensing	New Zealand	100%	0%
MovieXchange Limited	Web platform licensing	New Zealand	100%	0%
Vista International Entertainment Solutions South Africa (PTY) Limited	Software licensing	South Africa	100%	0%

3. FINANCIAL PERFORMANCE

This section outlines further details of Vista Group's financial performance by building on information presented in the statement of comprehensive income.

3.1 REVENUE

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

Products

Product revenue comprises the fees for the license to use software or packaged created content. Revenue 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.

Maintenance

Maintenance services are billed in advance for a fixed term. Revenue is recorded within deferred revenue on the statement of financial position and recognised on a straight-line basis over the term of the contract billing period, as services are provided.

Services

Services comprise of service fees which are one-off charges. Revenue is recognised when the service is complete or on a stage of completion basis.

Development

Development revenue comprises the revenue associated with development effort as requested and paid for by customers. This category includes revenue associated with development services to deliver the localisation of Vista Group software under the reseller agreement with Vista China. See section 4.4. This revenue is recognised on a stage of completion basis as the performance obligations are delivered.

Other revenue

Other revenue comprises revenue earned from primarily advertising, hardware sales and variable processing fees.

	2017 NZ$'000	2016 NZ$'000
Product	42,455	39,153
Maintenance	39,405	35,124
Services	9,947	9,534
Development	11,882	4,321
Other	2,934	457
Revenue	**106,623**	**88,589**

No individual customer exceeded 10% of revenue in 2017 or 2016.

Critical judgements used in applying accounting policies and estimation uncertainty

As disclosed in section 4.4, during FY2016 Vista Group entered into a reseller agreement with Vista China which included a number of performance obligations to localise software products made by Vista Group. Management has applied judgement and estimation in determining the stage of completion for each software product being localised for the China market and the associated revenue for each obligation.

3.2 OPERATING SEGMENTS

Vista Group operates in the vertical cinema/film market via four operating segments and a corporate segment. The Chief Executive and the Board of Vista Group are considered to be the Chief Operating Decision Maker (CODM) in terms of NZ IFRS 8 Operating Segments. These segments have been defined based on the reports regularly reviewed by the CODM to make strategic decisions.

As a result of an alteration to internal management reporting during FY2017, Vista Group's operating segments have changed as described below. Management have also restated the comparative information for the prior year.

The Cinema segment includes software associated with cinema management via the Vista software suite of products, plus the cloud based VEEZI product for smaller scale cinemas. The newly acquired Mexican business partner Vista Latin America is reported within the Cinema segment. Refer to section 4.1 for further detail. The Movio segment includes Movio Cinema and Movio Media that provide data analytics and campaign management. The Additional Group Companies segment is an aggregation of the MACCS, Powster and Flicks businesses, none of which individually exceed the 10% threshold for segment revenue or profitability that would require disclosure under NZ IFRS 8 Operating Segments. Early Stage Investments as a segment includes businesses that are in the start-up phase of their life cycle. In FY2017 this segment includes Stardust, MovieXchange and Share Dimension (Cinema Intelligence). Similar to the Additional Group Companies segment, none of the businesses included in this segment individually exceed the 10% threshold for segment revenue or profitability that would require disclosure under NZ IFRS 8 Operating Segments. The Corporate segment contains the shared services functions associated with Vista Group International, being legal, finance, senior management and facilities. Revenue related to the Associate company Vista China is recognised within the Corporate segment.

2017	CINEMA NZ$'000	MOVIO NZ$'000	ADDITIONAL GROUP COMPANIES NZ$'000	EARLY STAGE INVESTMENTS NZ$'000	CORPORATE NZ$'000	TOTAL NZ$'000
Revenue	67,632	15,490	12,325	1,178	9,998	106,623
Operating expenses	(35,259)	(7,575)	(7,066)	(1,357)	(419)	(51,676)
Sales, general & administration expenses	(14,221)	(4,361)	(4,513)	(1,572)	(6,063)	(30,730)
Foreign currency (losses)/gains	1,684	38	(115)	(15)	(822)	770
EBITDA[1]	19,836	3,592	631	(1,766)	2,694	**24,987**
Depreciation & Amortisation						**(3,628)**
EBIT[2]						**21,359**
Finance income						350
Finance expense						(680)
Acquisition costs						(960)
Share of loss from associates						(3,256)
Tax expense						(6,830)
Net profit						**9,983**

2016 RESTATED	CINEMA NZ$'000	MOVIO NZ$'000	ADDITIONAL GROUP COMPANIES NZ$'000	EARLY STAGE INVESTMENTS NZ$'000	CORPORATE NZ$'000	TOTAL NZ$'000
Revenue	62,128	11,302	12,117	580	2,462	88,589
Operating expenses	(30,697)	(6,529)	(4,670)	(945)	(8)	(42,849)
Sales, general & administration expenses	(14,086)	(3,072)	(3,831)	(879)	(4,829)	(26,697)
Foreign currency (losses)/gains	(2,494)	(39)	1	(8)	1,162	(1,378)
EBITDA[1]	14,851	1,662	3,617	(1,252)	(1,213)	**17,665**
Depreciation & Amortisation						**(3,352)**
EBIT[2]						**14,313**
Finance income						480
Finance expense						(580)
Acquisition costs						(1,338)
Share of loss from associates						(914)
Tax expense						(3,550)
Capital gain on sale of Vista China						41,069
Net profit						**49,480**

(1) EBITDA is a non GAAP measure and is defined as earnings before net finance costs, income tax, depreciation and amortisation, acquisition costs, capital gains/losses and equity accounted results from associate companies.

(2) EBIT is a non GAAP measure and is defined as earnings before net finance costs, income tax, acquisition costs, capital gains/losses and equity accounted results from associate companies.

Revenue by domicile of entity

Vista Group recognises revenue across several jurisdictions. Revenue is allocated to geographical regions on the basis of where the sale is recorded by each operating entity within Vista Group. Independent resellers are used to promote the Vista Group's products in multiple jurisdictions. The revenues recognised via these independent resellers are not allocated geographically, rather they are shown within the New Zealand and United Kingdom jurisdictions on the basis of the location of the transacting Vista Group entity.

DOMICILE OF ENTITY	2017 NZ$'000	RESTATED 2016 NZ$'000
New Zealand	36,404	27,351
United States	33,722	26,791
United Kingdom	24,090	19,549
China	-	6,546
Other	12,407	8,352
Revenue	**106,623**	**88,589**

The Other category above includes entities in the Netherlands, Germany, Romania, South Africa and Mexico. Revenue recognised in 2016 within the China jurisdiction relates to consolidated revenue from Vista China up until 31 August 2016, at which point this entity became an associate company. Refer to section 4.4 for further detail.

Non-current assets by domicile of entity

Non-current operating assets by location of the reporting entity are presented in the following table.

DOMICILE OF ENTITY	2017 NZ$'000	RESTATED 2016 NZ$'000
New Zealand	35,492	31,138
United States	8,589	9,153
United Kingdom	9,789	9,716
Other	32,014	18,770

Note that investment in associates are excluded from the non-current assets balance presented.

4. BUSINESS COMBINATIONS

This section outlines how Vista Group has accounted for transactions to acquire new businesses and dispose of an existing subsidiary and how this has impacted the financial statements.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises cash and the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Vista Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes recognised in the statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the statement of comprehensive income

4.1 SENDA DIRECCION TECHNOLOGICA, SA DE CV

Transaction description

On 21 August 2017, Vista Group announced the signing of an agreement to take a controlling 60% stake in its long-term Latin American business partner Senda Direccion Technologica SA De CV (renamed and referred to as 'Vista Latin America' post-acquisition). The effective date of the transaction is defined as 31 August 2017, being the closest balance date to the execution of agreements. Control is achieved via the Board constitution that allocates three out of five Board seats to Vista Group and hence Vista controls the majority of voting rights. Accordingly, Vista Group has consolidated Vista Latin America from 1 September 2017.

This acquisition emphasises the strategic importance of Central and Latin America to Vista Group and its commitment to continue expansion in the region. Vista Latin America has recently begun to represent Vista Group in Brazil, the fifth largest cinema market in the world.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

Details of the purchase consideration, the net assets acquired and provisional goodwill are as follows:

	NZ$'000
Cash	9,956
Shares – Vista Group	684
Contingent consideration	881
Total purchase consideration	**11,521**

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	NZ$'000
Property, plant and equipment	57
Intangible assets	52
Cash on hand	2,411
Trade and other receivables	4,576
Other assets	1,207
Trade and other payables	(262)
Other liabilities	(6,048)
Net identifiable assets acquired	**1,993**
Net assets acquired at 60%	1,196
Provisional goodwill	10,325
Total purchase consideration	**11,521**

Due to the recency of the transaction, the amounts presented above related to the acquisition of Vista Latin America are provisional.

Contingent consideration

The purchase agreement includes contingent consideration. Contingent consideration is payable in cash within 10 days of the finalisation of the FY2018 accounts for Vista Latin America, expected to be in March 2019. Contingent consideration is calculated based on achievement of EBITDA[1] performance over the FY2017 and FY2018 financial periods against specified performance targets. For the purpose of quantifying the amount payable, an estimate has been developed based on the expected performance of the Vista Latin America business for these financial years. The assumptions used have been validated by senior management.

At the acquisition date, the fair value of the contingent consideration was estimated to be $0.9m. The maximum amount payable under the purchase agreement is uncapped, based on financial performance.

Provisional goodwill

Provisional goodwill is attributable to the strength of Vista Latin America's business experience and capability in the Latin American market. Goodwill is not deductible for tax purposes.

Vista Group elected to measure the non-controlling interest in the acquiree as a proportion of net assets acquired.

Vista Group has recognised revenue included in the statement of comprehensive income from 1 September 2017 to 31 December 2017 of $5.5m. Vista Latin America contributed net profit before tax of $2.2m for the same period. Due to the complexities in aligning the fiscal based accounting policies employed by Vista Latin America with IFRS, it is not practical for Vista Group to present the full year impact on this newly acquired subsidiary.

4.2 CONTINGENT CONSIDERATION ON ACQUISITIONS

The acquisition of the remaining 43% of Virtual Concepts Limited (VCL) (trading as Movio) in August 2014 included contingent consideration that was payable to the former owners in the form of cash and shares. Contingent consideration is payable in three tranches on 1 April 2016, 1 April 2017 and 1 April 2018. As at 31 December 2017, the first two tranches had been paid and amounted to $1.1m in cash and $2.5m in shares. At the reporting date, the fair value of the remaining contingent consideration to be paid in the third tranche in 2018 is $1.7m.

The table summarises the changes in estimates in the contingent consideration for VCL:

CONTINGENT CONSIDERATION AT 31 DECEMBER 2017	2017 NZ$'000	2016 NZ$'000
Amounts Paid		
– Cash (current)	348	705
– Shares – Vista Group	811	1,719
	1,159	**2,424**
Estimated liability		
– Cash (current)	1,240	1,063
– Cash (non current)	-	343
– Shares – Vista Group	524	936
Total estimated liability	**1,764**	**2,342**

Vista Group has recognised $0.5m within the share based payment reserve in regard to amounts to be settled in shares. This will be settled by a variable number of shares depending upon the share price at exercise. The number of shares will be based upon the average share price for the 30 days preceding exercise date.

During the year Vista Group settled the following amounts in contingent consideration:

	2017		2016	
	CASH NZ$'000	SHARES NZ$'000	CASH NZ$'000	SHARES NZ$'000
Powster Limited (Powster)	1,955	423	-	-
Ticketsoft	729	-	-	-
Flicks.co.nz (Flicks)	140	-	-	-
Total contingent consideration	**2,824**	**423**	**-**	**-**

Previous acquisitions

For further details of previous acquisitions made by Vista Group refer to the 2015 and 2016 Annual Reports.

4.3 GOODWILL

	SECTION	2017 NZ$'000	2016 NZ$'000
Gross carrying amount			
Balance 1 January		53,839	44,663
Acquisition through business combinations	4.1	10,325	10,466
Exchange differences		2,234	(1,290)
		66,398	**53,839**
Accumulated impairment			
Balance 1 January		(3,554)	(3,554)
		(3,554)	**(3,554)**
Goodwill at period end		**62,844**	**50,285**

Goodwill can be analysed by Cash Generating Unit (CGU) as follows:

	2017 NZ$'000	2016 NZ$'000
Vista Entertainment Solutions Limited (VESL)	23,384	12,865
Virtual Concepts Limited (VCL) – (Movio)	16,970	16,970
MACCS International BV (MACCS)	12,459	11,165
Share Dimension BV (Cinema Intelligence)	1,959	1,762
Powster Limited (Powster)	7,468	6,919
Flicks.co.nz Limited (Flicks)	604	604
Goodwill at period end	**62,844**	**50,285**

The Directors have carried out an annual impairment review of goodwill allocated to the CGU's, in order to ensure that recoverable amounts exceed aggregate carrying amounts (see section 7.4 for key assumptions and sensitivity analysis). The VESL CGU includes $10.3m of goodwill related to the acquisition of Vista Latin America.

4.4 OTHER RELATED PARTIES

ASSOCIATE COMPANIES

Vista China

Vista Group has a 39.5% interest in Vista China, an associate company that has been accounted for using the equity method in the consolidated financial statements. Vista Group commenced equity accounting for Vista China upon the completion of the sale of a controlling stake to Beijing Weying Technology Co. Ltd (WePiao) on 25 August 2016. Further details related to the transaction are included in the 2016 Annual Report.

Related party transactions have been undertaken during FY2017 as defined under the reseller agreement. The reseller agreement specifies transactions related to localisation work, support and maintenance fees and payment for an exclusive 10 year distribution right for all Vista Group software with a right of renewal for another 10 year period.

ENTITY	NATURE OF TRANSACTIONS	RECEIVABLES/ (PAYABLE) 2017 NZ$'000	RECEIVABLES/ (PAYABLE) 2016 NZ$'000
Vista Entertainment Solutions Shanghai Limited	Related party receivable	12,780	19,010
Vista Entertainment Solutions Shanghai Limited	Related party payable	(3,199)	(2,691)
Total exposure		**9,581**	**16,319**

Related party transactions for the 12 months ended 31 December 2017 were as follows:

	2017 NZ$'000	FOUR MONTHS ENDED 31 DECEMBER 2016 NZ$'000
License fees	-	2,462
Development fees	7,931	272
Maintenance fees	2,067	688
Recoverable expenses	62	-
Total	**10,060**	**3,422**

During 2017 Vista Group recognised $10.0m of revenue from Vista China (2016: $3.4m). The Statement of Financial Position includes $7.3m (2016: $11.0m) as deferred revenue for development and maintenance which is estimated to be recognised over the next one and two years respectively.

The related party receivable of $12.8m (2016: $19.0m) includes $5.4m (2016: $5.2m) for receivables owing prior to the sale of a controlling stake in Vista China and $7.3m (2016: $13.8m) relates to amounts owing under the reseller agreement between Vista Group and Vista China.

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.

A summarised income statement for Vista China and a reconciliation to the equity accounted loss recognised in Vista Group is detailed below for year ended 31 December 2017. This has been amended to reflect adjustments made to align the associate accounting policies to Vista Group accounting policies.

	2017 NZ$'000	FOUR MONTHS ENDED 31 DECEMBER 2016 NZ$'000
Revenue	**17,259**	**3,391**
Total expenses	(21,370)	(5,740)
Operating loss	**(4,111)**	**(2,349)**
Finance income	56	37
Loss for the period	**(4,055)**	**(2,312)**
Vista Group equity accounted interest	39.53%	39.53%
Vista Group equity accounted loss for the period	**(1,603)**	**(914)**

A summarised statement of financial position as at 31 December 2017 is presented below:

	2017 NZ$'000	2016 NZ$'000
Cash	31,178	40,173
Trade and other receivables	17,036	8,256
Total current assets	48,214	48,429
Total non-current assets	316	154
Total assets	**48,530**	**48,583**
Total liabilities	**(18,719)**	**(15,803)**
Net assets	**29,811**	**32,780**

The carrying value of the investment in the associate Vista China held by Vista Group is detailed below:

	2017 NZ$'000	2016 NZ$'000
Opening net assets	32,780	1,511
Loss for the period	(4,055)	(2,312)
WePiao investment	-	33,581
Closing net assets	**28,725**	**32,780**
Vista Group interest	39.53%	39.53%
Vista Group's share	11,355	12,958
Goodwill	14,711	14,711
Carrying amount	**26,066**	**27,669**

Numero Limited

Vista Group has a 50% interest in Numero Limited (Numero), an associate that is accounted for using the equity method in the consolidated financial statements. Vista Group ceased to recognise further losses in FY2015 related to Numero as accumulated losses would exceed Vista Group's equity interest.

All of the related party transactions during the period were made on normal commercial terms.

The types of related party transactions undertaken during the period relate to recharges for development work undertaken and advances made.

ENTITY	NATURE OF TRANSACTIONS	RECEIVABLES/ (PAYABLE) 2017 NZ$'000	RECEIVABLES/ (PAYABLE) 2016 NZ$'000
Numero Limited	Related party loan	2,621	2,621
Numero Limited	Constructive obligation	-	(50)
Numero Limited	Related party receivable	2,792	2,792
Total		**5,413**	**5,363**

During the year a provision for $1.7m (2016: Nil) was recognised in relation to advances made to Numero.

During 2017 Vista Group derecognised the constructive obligation related to Numero.

The related party transactions incurred during the year include:

	2017 NZ$'000	2016 NZ$'000
Recharges – license fees	329	396
Recharges – development fees	459	523
Recharges – other advances	653	(353)
Recharges – interest on loan	262	316
Total	**1,703**	**882**

The amounts receivable are unsecured and no guarantees are in place. Vista Group can call the debt recognised as an intercompany receivable at any time. Interest of 10% is charged against the intercompany loan per the loan agreement.

Vista Group ceased to recognise further losses related to Numero in 2015. Losses were previously recognised to the extent of the value held in equity for Numero, however this has now been offset by Vista Group's share of losses. During the year Numero made a loss of $2.0m, Vista Group's share being $1.0m (2016: $0.63m).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Vista Group's Board of Directors (executive and non-executive) and senior management. Senior management are defined as personnel that report directly to Vista Group's Chief Executive. Key management personnel include: 14 individuals (6 Directors and 8 Senior Management) (2016: 13 being 5 Directors and 8 Senior Management).

The compensation paid to key management personnel includes the following amounts:

	2017 NZ$'000	2016 NZ$'000
Salaries including bonuses	3,411	2,730
Share based payments	131	-
Directors fees	233	236
Total	**3,775**	**2,966**

Transactions with key management personnel also included dividends paid to them as shareholders of $0.6m (2016: Nil).

5. CASH AND CASHFLOWS

This section builds on information from the statement of cash flows and provides details on the cash and cash equivalents and short term deposits held on the statement of financial position. This section also provides details of a range of financial risks associated with these balances and how Vista Group manages these risks.

5.1 CASH AND SHORT TERM DEPOSITS

Cash

Cash comprises cash at bank and on hand.

Short term deposits

Short term deposits, which are subject to an insignificant risk of changes in value are presented on the statement of financial position.

	2017 NZ$'000	2016 NZ$'000
Cash	20,954	15,798
Short term deposits	-	5,540
Total cash and short term deposits	**20,954**	**21,338**

5.2 RECONCILIATION OF NET SURPLUS TO CASH FLOWS

	SECTION	2017 NZ$'000	2016 NZ$'000
Net profit after tax		9,983	49,480
Non-cash items:			
Amortisation	7.2	2,349	2,308
Depreciation	7.3	1,279	1,044
Share based payment expense	6.4	752	1,118
Non-cash finance charges		318	289
Capital gain on sale of Vista China		-	(41,069)
Acquisition expenses		399	1,068
Loss from investment in associates	4.4	3,256	914
Foreign exchange movements		(487)	(295)
Allowance for doubtful debts		840	(25)
		8,706	**(34,648)**
Movements in working capital			
Increase/(decrease) in related party trade and other payables		508	1,171
(Increase)/decrease in related party trade and other receivables, net of deferred revenue		6,231	(5,183)
Increase/(decrease) in trade and other payables		(4,713)	9,551
(Increase)/decrease in trade and other receivables, net of deferred revenue		(9,240)	(12,986)
Increase/(decrease) in taxation receivable and payable		(430)	(1,965)
Net change in working capital		**(7,644)**	**(9,412)**
Net cash flows from operating activities		**11,045**	**5,420**

5.3 BORROWINGS

Borrowings are initially recognised at fair value less directly attributable transactions costs and subsequently measured at amortised cost using the effective interest method. Borrowing costs are expensed as incurred.

In November 2017, Vista Group established a senior facility agreement with the ASB. The new facility includes the previously established NZD $2.0m commercial credit overdraft facility and the EUR €3.0m term loan as well as adding a USD $4.0m term loan facility. The USD term loan was established to fund part of the Vista Latin America acquisition. See section 4.1 for more detail.

The NZD $2.0m commercial credit overdraft facility is used to fund working capital as required. The interest rate is floating at 6.18% (2016: 6.1%) per annum with no set expiry date. At balance date, there was no draw down against this facility.

The EUR €3.0m term loan was initially established in March 2014 to acquire 25.1% of the share capital of MACCS International BV. The loan matures on 12 March 2020 and the current interest rate is 3.03% (2015: 2.85%) per annum.

The USD $4.0m term loan was established to fund part of the acquisition of Vista Latin America. The loan matures on 31 October 2021 and the current interest rate is 4.44% per annum.

Security for both the senior facility agreement with ASB Bank Limited is secured by a general security agreement under which the Bank has a security interest in all Vista Group's tangible assets. Covenants in place include a total equity and EBITDA covenant which are reported quarterly. Vista Group has been fully compliant with all covenants for the year.

The loan from Tanasescu Holdings is presented as a related party loan in the table below. The loan is in place to contribute towards the working capital requirements for Share Dimension. The loan matures on 23 December 2018 and the current interest rate is 5% per annum.

	2017 NZ$'000	2016 NZ$'000
Borrowings related party	614	303
Borrowings	10,709	4,545
Total borrowings	**11,323**	**4,848**

5.4 FINANCIAL RISK MANAGEMENT

Vista Group is exposed to three main types of risks in relation to financial instruments, which are market (foreign currency risk and interest rate risk), credit and liquidity.

Vista Group's risk management framework is set by the Board and implemented by management. Its focus includes actively monitoring and securing Vista Group's short to medium-term cash flows by minimising the exposure to financial markets. The most significant financial risks to which Vista Group is exposed are described below.

Foreign currency risk

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

To mitigate exposure to foreign currency risk, non-NZD cash flows are monitored in accordance with the Vista Group's risk management policies. Vista Group's risk management policies include treasury management and foreign exchange policies, the implementation of which is set and reviewed regularly by the Board. Vista 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. The foreign exchange policy allows for the use of hedging activity however no financial instruments were in use at balance date.

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

	USD	GBP	EUR	CNY	AUD
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
31 DECEMBER 2017					
Financial assets					
Cash	14,731	3,648	1,339	-	388
Trade receivables	22,985	4,519	3,814	11,934	1,269
Sundry receivables	-	-	510	8,664	-
Financial liabilities					
Trade payables	(3,385)	(88)	(162)	(1,375)	-
Sundry accruals	(872)	(157)	(5)	(980)	-
Borrowings	(5,637)	-	(5,686)	-	-
Contingent consideration	(908)	-	-	-	-
Net exposure	**26,914**	**7,922**	**(190)**	**18,243**	**1,657**
31 DECEMBER 2016					
Financial assets					
Cash	6,390	3,220	2,835	-	984
Trade receivables	14,912	4,676	3,978	13,827	979
Sundry receivables	-	-	-	16,510	-
Financial liabilities					
Trade payables	(677)	(260)	(376)	(2,197)	(188)
Borrowings	-	-	(4,848)	-	-
Contingent consideration	(735)	(2,250)	-	-	-
Net exposure	**19,890**	**5,386**	**1,589**	**28,140**	**1,775**

The following table illustrates the sensitivity of profit or loss and equity in regards to Vista Group's financial assets and liabilities affected by USD/NZD exchange rate, the GBP/NZD exchange rate, the EUR/NZD exchange rate, the CNY/NZD exchange rate and AUD/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 2017 (2016: 10%). A +/ – 10% change is considered for the NZD/GBP exchange rate (2016: 10%). A +/ – 10% change is considered for the NZD/AUD exchange rate (2016: 10%). A +/ – 10% change is considered for the NZD/EUR exchange rate (2016: 10%). A +/ – 10% change is considered for the CNY/NZD exchange rate (2016: 10%). 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 Vista Group's foreign currency financial instruments held at each reporting date.

	PROFIT/EQUITY				
	USD	GBP	EUR	CNY	AUD
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
31 December 2017					
10% strengthening in NZD	(2,447)	(720)	17	(1,658)	(151)
10% weakening in NZD	2,991	880	(21)	2,027	184
31 December 2016					
10% strengthening in NZD	(1,808)	(490)	(144)	(2,558)	(161)
10% weakening in NZD	2,210	598	177	3,127	197

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 Vista Group's exposure to market risk.

Interest rate risk

Vista Group's interest rate risk primarily arises from long-term borrowing, cash, short term deposits and advances to associates. Borrowings and deposits at variable rates expose Vista Group to cash flow interest rate risk. Borrowings and deposits at fixed rates expose Vista Group to fair value interest rate risk.

The following tables set out the interest rate repricing profile and current interest rate of the interest bearing financial assets and liabilities.

AS AT 31 DECEMBER 2017	EFFECTIVE INTEREST RATE	FLOATING NZ$'000	FIXED UP TO 3 MONTHS NZ$'000	FIXED UP TO 6 MONTHS NZ$'000	FIXED UP TO 5 YEARS NZ$'000	TOTAL NZ$'000
Assets						
Related party loan – Numero	10.0%	-	-	-	2,621	2,621
Cash		20,954	-	-	-	20,954
		20,954	-	-	2,621	23,575
Liabilities						
Borrowings	3.8%				(10,709)	(10,709)
Borrowings related party	5.0%				(614)	(614)
		-	-	-	(11,323)	(11,323)
Total exposure		**20,954**	**-**	**-**	**(8,702)**	**12,252**

Profit or loss is sensitive to higher/lower interest income/expense from cash and short term deposits as a result of changes in interest rates.

AS AT 31 DECEMBER 2017	EFFECTIVE INTEREST RATE +1% NZ$'000	EFFECTIVE INTEREST RATE – 1% NZ$'000
Assets		
Cash	210	(210)
Related party loan – Numero	(26)	26
Borrowings	(107)	107
Borrowings related party	(6)	6
Total exposure	**71**	**(71)**

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to Vista Group. Vista Group is exposed to this risk for various financial instruments, for example trade and sundry receivables and deposits with financial institutions and related parties. The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised in section 9.3.

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

At 31 December Vista Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired because of the nature of contracts and/or the longevity of ongoing customer relationships. The amounts at 31 December, analysed by the length of time past due, are:

	2017	2016
	NZ$'000	NZ$'000
Not more than 3 months	6,664	10,881
Between 3 months and 4 months	8,202	580
Over 4 months	16,150	4,241
	31,016	**15,702**

As at 31 December 2017, Vista Group holds a receivable from its associate company, Vista China, amounting to $12.8m, all of which is over 4 months past due.

In respect of trade receivables, Vista 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.

Judgement has been applied to the recoverability of all receivables, with senior management confirming that all amounts are deemed recoverable and are not impaired.

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

Included within sundry receivables is $8.7m (2016: $16.5m) from WePiao related to the equity purchase of 18.3% of Vista China. See section 9.4.

Advances to Numero are subject to credit risk and the extent of the recovery of the advances is dependent on Numero achieving budgeted and forecasted growth.

Liquidity risk

Liquidity risk is the risk that Vista Group might be unable to meet its obligations. Vista Group's objective is to maintain a balance between continuity of funding and flexibility through monitoring of cash and short term deposits and the use of bank overdrafts and bank loans (see section 5.3). Vista Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. The related party borrowings of $0.6m (2016: Nil) will mature in less than one year at 31 December 2017. Vista Group assessed the concentration of risk with respect to refinancing its debt as being low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Vista Group has significant cash balances held as cash on hand of $20.95m (refer section 5.1). Vista Group's dividend policy is to distribute between 30% to 50% of net profit after tax subject to immediate and future growth opportunities and identified capital expenditure requirements. At balance date Vista Group has a NZD $2m on call credit facility with the ASB, against which there has been no draw down.

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

		ON DEMAND	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS
	SECTION	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
2017						
Trade payables	7.5	-	4,413	-	-	-
Sundry accruals	7.5	-	3,988	-	-	-
Borrowings	5.3	-	-	614	10,709	-
Interest on borrowings		-	77	232	824	-
Contingent consideration	4.1	-	-	-	908	-
		-	**8,478**	**846**	**12,441**	**-**
2016						
Trade payables		-	6,229	-	-	-
Sundry accruals		-	4,231	-	-	-
Borrowings		-	-	-	4,848	-
Interest on borrowings		-	32	97	308	-
Contingent consideration		-	-	3,122	-	-
		-	**10,492**	**3,219**	**5,156**	**-**

6. CAPITAL STRUCTURE

This section outlines Vista Group's capital structure and details of share based employee incentives which have an impact on Vista Group's equity.

Equity, reserves and dividend payments

Share capital represents the 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 and losses. Dividend distributions payable to equity shareholders are included in trade and other payables when the dividends have been approved by the Board on or before the end of the reporting period but not yet distributed. All transactions with owners of the parent are recorded separately within equity.

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.

On 10 November 2017, Vista Group announced a two for one share split with a record date of 24 November 2017. As a result of the share split, total shares on issue increased to 164,756,926.

6.1 CONTRIBUTED EQUITY

During the 2017 financial year, 438,170 shares were issued (2016: 1.97m). A total of 115,764 shares were issued as part of total consideration for the acquisition of 60% of Vista Latin America (refer section 4.1). A total of 144,901 shares were issued for no consideration in respect to share-based payments related to VCL contingent consideration (refer section 4.2). A total of 75,534 shares were issued for no consideration in respect to share-based payments related to Powster contingent consideration. A total of 101,971 shares were issued in respect to an employee incentive agreement for no consideration (2016: 14,323).

		2017	2016		
		NO. OF SHARES	NO. OF SHARES	2017	2016
	SECTION	000'S	000'S	NZ$'000	NZ$'000
Shares issued and fully paid:					
Beginning of the year		81,940	79,973	55,654	45,952
Ordinary shares issued during the year					
Powster contingent consideration		75	-	423	-
VCL contingent consideration	4.2	145	314	811	1,645
Employee incentives	6.4	102	14	249	75
WePiao – Vista China transaction		-	1,639	-	7,982
Vista Latin America acquisition	4.1	116	-	684	-
Total shares prior to share split		**82,378**	**81,940**	**57,821**	**55,654**
Impact of two for one share split		82,378	-	-	-
Total shares authorised as 31 December		**164,757**	**81,940**	**57,821**	**55,654**

6.2 EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

Vista 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 in issue during the year.

Diluted EPS reflects any commitments Vista Group has to issue shares in the future that would decrease EPS. In 2017, these are in the form of share based payments and performance rights. To calculate the impact it is assumed that share based payments related to FY2017 earning targets are achieved and all the performance rights are taken, therefore adjusting the weighted average number of shares.

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

	2017 NZ$'000	RESTATED 2016 NZ$'000
Profit attributable to ordinary shareholders of the Parent for basic earnings	9,676	48,620
Profit attributable to ordinary shareholders of the Parent adjusted for the effect of dilution	9,676	48,620
Weighted average number of shares in basic earnings per share	164,448	160,712
Shares deemed to be issued for no consideration in respect of share-based payments	1,082	868
Weighted average number of shares used in diluted earnings per share	165,530	161,580
EPS	$0.06	$0.30
Diluted EPS	$0.06	$0.30

The weighted average number of shares for 2016 has been restated to include the impact of the 2017 two for one share split.

Dividends

During 2017 Vista Group paid two dividends. In March 2017 Vista Group paid a final dividend of 4.61 cents per share related to FY2016. In September 2017, Vista Group paid an interim dividend of 2.4 cents per share.

6.3 SHARE BASED PAYMENTS

Equity settled long term incentive scheme

During the 2017 financial year, the Directors issued the 2017 Long Term Incentive Scheme (LTI Scheme), under identical terms and conditions to the schemes approved for 2015 and 2016. The LTI Scheme is intended to focus performance on achievement of key long-term performance metrics, refer to section 6.4 for more details.

Share based payment reserve

The share based payment reserve is used to record any equity share based incentives. The reserve value represents the difference between the value at the time of allocation and the cash received incentives plus the equity component of contingent consideration payable.

6.4 EQUITY SETTLED LONG TERM INCENTIVE SCHEME

During 2017, the Directors approved the third annual issue of an equity settled LTI Scheme implemented in 2015 for selected key management personnel ('Participants'). The plan is intended to focus performance on achievement of key long-term performance metrics.

The allocation of performance rights is based on a percentage of annual base salary, adjusted by a risk factor calculated using the Monte Carlo valuation model. Performance rights are granted under the plan for no consideration and carry no dividend or voting rights. Participation in the LTI Scheme is at the Board's discretion and participants in the LTI Scheme are not guaranteed participation from year to year.

The amount of performance rights that will vest depends on Vista Group's relative Total Shareholder Return ('TSR') to shareholders. Vesting of performance rights is dependent upon Vista Group achieving relative TSR targets over a two and three year performance period, against all other NZX50 companies (excluding Vista Group), with 50% of the value of rights allocated under each target. Vesting of the performance rights is defined by the following table:

PERCENTILE PERFORMANCE AGAINST NZX50 COMPANIES	VESTING PERFORMANCE RIGHTS
Less than 50th percentile	Zero
50th – 75th percentile	50% to 100% pro-rata on a straight line basis
Greater than 75th percentile	100%

TSR is measured by the change in TSR from the start date of the grant period until the end of the performance period (two years and three years). The LTI Scheme allows the carry forward of any performance rights that do not vest in the first vesting period to be eligible to vest in the vesting period for the second tranche of performance rights. The scale at which carried over rights may vest at the end of the tranche two vesting period shall commence at the TSR percentile achieved in respect of the tranche one vesting period.

The fair value of rights granted is recognised as an employee expense in the statement of comprehensive income with a corresponding increase in the employee share based payments reserve. The fair value is measured at grant date and amortised over the vesting periods. Vista Group has recognised $0.8m of employee expenses during the year ended 31 December 2017 (2016: $0.55m) related to the three active LTI Schemes.

The fair value of the rights granted is measured using Vista Group share price as at the grant date less the present value of the dividends forecast to be paid prior to each vesting date. When performance rights vest, the amount in the share based payments reserve relating to those rights are transferred to share capital. When any vested performance rights lapse upon employee termination, the amount in the share based payments reserve relating to those rights is transferred to retained earnings.

Set out below are summaries of performance rights granted under the plan:

GRANT DATE	EXPIRY DATE	TOTAL VALUE OF GRANTED PERFORMANCE RIGHTS $000'S	PERFORMANCE RIGHTS GRANTED AT 31 DECEMBER 2017 000'S
1 January 2015	1 April 2018	248	200
1 January 2016	1 April 2018	413	232
1 January 2016	1 April 2019	413	232
1 January 2017	1 April 2019	364	209
1 January 2017	1 April 2020	364	209
		1,802	**1,082**

GRANT DATE	2017 AVERAGE EXERCISE PRICE PER PERFORMANCE RIGHT	2017 NUMBER OF PERFORMANCE RIGHTS 000'S	2016 AVERAGE EXERCISE PRICE PER PERFORMANCE RIGHT	2016 NUMBER OF PERFORMANCE RIGHTS 000'S
As at 1 January	$1.56	868	$1.22	412
Granted during the year	$1.70	418	$1.81	462
Exercised during the year	$1.22	(204)	-	-
Forfeited during the year	-	-	$1.81	(6)
As at 31 December	**$1.68**	**1,082**	**$1.56**	**868**

Following the two for one share split in November 2017 the number of performance rights has doubled.

Virtual Concepts Limited (VCL) incentive scheme

Certain employees of VCL receive remuneration in the form of share based payments contingent upon achieving certain annual milestones as part of the acquisition of VCL. The cost is recognised within acquisition expenses in the statement of comprehensive income, refer to section 4.2 for more details of the scheme.

Expenses arising from share based payment transactions

The expense recognised for employee services received during the year is shown in the following table and are included within operating expenses:

	2017 NZ$'000	2016 NZ$'000
Expenses arising from VCL acquisition	538	1,564
Equity settled LTI scheme	715	551
Stardust equity settled scheme	37	-
Total expense	**1,290**	**2,115**

6.5 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Vista 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.

Vista Group monitors capital requirements to ensure that it meets its lending covenant obligations and to maintain an efficient overall financing structure. At balance date Vista Group maintains low levels of debt.

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

	2017 NZ$'000	2016 NZ$'000
Consolidated shareholders' funds	148,101	138,367
Consolidated assets	204,235	191,625
Capital ratio	73%	72%

7. ASSETS AND LIABILITIES

This section outlines further details of Vista Group's financial performance by building on information presented in the Statement of Financial Position.

7.1 TRADE AND OTHER RECEIVABLES

	SECTION	2017 NZ$'000	2016 NZ$'000
Trade receivables		45,618	45,440
Sundry receivables		11,414	19,979
Accrued revenue		6,193	987
Prepayments		2,481	1,573
Related party loan – Numero	4.4	2,621	2,621
Related party receivables – Numero	4.4	2,792	2,792
Total trade and other receivables		**71,119**	**73,392**

Vista Group has recognised a loss of $122,000 (2016: $5,000) in respect of bad debts during the year ended 31 December 2017. The impairment allowance included in trade receivables as at 31 December 2017 was $976,000 (2016: $110,000). Sundry receivables include a receivable of $8.7m (2016: $16.5m) from WePiao related to the equity purchase of 18.3% of Vista China. See section 9.4. Trade receivables include a receivable of $12.8m (2016: $19.0m) from Vista China. See section 4.4 for more detail.

Assessment of the doubtful debt provision

The assessment of providing for doubtful debts involves judgement. The collectability of trade receivables and sundry receivables is reviewed on an on-going basis. A provision for impairment is established when there is objective evidence that Vista Group will not be able to collect an amount due according to the original terms of the receivable. See section 5.4 for detail.

7.2 INTANGIBLE ASSETS

Intangible assets

Intangible assets 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. 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 comprehensive income in the expense category that is consistent with the function of the intangible assets.

Development costs and internally generated software

Costs associated with maintaining computer software programmes are recognised as an expense within 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 Vista Group are recognised as intangible assets only 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 this criteria are recognised as an expense as incurred within operating expenses. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Other intangible assets

Intellectual property has been acquired through business combinations and amounts spent subsequently. Customer relationships include the purchase of existing customer bases via an existing license agreement or business combination. Software licenses include the purchase of third party software in the normal course of business. Internally generated software is recognised on the basis described above.

Intangible assets are amortised on a straight-line basis over the following useful economic lives:

- Intellectual property 4 to 15 years;
- Customer relationships 4 to 15 years;
- Software licenses 2.5 to 15 years;
- Internally generated software 3 to 5 years based on their estimated useful life.

Refer to section 7.4 for policies on goodwill measurement and impairment testing.

31 DECEMBER 2017	INTERNALLY GENERATED SOFTWARE NZ$'000	SOFTWARE LICENSES NZ$'000	INTELLECTUAL PROPERTY NZ$'000	CUSTOMER RELATIONSHIPS NZ$'000	TOTAL NZ$'000
Gross carrying amount					
Balance 1 January	4,814	2,362	1,940	7,275	16,391
Acquisition through business combinations (section 4.1)	-	52	-	-	52
Internally generated software	4,937	-	-	-	4,937
Additions	-	52	16	-	68
Exchange differences	11	179	180	533	903
Balance 31 December 2017	**9,762**	**2,645**	**2,136**	**7,808**	**22,351**
Accumulated amortisation					
Balance 1 January	(96)	(675)	(673)	(2,158)	(3,602)
Accumulated amortisation reclassification	-	(141)	224	(83)	-
Current year amortisation	(529)	(212)	(340)	(1,268)	(2,349)
Exchange differences	(1)	(40)	64	(362)	(339)
Balance 31 December 2017	**(626)**	**(1,068)**	**(725)**	**(3,871)**	**(6,290)**
Carrying amount 31 December 2017	**9,136**	**1,577**	**1,411**	**3,937**	**16,061**

31 DECEMBER 2016	INTERNALLY GENERATED SOFTWARE NZ$'000	SOFTWARE LICENSES NZ$'000	INTELLECTUAL PROPERTY NZ$'000	CUSTOMER RELATIONSHIPS NZ$'000	TOTAL NZ$'000
Gross carrying amount					
Balance 1 January	643	2,260	1,608	6,469	10,980
Acquisition through business combinations	-	38	419	-	457
Internally generated software	4,171	-	-	-	4,171
Additions	-	64	-	1,117	1,181
Exchange differences	-	-	(87)	(311)	(398)
Balance 31 December 2016	**4,814**	**2,362**	**1,940**	**7,275**	**16,391**
Accumulated amortisation					
Balance 1 January	-	(523)	(211)	(1,094)	(1,828)
Current year amortisation	(96)	(152)	(624)	(1,436)	(2,308)
Exchange differences	-	-	162	372	534
Balance 31 December 2016	**(96)**	**(675)**	**(673)**	**(2,158)**	**(3,602)**
Carrying amount 31 December 2016	**4,718**	**1,687**	**1,267**	**5,117**	**12,789**

7.3 PROPERTY, PLANT AND EQUIPMENT

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.

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 asset will flow to Vista Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised within the statement of comprehensive income as incurred.

Depreciation is provided on fixtures, fittings and computers. 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 6 to 14 years straight line
- Computer equipment 2.5 to 6 years straight line

2017	FIXTURES & FITTINGS NZ$'000	COMPUTER EQUIPMENT NZ$'000	TOTAL NZ$'000
Gross carrying amount			
Balance 1 January	4,200	3,665	7,865
Assets no longer in use	(219)	(1,432)	(1,651)
Acquisition through business combinations (section 4.1)	-	57	57
Additions	429	1,200	1,629
Exchange differences	180	25	205
Balance 31 December 2017	**4,590**	**3,515**	**8,105**
Accumulated depreciation			
Balance 1 January	(1,255)	(2,448)	(3,703)
Assets no longer in use	372	1,288	1,660
Current year depreciation	(443)	(836)	(1,279)
Exchange differences	(73)	(73)	(146)
Balance 31 December 2017	**(1,399)**	**(2,069)**	**(3,468)**
Carrying amount 31 December 2017	**3,191**	**1,446**	**4,637**

2016	FIXTURES & FITTINGS NZ$'000	COMPUTER EQUIPMENT NZ$'000	TOTAL NZ$'000
Gross carrying amount			
Balance 1 January	2,441	2,761	5,202
Divestment of Vista China assets	(87)	(78)	(165)
Acquisition through business combinations	24	97	121
Additions	1,873	955	2,828
Exchange differences	(51)	(70)	(121)
Balance 31 December 2016	**4,200**	**3,665**	**7,865**
Accumulated depreciation			
Balance 1 January	(824)	(1,998)	(2,822)
Current year depreciation	(474)	(570)	(1,044)
Divestment of Vista China assets	10	29	39
Exchange differences	33	91	124
Balance 31 December 2016	**(1,255)**	**(2,448)**	**(3,703)**
Carrying amount 31 December 2016	**2,945**	**1,217**	**4,162**

7.4 IMPAIRMENT TESTING

Impairment testing of goodwill and other assets

Goodwill is not amortised and is tested for impairment annually irrespective of whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. After initial recognition goodwill is measured at cost less any accumulated impairment losses.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The allocation is made to those cash generating units that are expected to benefit from the business combination in which goodwill arose. 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.

Critical judgements used in applying accounting policies and estimation uncertainty

Information about estimates and judgements that have the most significant effect on recognition and measurement of goodwill and intangible assets are provided below. Actual results may be substantially different.

Goodwill and other intangible assets

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, particularly intangible assets is based, to a considerable extent, on management's judgement.

Judgement is applied specifically to assumptions in the value in use calculation for impairment testing purposes, as detailed below.

Goodwill has been allocated to the following Cash Generating Units (CGU):

- Vista Entertainment Solutions Limited
- Virtual Concepts Limited
- MACCS International BV
- Powster Limited
- Share Dimension BV
- Flicks.co.nz Limited

This is the lowest level at which goodwill is monitored for internal management reporting purposes. Value in use calculations are used in determining the recoverable amount of each CGU. Management has projected the cash flows for each CGU over a five-year period based on approved budgets for the first year. Determination of appropriate post tax cash flows, terminal growth rates 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 revenue and net profit, timing and quantum of future capital expenditure, working capital, long term growth rates and the selection of discount rates to reflect the risks involved.

The key assumptions used for the value in use calculation are as follows:

	2017 NZ$'000	2016 NZ$'000
Revenue growth average over 5 years	9% – 38%	13% – 50%
Terminal growth rate	2.5%	2.5%
CGU post-tax WACC rate		
Vista Entertainment Solutions Limited	9.0%	9.0%
Virtual Concepts Limited	9.0%	16.0%
Flicks.co.nz	9.0%	9.0%
MACCS International BV	11.5%	9.0%
Powster Limited	12.0%	12.0%
Share Dimension BV	12.6%	16.0%

Other factors considered when testing goodwill for impairment include:

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

Impairment testing results

The calculations confirmed that there was no impairment of goodwill during the year (2016: Nil). The Board believes that any reasonable possible change in the key assumptions used in the calculations for all CGU's, with the exception of MACCS International BV and Share Dimension BV, would not cause the carrying amount to exceed the recoverable amount.

The MACCS International BV CGU impairment test is sensitive to WACC discount rate, sales growth and terminal growth assumptions. Detailed below is the amount by which each assumption would have to change to result in the recoverable amount being equal to the carrying value. The relevant sensitivities in key assumptions are as follows:

- WACC discount rate: 50 basis points increase
- Sales growth: 390 basis points reduction
- Terminal value sales growth: 230 basis points reduction

The Share Dimension BV CGU demonstrates sensitivity to revenue assumptions. Assumptions used for the purpose of assessing the value in use are premised upon the penetration of Share Dimension software across Vista Cinema sites over the next five years. Should the long term penetration rate be lower than assumed, such that average sales growth over the 5 year period reduced by 200 basis points, then this would result in its value in use amount being equal to its carrying value.

7.5 TRADE AND OTHER PAYABLES

	SECTION	2017 NZ$'000	2016 NZ$'000
Trade payables		4,413	6,229
Sundry accruals		3,988	4,231
Deferred lease incentives		419	510
Constructive obligations – associates	4.4	-	50
Employee benefits		4,709	2,436
Employee benefits – VCL contingent consideration	4.2	1,240	1,063
Total trade and other payables		**14,769**	**14,519**

Included in trade and other payables is a balance of $3.2m (2016: $2.7m) payable to the associate company Vista China. See section 4.4 for detail.

7.6 EMPLOYEE BENEFIT PAYABLES AND ACCRUALS

Short-term employee benefits

Accruals for wages, salaries, including non-monetary benefits, commissions and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid using the remuneration rate expected to apply at the time of settlement, on an undiscounted basis. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Vista Group has pension obligations in respect of various defined contribution plans. Vista Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis. Vista Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee entitlement expense when they are due.

Employee benefits expense included in total expenses

	2017 NZ$'000	2016 NZ$'000
Wages and salaries	52,190	40,324
Share-based payment expense	752	551
Defined contribution plans	2,987	3,716
Total employee benefits	**55,929**	**44,591**

8. TAX

8.1 INCOME TAX EXPENSE

Income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Vista Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

	2017 NZ$'000	2016 NZ$'000
Income tax expense comprises:		
Current tax expense	7,977	5,326
Deferred tax expense (section 8.2)	(1,147)	(1,776)
Tax expense	**6,830**	**3,550**

Reconciliation of income tax expense

The relationship between the expected tax expense based on the domestic effective tax rate of the Company at 28% (2016: 28%) and the reported tax expense in the statement of comprehensive Income can be reconciled as follows:

	2017 NZ$'000	2016 NZ$'000
Profit before tax	16,813	53,030
Taxable income	16,813	53,030
Domestic tax rate for Vista Group International Limited	28%	28%
Expected tax expense	**4,708**	**14,848**
Foreign subsidiary company tax	99	(358)
Non-assessable income/non-deductible expenses	1,713	(10,579)
Prior period adjustment	127	(314)
Deferred taxation not previously recognised	-	4
Impairment of foreign tax credits	-	-
Other	183	(51)
Actual tax expense	**6,830**	**3,550**

As at 31 December 2017, Vista Group has $8,881,478 (2016: $5,839,264) of imputation credits available for use in subsequent reporting periods.

8.2 DEFERRED TAX ASSETS AND LIABILITIES

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by Vista Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

2017	OPENING BALANCE NZ$'000	ACQUIRED AS PART OF A BUSINESS COMBINATION NZ$'000	RECOGNISED IN INCOME STATEMENT NZ$'000	CLOSING BALANCE NZ$'000
Trade and sundry receivables	28	-	196	224
Employee benefits	422	-	52	474
Property, plant and equipment	(194)	-	86	(108)
Other	59	-	113	172
Intangible assets	(1,686)	(74)	225	(1,535)
Unused tax losses	997	-	475	1,472
Deferred tax temporary asset/(liability)	**(374)**	**(74)**	**1,147**	**699**

2016	OPENING BALANCE NZ$'000	ACQUIRED AS PART OF A BUSINESS COMBINATION NZ$'000	RECOGNISED IN INCOME STATEMENT NZ$'000	CLOSING BALANCE NZ$'000
Trade and sundry receivables	15	-	13	28
Employee benefits	324	-	98	422
Property, plant and equipment	(185)	-	(9)	(194)
Other	(513)	-	572	59
Intangible assets	(1,884)	(89)	287	(1,686)
Unused tax losses	182	-	815	997
Deferred tax temporary asset/(liability)	**(2,061)**	**(89)**	**1,776**	**(374)**

The analysis of deferred tax assets and liabilities is as follows:

	2017 NZ$'000	2016 NZ$'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	1,472	1,105
Deferred tax assets to be recovered within 12 months	870	436
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(1,643)	(1,880)
Deferred tax liability to be recovered within 12 months	-	(35)

9. OTHER INFORMATION

9.1 EXPENSES

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.

During the year, Vista Group recognised a total of $3.6m (2016: $1.86m) of grants from Callaghan Innovation in New Zealand and Ministry of Economic Affairs (WBSO) in the Netherlands to assist with Research and Development. At balance date, there is a 10% retention amount related to 2017 grants of $0.3m yet to be paid and subject to independent auditor review. Government grants are recognised within the statement of comprehensive income as other income within operating expenses.

Auditor's remuneration included in administration expenses

	2017 NZ$'000	2016 NZ$'000
Audit of financial statements		
Audit and review of financial statements – PwC	314	239
Audit and review of financial statements – Scrutton Bland	30	-
Other services		
Performed by PwC:		
IFRS accounting advice	-	10
Review of R&D growth grant	7	8
Advice on long-term employee incentive scheme	8	7
FRS 101 conversion accounting advice for UK subsidiary	-	12
iXBRL financial statement tagging	-	4
Due diligence agreed upon procedures	13	19
Total other services	**28**	**60**
Total fees paid to auditor(s)	**372**	**299**

Other expenses

	2017 NZ$'000	2016 NZ$'000
Included in administration expenses:		
Depreciation (section 7.3)	1,279	1,044
Amortisation of intangible assets (section 7.2)	2,349	2,308
Lease payments recognised as an operating lease expense	2,880	2,572

Vista Group has expensed $14.7m of aggregated research and development expenditure associated with software research and development for 2017 (2016: $8.1m) within operating expenses in the statement of comprehensive income.

9.2 OPERATING LEASES

Leased assets

All leases are operating leases. Leases in which a significant portion of the risks and rewards of ownership are not transferred to Vista Group as a lessee are classified as an operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred in the statement of comprehensive income.

Operating lease commitments

Vista Group has operating lease commitments in respect of property and equipment. The total future minimum payments under non-cancellable operating leases were payable as follows:

	2017 NZ$'000	2016 NZ$'000
Less than one year	2,923	2,552
Between one and five years	3,758	5,451
More than five years	–	-
	6,681	**8,003**

9.3 FINANCIAL INSTRUMENTS

Financial instruments

The classification of financial assets and liabilities depends on the purpose for which the financial assets were acquired. Management determines the classification of Vista Group's financial assets and liabilities at initial recognition.

Vista Group's financial assets for the periods covered by these financial statements consist only of loans and receivables.

Vista Group measures all financial liabilities, with the exception of contingent consideration, at amortised cost in the periods covered by these financial statements. Contingent consideration is measured at fair value. Contingent consideration is classified as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in the fair value recognised in the statement of comprehensive income.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Vista Group's loans and receivables comprise 'trade and other receivables' in the statement of financial position.

(b) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Trade and other payables, employee benefits, related party loans and borrowings are classified as financial liabilities measured at amortised cost.

Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Vista Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised if Vista Group's obligations specified in the contract expire or are discharged or cancelled.

Measurement

At initial recognition, Vista Group measures a financial asset and liability at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial recognition, loans and receivables are subsequently carried at amortised cost using the effective interest method. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Impairment

Vista Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cashflows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Fair value of financial assets and liabilities

Vista Group's financial assets and liabilities by category are summarised as follows:

Cash and short term deposits

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 mainly short term in nature with the carrying value approximating their fair value.

Related party loans

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.

Fair values

Vista Group's financial instruments that are measured subsequent to initial recognition at fair values and are grouped into levels based on the degree to which the fair value is observable:

Level 1 – fair value measurements derived from quoted prices in active markets for identical assets.

Level 2 – fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – fair value measurements derived from valuation techniques that include inputs for the asset or liability which are not based on observable market data.

There have been no transfers between levels or changes in the valuation methods used to determine the fair value of the Group's financial instruments during the period. As at 31 December 2017 Vista Group has \$0.9m (2016: \$3.1m) of level 3 financial instruments related to contingent consideration.

Financial instruments by category

	SECTION	2017 NZ$'000	2016 NZ$'000
Loans and receivables			
Cash	5.1	20,954	15,798
Short term deposits		-	5,540
Trade receivables	7.1	45,618	45,440
Sundry receivables	7.1	11,414	19,979
Related party loan – Numero	4.4	2,621	2,621
Related party receivable – Numero	4.4	2,792	2,792
		83,399	**92,170**
Financial liabilities measured at amortised cost			
Trade payables	7.5	4,413	6,229
Sundry accruals	7.5	3,988	4,231
Borrowings	5.3	11,323	4,848
Financial liabilities measured at fair value			
Contingent consideration	4.1	908	3,122
		20,632	**18,430**

9.4 OTHER DISCLOSURES

Contingent liabilities

There were no contingent liabilities for Vista Group at 31 December 2017 (2016: Nil).

Capital commitments

There were no capital commitments for Vista Group at 31 December 2017 (2016: Nil).

Events after balance date

On 20 February 2018, Vista Group announced that it had signed an equity transfer agreement and a shareholder agreement which re-establish Vista China as a consolidated entity of Vista Group. The equity transfer agreement signed with Beijing Weying Technology Co, Limited (WePiao) is to acquire 7.9% of the equity in Vista Entertainment Solutions Limited, Shanghai Limited (Vista China), bringing Vista Group's equity holding to 47.5%. Through the shareholder agreement Vista Group achieves effective control of Vista China and will therefore consolidate its results from the date regulatory approval is obtained. The amount payable by Vista Group under the agreements have been offset against the outstanding receivable from WePiao.

On 23 February 2018, the directors approved a fully imputed final dividend of 1.74 cents per share. The dividend record date and payment date will be confirmed in an announcement in early March 2018.

There have been no other events subsequent to 31 December 2017 which materially impact on the results reported (2016: Nil).

Independent auditor's report

To the shareholders of Vista Group International Limited

The financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cashflows for the year then ended; and
- the notes to the financial statements, which include the principal accounting policies.

Our opinion

In our opinion, the financial statements of Vista Group International Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of related assurance services and advisory services. These services include assurance over R&D grants, advice in relation to the long term employee incentive scheme and agreed upon procedures in relation to acquisition completion accounts. The provision of these other services has not impaired our independence as auditor of the Group.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall group materiality: $1.0 million, which represents approximately 0.9% of total revenues.

We chose total revenues as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance and growth of the Group. It is also, in our view, the most reliable benchmark and is a generally accepted benchmark. We used a materiality threshold of 0.9% of revenue based on our professional judgement, noting that it is also within the range of commonly accepted revenue related thresholds.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $50,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have determined that there are three key audit matters:

- Investment in Vista Entertainment Solutions Shanghai Limited ("Vista China") and receivables due from Vista China and Bejing Weying Technology Co. ("WePaio");
- Impairment testing of goodwill; and
- Recoverability of trade receivables and other receivables.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed full scope audits of the financially significant subsidiaries of the Group, as well as the holding company. In addition, we also performed specific audit procedures over certain balances and transactions of other subsidiaries and associates.

The full scope audits and specific audit procedures were undertaken by PwC New Zealand and were performed at a materiality level calculated with

reference to a proportion of the Group materiality appropriate to the relative financial scale of the subsidiary concerned.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
1. Investment in Vista Entertainment Solutions Shanghai Limited ("Vista China") and receivables due from Vista China and Bejing Weying Technology Co. ("WePaio"). The Group has a number of balances relating to its investment in Vista China. As disclosed in Note 4.4, the carrying value of the Group's investment in Vista China amounts to $26.1 million. The Group uses the equity method of accounting for its investment. Management undertook an assessment of the fair value of its investment in Vista China which included using an independent expert to assess whether there had been any impairment of its investment. This assessment involved judgement and included consideration of: • a valuation conducted in the previous year by the same independent expert; • the subsequent trading performance of Vista China and the draft 2018 budget; • the price at which Vista and WePaio agreed to sell and purchase shares in Vista China subsequent to the year end; and • assumptions relating to a minority discount. The assessment concluded that there was no impairment of the investment. As disclosed in Note 7.1 and Note 9.4 at year end a receivable of $8.7 million is owed from WePaio related to the sale of shares in Vista China in 2016. Subsequent to balance date, the	In relation to the investment in Vista China and the receivable due from WePaio, we reviewed the assessment of the fair value undertaken by management and their independent expert with the assistance of our internal valuation expert. Our procedures included: • Discussions with management, including those outside of finance, to gain an understanding of the strategy and performance to date of Vista China; • Comparison of the assessment of fair value undertaken by managements expert to the independent valuation undertaken by the same management expert in 2016; • Agreeing the transaction price of Vista China shares purchased by the Group subsequent to year end to the sale and purchase agreement; • Gaining an understanding of how the fair value of the transaction price had been determined between the Group and WePaio through discussions with key management and the Board; • Assessing whether the minority discount assumed was within an acceptable range based on our own knowledge of similar past transactions; and • Reviewing Board meeting to identify any events or conditions that indicate potential impairment of the investment or receivable that have arisen since the initial sale and purchase in 2016.

Group entered into a conditional agreement to purchase 7.9% of the shares in Vista China from WePiao for $8.7 million. This is to be settled through the extinguishment of the receivable owed by WePiao together with cash. As disclosed in Note 4.4 at year end the Group is owed $5.4 million from Vista China relating to receivables owing prior to the sale of shares in Vista China in 2016 and $7.3 million owing under the terms of the Reseller Agreement. Management has applied judgement in determining the recoverability of these receivables and have determined that no doubtful debt provision is required.	Our audit procedures in relation to amounts owing from Vista China under the Reseller Agreement and 2016 Sale and Purchase Agreement included: • Obtaining written confirmations from Vista China of the amounts owing to the Group at balance date and that the performance obligations under the Reseller Agreement had been met; • Obtaining the Vista China Board of Director meeting minutes where amounts had been approved for payment by the Directors of Vista China; and • Assessing Vista China's ability to pay amounts owing through reviewing the financial performance and position of Vista China and confirming the cash position to bank statements at year end and at 27 February 2018. We have no material matters to report.

Impairment testing of goodwill Note 4.3 provides details of the goodwill balance of $62.8 million as at 31 December 2017. Management perform an annual assessment to determine whether there is any impairment of goodwill. This is disclosed in Note 7.4. The value in use methodology was used to value each cash generating unit (CGU) and then these values are compared to the carrying value of the associated net assets, including goodwill, of each CGU, as at 31 December 2017. The valuations involve the application of significant judgment in determining certain key assumptions and estimates, specifically: • Revenue growth rates for the 5 year period forecast; • Determining the long term growth rates for cash flows beyond the 5 year forecast period; and • Estimating an appropriate discount rate for each CGU.	Our audit procedures in relation to impairment testing of goodwill included the following. We gained an understanding of the business processes and controls applied by management in assessing whether there was any impairment of goodwill. We held discussions with management, including those outside of the finance team, about the performance of each CGU and whether there were any events or circumstances that indicated that the carrying value of the CGU, including goodwill, was impaired. We assessed the reasonableness of the key estimates and assumptions made by management in the various valuations, by performing the following procedures with the assistance of our internal valuation expert: • Obtaining an understanding of how management prepared its budgets and forecast and the associated review and approval processes; • Assessing the reliability of management's ability to budget and forecast;

Management's assessment concluded that goodwill was not impaired as at 31 December 2017. However, the valuations of Share Dimension BV and MACCS International BV were sensitive to reasonably possible changes in revenue growth assumptions, long term growth and the discount rate, and such changes could result in an impairment, as disclosed in Note 7.4 of the financial statements.	• Comparing the growth rates used over the 5 year period to historical growth rates, board approved budgets and other strategic and operational initiatives being undertaken, as well as challenging whether the historical growth rates are sustainable as the businesses mature; • Comparing the terminal growth rates to industry growth rates for similar market participants; • Evaluating the discount rates used and comparing these discount rates against similar market participants; and • Performing our own sensitivity analysis on the impact of changing key assumptions to consider whether any reasonably possible changes could result in impairment of goodwill. We have no material matters to report.

Recoverability of trade receivables and other receivables Trade and other receivables are disclosed in Note 7.1. The Group had $18.2 million of trade receivables (excluding Vista China) that are past due but not impaired at 31 December 2017, as disclosed in Note 5.4. Management assessed the recoverability of trade and other receivables, which involved judgements in relation to assessing the credit risk of the associated customers or counterparty and expected future cash flows based on, payment history, age of the debt and the nature of the customer relationship. Management concluded that it was appropriate to recognise an impairment provision of $1.0 million at 31 December 2017, as disclosed in Note 7.1 and a provision relating to advances to an associate of $1.7 million, as disclosed in Note 4.4.	Our audit procedures in relation to recoverability of trade receivables and other receivables included the following. We gained an understanding of the business processes and controls over managing overdue trade and other receivables, and the determination of doubtful debt provisions. We considered the historical recoverability of the aged debt as well as the Group's experience of bad debts. We tested on sample basis the aging of receivables back to invoices to assess the accuracy of the aged trade receivable report used in determining doubtful debts. On a sample basis, we performed the following procedures to assess the recoverability of trade and other receivables: • gained an understanding of the customer or counterparty terms and conditions; • validated whether any payments had been received from customers or counterparty subsequent to balance date and confirmed these payments to bank statements and remittance advices;

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- assessed the customer or counterparties, ability to pay through reviewing financial information of the counterparty; and
- through discussions with management and credit controllers, review of correspondence with customers or counterparty, and a review of past payment history we assessed the appropriateness of the year end impairment provision.

We have no material matters to report.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information to be included in the annual report, was available to us at the date of our signing as this has not yet been approved by the Board.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, 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.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Julian Prior.

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants
28 February 2018

Auckland

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The Investor Centre section of the Company's website (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 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 Code (**NZX Recommendations**), the New Zealand Financial Markets Authority Corporate Governance in New Zealand – Principles and Guidelines handbook and the Corporate Governance Principles and Recommendations (3rd Edition) issued by the ASX Corporate Governance Council (**ASX Recommendations**).

The Company changed its listing category on the ASX to an ASX Foreign Exempt Listing on 27 October 2015 and, as a result, it is exempt from complying with the majority of the ASX listing rules. Instead, the Company is required to primarily comply with the listing rules of the NZX as its home exchange, including in relation to corporate governance. The Company previously reported its approach to governance against the eight fundamental principles of the ASX Recommendations.

For the period ended 31 December 2017, the Company has prepared its corporate governance statement against the eight principles of the NZX Recommendations.

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Recommendation 1.1 – The Board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics). The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy.

The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:

- **acts honestly and with personal integrity in all actions;**
- **declares conflicts of interest and proactively advises of any potential conflicts;**
- **undertakes proper receipt and use of corporate information, assets and property;**
- **in the case of directors, gives proper attention to the matters before them;**
- **acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;**
- **adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted);**
- **adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and**
- **manages breaches of the code.**

The Board maintains high standards of ethical conduct and the Chief Executive Officer (**CEO**) is responsible for ensuring that such high standards are maintained by all of the Company's staff. Director responsibilities and expectations with regards to conflicts of interest are set out in the Code. The most recent version of the Code is readily available on the Company's website.

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. The Code includes the Code of Ethics, which is available on the Company's website. The Code of Ethics is not intended to prescribe an exhaustive list of acceptable and non-acceptable behaviour, rather it is intended to facilitate decisions that are consistent with the Company's values, business goals and legal and policy obligations, thereby enhancing performance outcomes. Employees must familiarise themselves with the Company's values, as they govern their behaviour while they are employed by the Company.

The Code of Ethics covers, among other things, conflicts of interest, gifts and behaviours.

The Code of Ethics sets out:

- 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 its stakeholders; and
- the responsibility and accountability of individuals to report and investigate unethical practices.

Directors and management are expected to lead the Company according to the Code of Ethics and to ensure that the standards set out in the Code of Ethics are communicated to the people who report to the Directors and management.

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 policy.

The Code of Ethics is provided to new employees as part of their induction material and the current version is maintained on the Company's internal web portal for access by employees.

Conflicts of Interest

The Code of Ethics 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.

Recommendation 1.2 – An issuer should have a financial product dealing policy which applies to employees and directors.

All Directors and employees are required to comply with the Company's Securities Trading Policy and Guidelines (Securities Trading Policy) in undertaking any trading in the Company's shares. The Securities Trading Policy is included in the Code, which is available on the Company's website.

PRINCIPLE 2 – BOARD COMPOSITION & PERFORMANCE

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Recommendation 2.1 – The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish 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 its 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 a responsibility to work to enhance the value of the Company in the interests of the Company and its 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 over the affairs and activities of the Company, with the power to delegate those responsibilities to the CEO and the executive team.

The main functions of the Board, the CEO and the 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:

- approving, and from time to time reviewing, the Company's corporate mission statement;
- selecting and (if necessary) replacing the CEO;
- ensuring that the Company has adequate management to achieve its objectives and to support the CEO so that a satisfactory plan for management succession is in place;
- reviewing and approving the strategic, business and financial plans prepared by management;
- reviewing and approving certain material transactions, and making certain investment and divestment decisions;
- approving and overseeing the administration of the Company's technology development strategy;

- monitoring the Company's performance against its approved strategic, business and financial plans and overseeing the Company's operating results;
- ensuring the Company, the Board and the executive team's behaviour is consistent with the Code of Ethics, including compliance with the Company's constitution, any relevant laws, listing rules and regulations and any relevant auditing and accounting principles;
- implementing, and from time to time reviewing, the Company's Code of Ethics, to foster high standards of ethical conduct and personal behaviour, and hold accountable those Directors, managers or other employees who engage in unethical behaviour;
- ensuring the quality and independence of the Company's external audit process; and
- assessing from time to time the Company's effectiveness in carrying out the functions listed above, and the other responsibilities of the Board.

Indemnities and insurance

In accordance with Section 162 of the New Zealand 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 New Zealand Companies Act 1993.

Board meetings

In the period from 1 January 2017 to 31 December 2017 the Board has met formally 9 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 Board Committees may still attend the Committees' meetings. Please see below for further information on the Board Committees.

Company subsidiaries

The Company has four wholly owned subsidiaries, Vista Entertainment Solutions Limited (**VESL**), Virtual Concepts Limited (**VCL**), Flicks Limited (**Flicks**) and MovieXchange International Limited (**MX**). VESL has three wholly owned subsidiaries consisting of Vista Entertainment Solutions (USA) Inc., Vista Entertainment Solutions (UK) Limited (**VUK**) and Vista Entertainment Solutions (Canada) Limited. VCL has one wholly owned subsidiary Movio Ltd and Movio Ltd has one wholly owned subsidiary Movio Inc. VUK has one wholly owned subsidiary, Vista International Entertainment Solutions South Africa (Pty) Limited. MX has one wholly owned subsidiary MovieXchange Limited. Board meetings were held for each of these subsidiaries during the year ended 31 December 2017, with material matters raised in these meetings reported to the Company's Board, as appropriate.

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:

- formulating the vision for the Company;
- recommending policy for, and the strategic direction of, the Company subject to approval by the Board;
- providing management of the day to day operations of the Company; and
- acting as the spokesperson for 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, subject to quantitative limits to ensure consistent and efficient decision making across the Company.

Board Committees

The Board has established and adopted charters for two Committees: the Audit and Risk Committee and the Nominations and Remuneration Committee.

The membership of each Committee at 31 December 2017 was:

- Audit and Risk – Susan Peterson (Chair), James Ogden and Cris Nicolli.
- Nominations and Remuneration Committee – James Ogden (Chair), Susan Peterson, and Cris Nicolli.

Recommendation 2.2 – Every issuer should have a procedure for the nomination and appointment of directors to the board.

Nomination and appointment

The procedures for the appointment and removal of Directors are ultimately governed by the Company's Constitution. As mentioned above in Recommendation 2.1, the Board has established a Nominations and Remuneration Committee governed by the Nomination and Remuneration Committee Charter (**NRC Charter**). A copy of the NRC Charter is included in the Code, which is available on the Company's website.

The primary objectives of the Nominations and Remuneration Committee in relation to the nomination and appointment of Directors 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 appropriate 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 maintaining a balance of relevant skills between Board members to ensure the Board can meet the Company's objectives;
- 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 Nominations and Remuneration Committee will consider, among other things:

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

A process to appoint a new Director commenced in late 2016 under the nomination and appointment process for new Directors. As a result of this process Cris Nicolli was appointed as an independent non-executive Director by the Board on 17 February 2017.

Cris Nicolli was then elected as a Director of the Company at the Annual Shareholders Meeting in May 2017 having been appointed by the Board during the year.

Retirement and re-election

The Board acknowledges and observes the relevant Director rotation/retirement rules under the NZX Main Board Listing Rules.

Two Directors (James Ogden and Brian Cadzow) retired by rotation and were re-elected at the Annual Shareholders Meeting in May 2017.

Composition of the Board

At 31 December 2017, the Board comprised six Directors, as follows:

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

The Board has a broad range of IT, film industry, financial, sales, business and other skills and expertise necessary to meet its objectives. The Company's Constitution currently requires a minimum of three Directors and a maximum of eight.

The Board considers that it has an appropriate mix of skills, experience and independence to ensure that the Company is governed in a manner that guarantees 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.

Recommendation 2.3 – An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

New Directors are required to consent to act as a Director and receive a formal letter of appointment which sets out their duties, responsibilities, rights and remuneration entitlements.

Each senior executive is employed under an individual employment agreement which sets out the terms on which the senior executive is employed including details of the executive's duties, responsibilities, rights and remuneration entitlements. The employment agreement also sets out the circumstances in which employment may be terminated by either the Company or the executive.

Recommendation 2.4 – Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.

Information about each Director including a profile of experience and independence is available on the Company's website. The skills and experience of each Director are set out on page 82 in the 'Disclosures' section of this Annual Report.

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 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 2017, the Board considers that James Ogden, Susan Peterson and Cris Nicolli are Independent Directors. As at 31 December 2017, the Board determines that Murray Holdaway, Brian Cadzow and Kirk Senior are not Independent Directors because of their executive responsibilities and respective substantial shareholdings.

Length of Service of Directors

DIRECTOR	APPOINTED	LENGTH OF SERVICE TO 31 DEC 2017
Murray Holdaway	6 August 2003	14 years, 5 months
Brian Cadzow	6 August 2003	14 years, 5 months
Kirk Senior	3 June 2014	3 years, 7 months
Susan Peterson	3 June 2014	3 years, 7 months
James Ogden	3 June 2014	3 years, 7 months
Cris Nicolli	17 February 2017	11 months

Ownership interests

The table of Directors' shareholdings is included in the Disclosures section of this Annual Report set out on page 84.

Recommendation 2.5 – An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

Diversity Policy

The Company values and respects the contributions, ideas and experiences of people from all backgrounds and is proud to have a diverse company with staff from all around the world. The Company has 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 Company set the following diversity objectives for the 2017 financial year, to:

- continue to strive to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles;

  Progress:
  The only Board or senior management hire in 2017 was the appointment of Cris Nicolli to the Board. During this process we actively requested that our recruitment provider source and provide female candidates for the position. This was achieved. Ultimately however we believed that Cris Nicolli had the best combination of skills required for the role.

- review and encourage participation of under-represented groups in our leadership training programmes;

  Progress:
  35% of attendees in management training in 2017 were female. This exceeds the Company's general population (see following table) and illustrates our continued focus on developing female leaders. We did not record quantitative data on participation from underrepresented groups but there was participation from different ethnicities, ages and from the LGBTI community.

- complete a review of our gender pay equality;

  Progress:
  The results of our 2017 review (using Aon Hewitt market data) showed little indication of gender bias of remuneration for 'same job, same pay'. In the two roles where gaps were identified plans were put in place to adjust the remuneration as appropriate.

Gender Diversity Statistics

AS AT 31 DECEMBER 2017	MALE NO.	MALE %	FEMALE NO.	FEMALE %	TOTAL
Board	5	83.3%	1	16.7%	6
Senior Executive*	9	90.0%	1	10.0%	10
Total Company	449	73.7%	160	26.3%	609

AS AT 31 DECEMBER 2016	MALE NO.	MALE %	FEMALE NO.	FEMALE %	TOTAL
Board	4	80.0%	1	20%	5
Senior Executive*	8	100.0%	0	0.0%	8
Total Company	396	74.4%	136	25.6%	532

* 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 but exclude Executive Directors as they are captured in the 'Board' line.

The change to the Senior Executive line reflects the addition of Evan Bateup and Joanna Wickham through promotion to new senior roles.

The Company has set the following objectives for the 2018 financial year, to:

- continue to strive to ensure strong female candidates are identified in the recruitment process for all roles;
- review and encourage participation of under-represented groups in our leadership training programmes;
- complete a review of our gender pay equality across roles, age and salary bands for VESL offices in Auckland, Los Angeles and London;
- achieve rainbow tick accreditation for VESL – Auckland;
- review the Company's recruitment processes and practices to ensure they are free from bias.

Recommendation 2.6 – Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

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.

Board access to information and advice

The Chief Financial Officer (**CFO**), supported by the internal legal team, 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 CFO and the internal legal team, 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 the Company's records and information.

The Board, the Board Committees and each Director have the right, subject to the approval of the Chair of the Board, 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 invite external advisors with relevant experience and expertise to attend Board or Board Committee meetings.

Recommendation 2.7 – The board should have a procedure to regularly assess director, board and committee performance.

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. 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 Board Committees undertake an annual self-review of their objectives and responsibilities. In addition, those objectives and responsibilities are also reviewed by the Board and CEO against the relevant Board Committee charter.

A survey and review was undertaken in November 2017 and the results reported to the Board at the January 2018 meeting. Recommendations from the results of the review will be considered and implemented by the Board.

Performance evaluation of senior executives

The Board is responsible for constantly 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 NRC

Charter. A copy of the NRC Charter is included in the Code, which is available on the Company's website.

Recommendation 2.8 – The Chair and the CEO should be different people.

The Chair of the Board is elected by the Directors. The Board supports the separation of the role of Chair (Kirk Senior) and CEO (Murray Holdaway) in accordance with the requirements of the NZX Recommendations and the ASX Recommendations. The Chair of the Board'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.

The NZX Recommendations encourages issuers to consider having an independent chair, and the ASX Recommendations require that the Chair of the Board is an independent Director. While, Mr Senior is not considered an Independent Director, he is considered by the Directors to be the most appropriate Director to act as Chair 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 Chair.

PRINCIPLE 3 – BOARD COMMITTEES

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Recommendation 3.1 – An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should not also be the chair of the board.

Audit and Risk Committee

The Board has an Audit and Risk 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, and
  - 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.

Charter

The Company's Audit and Risk Committee operates under a written charter. A copy of the Charter is included in the Code, which is available on the Company's website.

Composition of the Audit and Risk Committee

All of the Committee members are non-executive and Independent Directors. The Audit and Risk Committee is chaired by Susan Peterson who is an Independent Director and not Chair of the Board.

The current members of the Audit and Risk Committee are Susan Peterson (Chair), James Ogden and Cris Nicolli. Kirk Senior has resigned during the year now that there are three Independent Directors on the Audit and Risk Committee.

Recommendation 3.2 – Employees should only attend audit committee meetings at the invitation of the audit committee.

The Audit and Risk Committee Charter (**ARC Charter**) provides that employees and Directors who are not members of the Audit and Risk Committee can only attend Audit and Risk Committee meetings at the invitation of the Committee.

Recommendation 3.3 – An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.

Nominations and Remuneration Committee

In addition to the objectives mentioned in Recommendation 2.2, further primary objectives of the Nominations and Remuneration 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. This includes setting and reviewing the CEO, senior executives' and Directors' (both executive and non-executive) remuneration. The Committee is also required to regularly review and recommend changes to Director remuneration to ensure such remuneration is appropriate and effectively managed.

The Nominations and Remuneration Committee may invite such members of management and any other persons, including external advisers, as the Committee considers necessary to provide information and advice. All Directors are entitled to attend meetings of the Nominations and Remuneration Committee by standing invitation provided that executive Directors, including the CEO, shall not be entitled to attend meetings where they are conflicted for personal reasons.

A copy of the NRC Charter is included in the Code, which is available on the Company's website.

Composition of the Nominations and Remuneration Committee

The current members of the Nominations and Remuneration Committee are James Ogden (Chair), Susan Peterson, and Cris Nicolli. The members of the Committee, including the Chair, are independent Directors.

Recommendation 3.4 – An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.

The Nominations and Remuneration Committee recommends director appointments to the Board. A single committee covering nominations and remuneration has been established to match the structure and operations within the Company and to enable more efficient use of Director resources. A copy of the NRC Charter is included in the Code, which is available on the Company's website. Further information as to the primary objectives and processes of the Nomination and Remuneration Committee in relation to the nomination and appointment of Directors are contained on pages 71 and 72 in relation to Recommendation 2.2. The composition of the Nominations and Remuneration Committee is described above in relation to Recommendation 3.3.

Recommendation 3.5 – An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

The Board has established a Disclosure Committee in accordance with the Continuous Disclosure Policy ('Disclosure Committee'). The Disclosure Committee determines whether certain information is material and whether it should be released in accordance with such Policy and the Company's obligations under the NZX Main Board Listing Rules. The Disclosure Committee is made up of the Chair of the Board, the Chair of the Audit and Risk Committee and one other Independent Director.

Other Committees may be established from time to time.

The Nominations and Remuneration Committee held 8 formal meetings during the financial year ended 31 December 2017 with other matters, particularly the approval of grants under the Long Term Incentive scheme for employees dealt with by the full Board in this period. The Audit and Risk Committee met 6 times during the year. The auditors, PricewaterhouseCoopers, attended all of the Audit and Risk Committee meetings. The meetings of both committees were attended by all members.

Recommendation 3.6 – The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

The Company has considered its position in relation to actions required in the event of a takeover offer for the Company. The Company has established relationships with appropriate legal and equity market advisors to support the Company through any offer process. The Company has considered the establishment of a response team to manage any process and ensure that all obligations under the NZX Main Board Listing Rules and other regulatory frameworks are met.

PRINCIPLE 4 – REPORTING & DISCLOSURE

The board should demand integrity in financial and non financial reporting, and in the timeliness and balance of corporate disclosures.

Recommendation 4.1 – An issuer's board should have a written continuous disclosure policy.

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 Listing Rules. The Company changed its ASX listing category from a Standard Listing to an ASX Foreign Exempt Listing effective from the commencement of trading on 27 October 2015. As an ASX Foreign Exempt Listing, the Company is required to immediately provide ASX with all of the information that it provides to NZX that is, or is to be, made public.

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 NZX Main Board 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 Listing Rules.

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 Listing Rules. A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

The Continuous Disclosure Policy has been communicated internally to ensure that it is strictly adhered to by the Board and the Company's employees. Information on the Disclosure Committee is set out in Recommendation 3.5 above.

Recommendation 4.2 – An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

As mentioned on page 69, the Investor Centre section of the Company's website (vistagroup.co.nz) includes copies of the following corporate governance documents:

- Constitution
- Corporate Governance Code and Appendices (referred to in this corporate governance statement as the Code), including:
  - Code of Ethics
  - Securities Trading Policy & Guidelines
  - Shareholder Participation
  - Audit & Risk Committee Charter
  - Nominations & Remuneration Committee Charter
- Diversity Policy
- Continuous Disclosure Policy
- Risk and Compliance Framework Summary

Recommendation 4.3 – Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non-financial targets are measured.

The Company provides financial reports and associated investor presentations which are balanced and provide an objective view on the performance of the Company.

The Company considers that it is not appropriate to adopt a formal ESG (Environmental, Social and Governance) framework at this time as it is only in the early stages of reporting on non-financial information. The Company does intend to increase future disclosure in the area. The Company has established a risk framework focussed on strategic issues within the business which is regularly updated and reviewed by the Audit and Risk Committee along with a health and safety reporting process to ensure non-financial measures important to the business are an integral part of the operational management of the Company.

PRINCIPLE 5 – REMUNERATION

The remuneration of directors and executives should be transparent, fair and reasonable.

Recommendation 5.1 – An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

Shareholders have approved the Directors' fees in aggregate for all Directors at $500,000 per annum for the non-executive Directors. The actual amount of fees paid in the past year was $233,333.

Full disclosure of Directors' remuneration is set out at page 84.

The Chair of the Board is now remunerated through the executive remuneration structure. The Independent Directors receive $80,000 per annum each. This was increased from $75,000 effective 1 May 2016. The CEO and other executive Directors, including the Chair of the Board receive remuneration from the Company and do not receive Directors' fees. 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 Company's business.

Recommendation 5.2 – An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.

The Board recognises it is desirable that executive (including executive Directors) remuneration should include an element dependent upon the performance of both the Company and the individual, and should be clearly differentiated from non-executive Director remuneration.

Following the adoption of a long term incentive plan ('LTI Plan') in 2015, executive and senior management remuneration currently comprises three components: fixed remuneration, short term performance incentives ('STI') and a long term performance incentive. 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 is an annual risk performance bonus which is either a specific percentage of each executive's base salary or a set value. The weightings of the STI in relation to fixed remuneration range from 15% to 50%. The STI is based on financial performance measures (revenue and earnings) of the Company and the business unit the relevant executive manages (75% to 90%) and strategic personal goals (10% to 25%). The executives' and senior managers' right to short term performance incentives is conditional on the performance of the individual and the Company and will be assessed annually by the Board.

Executive Long-Term incentive plan

The Company established a long term incentive plan (the LTI Plan) for executives, senior managers and staff in 2015. The LTI Plan aims to align executives', senior managers' and staff interests with those of shareholders, by providing a proportion of remuneration on an 'at-risk' basis aligned to the achievement of defined performance targets. Grants have been made in 2015 with a commencement date of 1 January 2015, in 2016 with a commencement date of 1 January 2016 and in 2017 with a commencement date of 1 January 2017. Tranche 1 of the 2015 grants vested on 1 April 2017 and 101,671 shares were issued representing a 100% vesting rate. The next vesting date is 1 April 2018 with tranche 2 of the 2015 grants and tranche 1 of the 2016 grants.

The Company's remuneration policy is set out in the Code, which is available on the Company's website.

Recommendation 5.3 – An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.

The Vista Group CEO was one of the founding shareholders in the Company and as a result some elements of the normal remuneration incentives are not applied to his package as they do not provide the incentive, and therefore the shareholder value, that might normally be attributed to them.

The elements of the current CEO's remuneration are set out below:

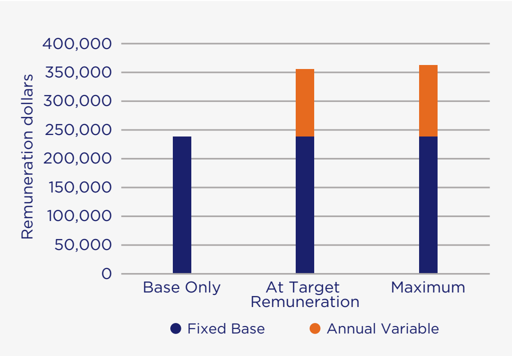
	FOR YEAR'S ENDED 31 DECEMBER		
	2017	2016	2015
Remuneration			
Salary & fees	249,692	251,118	278,479
Taxable benefits[1]	16,511	14,282	13,351
Subtotal	266,203	265,400	291,830
Pay for performance			
STI	150,000[3]	50,000[4]	–
LTI[2]	–	–	–
Subtotal	150,000	50,000	–
Total remuneration	**416,203**	**315,400**	**291,830**

Notes

1. Taxable benefits relate to medical insurance coverage and employer kiwisaver contributions.
2. The CEO elected not to participate in the LTI scheme given he was a founder and already a significant shareholder.
3. STI for FY2016 performance period paid in FY2017.
4. STI for FY2015 performance period paid in FY2016.

THREE YEAR SUMMARY	2017	2016	2015
Single figure remuneration	416,203	315,400	291,830
Percentage STI against maximum	–	150%	50%
Percentage vested LTI's against maximum	n/a	n/a	n/a
LTI performance period	n/a	n/a	n/a

COMPONENTS OF CEO REMUNERATION



DESCRIPTION OF CEO REMUNERATION FOR PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2017

PLAN	DESCRIPTION	PERFORMANCE MEASURES	PERFORMANCE AWARDED AGAINST PLAN
STI	Set at 30% for at risk pay.	37.5% weighting of EBITDA vs budget. Threshold to achieve is 80% with pro-rata payment through to 100%. Over-achievement to 110% is possible.	110%
		37.5% weighting of Revenue vs budget. Threshold to achieve is 80% with pro-rata payment through to 100%. Over-achievement to 110% is possible.	101%
		25% weighting of strategic goals set by the Board.	100%
LTI	CEO elected not to participate.		

PRINCIPLE 6 – RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Recommendation 6.1 – An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed.

Risk Framework

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 CFO and Senior Legal Counsel have 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 (**Risk Framework**), supported by operating risk and compliance policies that aim to ensure that the Company, its Directors and employees will comply with relevant regulatory requirements such as New Zealand laws, NZX listing rules, ASX listing rules applicable to an ASX Foreign Exempt Listing 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 CFO are accountable.

As discussed above, the Board has established an Audit and Risk Committee whose primary objective is to assist the Board in fulfilling its responsibilities. The Audit and Risk Committee's responsibilities are set out in Recommendation 3.1 above.

Review of Risk Framework

In addition to the Risk Framework, the Code provides that the Audit and Risk 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, management procedures and relevant internal controls of the Company. In addition to reporting on the existing risk register during the financial year ended 31 December 2017, the Company undertook a project with a risk consultant to update the risk register and prepare a new reporting framework for the Board. This project will be completed in March 2018 and the new report will be the basis of reporting in future periods. Senior management reports at each meeting on the established Risk Register, and updates to the Risk Register, for the Company.

Recommendation 6.2 – An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

The Company operates under a Health and Safety and Wellness Policy. A report is provided by senior management to the Audit and Risk Committee on performance against the policy, policy initiatives and incident reporting.

PRINCIPLE 7 – AUDITORS

The board should ensure the quality and independence of the external audit process.

Recommendation 7.1 – The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures:

- **for sustaining communication with the issuer's external auditors;**
- **to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;**
- **to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and**
- **to provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.**

The Board's framework for the Company's relationship with its external auditors is in the External Audit Policy set out in the Code, which is available on the Company's website. The External Audit Policy covers matters relating to the appointment of auditors, the independence of auditors, transparent dialogue with auditors, rotation of the audit leader, reporting on audit fees and non-audit work.

The Audit and Risk Committee assists the Board in fulfilling its responsibility to ensure the quality and independence of the Company's external audit process. Pursuant to the ARC Charter, the Board has delegated the Audit and Risk Committee the responsibility to monitor all aspects of the external audit of the Company's affairs including:

- considering the appointment of auditors, audit fees and any issues on an auditor's resignation or dismissal;
- discussing with auditors, before the commencement of each audit, the nature and scope of their audit;
- reviewing auditors' service delivery plan;
- reviewing the Company's letter of representation to auditors; and
- discussing with auditors any problems, reservations, or issues arising from the audit and referring matters of a material or serious nature to the Board.

Recommendation 7.2 – The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.

The external auditor attends the annual shareholders meeting. Shareholders are given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the audit report, the Company's accounting policies and the independence of the auditor.

Recommendation 7.3 – Internal audit functions should be disclosed.

While the Company does not have an internal audit function, the Company fosters a culture of excellence in all areas of risk management and takes all operating and compliance risk obligations seriously.

The CEO is accountable for all operational and compliance risks across all of the Company's operations and businesses. The CFO is accountable for the effective implementation of the Risk Framework across all of the Company's businesses.

All individual employees of the Company are accountable for their personal compliance with the Risk Framework and supporting policies. At the time of employment, all new staff are required to confirm that they have read and are aware of the Company's policies. On an annual basis, all staff are required to re-confirm awareness of and adherence to policies.

PRINCIPLE 8 – SHAREHOLDER RIGHTS & RELATIONS

The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Recommendation 8.1 – An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

The Investor Centre section of the Company's website, 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. It also includes copies of relevant policies and of the corporate governance documents in the Code, referred to in Recommendation 4.2.

Recommendation 8.2 – An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Although the Company does not have a formal shareholder communications policy, it does take appropriate steps to keep shareholders informed about its activities and to listen to issues or concerns raised by shareholders.

Fundamental to the Company's provision of information to shareholders is the management of its continuous disclosure obligations which ensures all shareholders have access to important Company information. In addition to lodging this Company information with the NZX and the ASX, the Company uses its website to make available to shareholders information about the Company and its activities.

Shareholders have the option of electing to receive all shareholder communications, including dividend statements, by email. Shareholders are advised that the Annual Report is available on the Company's website in accordance with the requirements of the New Zealand Companies Act 1993, the New Zealand Financial Markets Conduct Act 2013 and associated regulations. The Company provides a printed copy of the Annual Report only to shareholders who have specifically elected to receive a printed copy.

All announcements made to the NZX and the ASX are available to shareholders by email notification where a shareholder has provided the Company's Share Registry with an email address, and elects to be notified of all such announcements.

The Company's Share Register is managed and maintained by Link Market Services Limited. Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by contacting Link Market Services Limited.

A section of the Code is dedicated to shareholder participation. This section of the Code is designed to:

- highlight the Board's accountability to shareholders;
- encourage shareholders to use the annual general meeting to ask questions and make comments on the performance of the Company;
- highlight 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
- indicate that the Board will ensure that the Company's external auditors are available for questioning by shareholders at the annual general meeting.

Recommendation 8.3 – Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in.

The Company will comply with its obligations under the NZ Companies Act 1993 to obtain shareholder approval under a special resolution for any major transactions. The Company will also comply with NZX Listing Rule requirements to obtain shareholder approval for transactions, or a series of transactions, that would change the essential nature of the business.

Recommendation 8.4 – Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.

On key resolutions (and particularly those where proxy votes are not conclusive) the Chair of the Board would demand a vote by poll to be taken at shareholder meetings.

Recommendation 8.5 – The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.

Once the date of the annual shareholders meeting is confirmed, the Company notifies the market by providing disclosure to the NZX Main Board and ASX. This notification is available on the Company's website. The Company provides notice of the annual shareholders meeting to shareholders in accordance with the requirements of the New Zealand Companies Act 1993 and the NZX Listing Rules. The notice is sent to shareholders, notified to the market by providing disclosure to the NZX Main Board and ASX and made available on the Company's website at least 28 days prior to the date of the meeting.

DISCLOSURES

DIRECTORS

The names of the Company's Directors in office during the financial year and as at the date of this report are as follows:

K Senior, BCom, CA (Executive Chair of the Board)

M Holdaway, BSc, BCom (Executive Director)

B Cadzow, BCom, (Executive Director), re-elected May 2017

S Peterson, BCom, LLB (Independent Director)

J Ogden, BCA Hons, FCA, CFInstD (Independent Director), re-elected May 2017

Directors appointed post 31 December 2016

C Nicolli, BMBS, FAICD, appointed 17 February 2017, elected May 2017

Directors were in office for this entire period unless otherwise stated.

STOCK EXCHANGE LISTINGS

The Company's ordinary shares are listed and quoted on the NZX and on the ASX.

On 27 October 2015, the Company changed its listing category on the ASX to an ASX Foreign Exempt Listing.

ENTRIES RECORDED IN THE INTERESTS REGISTER

The Company maintains an Interests Register in accordance with the New Zealand Companies Act 1993 and the New Zealand Financial Markets Conduct Act 2013 and associated regulations. The following are particulars of entries made in the Interests Register for the period 1 January 2016 to 31 December 2017.

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 2017.

NAME OF DIRECTOR	ENTITY	NATURE OF GENERAL DISCLOSURE
Murray Holdaway	Invista Share Nominee Limited	Director and Shareholder
	Holdaway and Geary Trust	Trustee
	Lido Cinema Limited	Beneficial Shareholder
	Kaha Software Limited	Director and Beneficial Shareholder
Brian Cadzow	B&J Associates Consulting Limited	Director and shareholder
	Invista Share Nominee Limited	Director and shareholder
	B&J Cadzow Family Trust	Trustee
	A J Cadzow Trust	Trustee
	K A Cadzow Trust	Trustee
	Waiotahi Trust	Trustee
	Grandma's Trust	Trustee
	Johnson Trust	Trustee Johnson Trust is a shareholder in Benefitz DMA Limited, a supplier to Vista.
	Titirangi Golf Club Inc.	Board member Vista has provided some limited sponsorship to the Titirangi Golf Club Inc.
	Kaha Software Limited	Director and Beneficial Shareholder

NAME OF DIRECTOR	ENTITY	NATURE OF GENERAL DISCLOSURE
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	Summerset Group Holdings Limited	Director
	Pencarrow Private Equity Fund	Independent Member of the Investment Committee
	Pencarrow Bridge Fund GP Limited (General Partner of the Pencarrow Bridge Fund)	Director
	Crown Forest Rental Trust	Member of the Audit and Risk Committee
	NZ Markets Disciplinary Tribunal	Member
	MMC Group Holdings Limited	Chairman (effective 1 October 2017)
	Foundation Life (NZ) Limited	Director (effective 16 October 2017)
Susan Peterson	Trustpower Limited	Director – member ARC
	Organic Initiative Limited	Director, Chairman and Shareholder
	NZ Markets Disciplinary Tribunal	Member
	Peterson Mellsop Family Trust	Trustee and Beneficiary
	Property for Industry Limited	Director – member of the NRC & ARC
	Xero Limited (appointed 22 February 2017)	Director – member of the NRC
	ASB Bank Limited (appointment effective 1 July 2017)	Director – member of the ARC
Cris Nicolli	Nicolli Holdings Pty Ltd (Family Investment)	Director
	Nicolli Family Superannuation Fund	Trustee
	Kadasig Aid & Development (Not for Profit Charity)	Treasurer

Share dealings of Directors

Directors disclosed, pursuant to section 148 of the Companies Act 1993, acquisitions and disposals of relevant interests in the Company shares during the year ended 31 December 2017.

DATE OF ACQUISITION OR DISPOSAL	NAME OF DIRECTOR	NO & CLASS OF SHARES ACQUIRED OR (DISPOSED)	NATURE OF RELEVANT INTEREST	CONSIDERATION PAID OR RECEIVED
13 March 2017	Cris Nicolli	30,000	Beneficial as trustee of Nicolli Family Superannuation Fund	$83,288
5 October 2017	Murray Holdaway	(930,000)	Beneficial as trustee of the Holdaway and Geary Trust	($5,022,000)
5 October 2017	Kirk Senior	(200,000)	Director of Kirk Senior Pty Ltd	($1,080,000)

Shareholdings of Directors at 31 December 2017

NAME OF DIRECTOR	DIRECTLY HELD	HELD BY ASSOCIATED PERSONS
Brian Cadzow		6,462,874
Murray Holdaway		6,050,782
Kirk Senior		1,444,840
James Ogden		260,000
Susan Peterson		88,906
Cris Nicolli		30,000

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 2017 are as follows:

DIRECTOR	FEES	REMUNERATION
Murray Holdaway	-	389,692
Brian Cadzow	-	319,505
Kirk Senior	-	339,895
James Ogden	80,000	
Susan Peterson	80,000	
Cris Nicolli	73,333	

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 2017 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 2017. The table does not include amounts paid post 31 December 2017 that related to the year ended 31 December 2017, such as short-term incentive scheme bonuses. The table below includes the remuneration of Murray Holdaway, Brian Cadzow and Kirk Senior. No Director of a subsidiary receives or retains any remuneration or other benefits from the Company for acting as such.

EMPLOYEE REMUNERATION (NZD$)			STAFF NUMBERS
$100,000	-	$110,000	27
$110,001	-	$120,000	27
$120,001	-	$130,000	29
$130,001	-	$140,000	16
$140,001	-	$150,000	5
$150,001	-	$160,000	4
$160,001	-	$170,000	6
$170,000	-	$180,000	2
$180,001	-	$190,000	5
$190,001	-	$200,000	2
$200,001	-	$210,000	2
$210,001	-	$220,000	2
$220,001	-	$230,000	3
$260,001	-	$270,000	1
$310,001	-	$320,000	1
$330,001	-	$340,000	1
$340,001	-	$350,000	1
$360,001	-	$370,000	1
$370,001	-	$380,000	1
$380,001	-	$390,000	1
$390,001	-	$400,000	2
$460,001	-	$470,000	1
Total			**140**

Analysis of shareholdings at 28 February 2018

RANGE	NUMBER OF HOLDERS	ISSUED CAPITAL	% OF SHARES ISSUED
1 – 1,000	406	271,585	0.16%
1,001 – 5,000	610	1,672,389	1.02%
5,001 – 10,000	279	2,121,410	1.29%
10,001 – 50,000	299	6,134,330	3.72%
50,001 – 100,000	41	2,967,008	1.80%
Greater than 100,000	60	151,590,204	92.01%
	1,695	**164,756,926**	**100.00%**

Twenty largest shareholders at 28 February 2018

	INVESTOR NAME	NUMBER OF SHARES	PERCENTAGE HOLDING
1	New Zealand Central Securities Depository Limited	79,267,550	48.11%
2	J P Morgan Nominees Australia Limited	12,572,699	7.63%
3	Brian John Cadzow & Julie Ann Cadzow & Peter Allen Lewis	6,462,874	3.92%
4	Murray Lawrence Holdaway & Helen Rachel Geary & Stephen John Mcdonald	6,050,782	3.67%
5	Bnp Paribas Nominees Pty Ltd	4,545,329	2.76%
6	Bruce Alexander Wighton & Marianne Bachler & Peter John Clark	4,415,978	2.68%
7	HSBC Custody Nominees (Australia) Limited	4,153,260	2.52%
8	Gregory James Trounson & Donald Mackenzie Gibson & Kathryn Mary Lee Trounson	3,352,786	2.03%
9	Weying NZ (Bvi) Limited	3,227,610	1.99%
10	Investment Custodial Services Limited	1,895,715	1.15%
11	Citicorp Nominees Pty Limited	1,791,356	1.09%
12	National Nominees Limited	1,537,706	0.93%
13	Kirk Senior Pty Limited	1,444,840	0.88%
14	David Maxwell Smith & Lara Kelly Smith	1,339,556	0.81%
15	Peter Joseph Beguely & Samuel James Beguely	1,289,478	0.78%
16	Waspp Corporation Ltd	1,117,114	0.68%
17	John Trevor Hanson & Bruce Trevor Hanson	1,096,532	0.67%
18	Mark E Pattie & Kelly M Pattie & Northern Trustee Services (No. 74) Limited	1,081,714	0.66%
18	Smith Family Holdings Ltd	1,081,714	0.66%
19	Derek Geoffrey Forbes	998,212	0.61%
20	FNZ Custodians Limited	945,952	0.57%
		139,718,757	**84.80%**

Substantial Product Holders

According to notices given under the New Zealand Financial Markets Conduct Act 2013, the following persons were Substantial Product Holders in the Company at 31 December 2017 in respect of the number of voting securities set opposite their names:

NAME OF SUBSTANTIAL PRODUCT HOLDER	NUMBER AND CLASS OF SHARES
Devon Funds Management Limited	19,436,336
Fidelity International	15,998,326
Harbour Asset Management	14,944,686
Fisher Funds Management Ltd	13,492,116
Salt Funds Management	9,125,858

Options

Nil

Performance Rights

The Company issued a total of 411,860 performance rights under the LTI Plan in the 2015 grant to a number of employees. In April 2017 203,942 vested and 3,976 lapsed in the first tranche. In April 2018 there are 199,858 eligible to vest with 4,084 having lapsed. The Company issued 461,576 performance rights under the LTI Plan in the 2016 grant to a number of employees. In April 2018 230,788 are eligible to vest with 230,788 eligible in April 2019. The Company issued 418,108 performance rights under the LTI Plan in the 2017 grant to a number of employees and these will vest in two equal tranches in April 2019 and April 2020. The table below shows the grants and outstanding rights at 31 December 2017.

Note: Due to the 2 for 1 share split undertaken by the Company on 27 November 2017 the number of rights issued and that are outstanding has doubled from that disclosed in prior years.

GRANT YEAR	TOTAL ORIGINAL GRANT	VESTING DATES OF OUTSTANDING PERFORMANCE RIGHTS			TOTAL OUTSTANDING
		APR-18	APR-19	APR-20	
2015	411,860	199,858			199,858
2016	461,576	230,455	230,788		461,576
2017	418,108		209,054	209,054	418,108
Total	**1,291,544**	**430,646**	**439,842**	**209,054**	**1,079,542**

The vesting of each tranche is subject to the Company achieving certain performance hurdles contained within the LTI Plan. Upon vesting each performance right will entitle the holder to one ordinary share.

Auditor Remuneration

The Company confirmed the re-appointment of PwC as its auditor at its annual shareholder meeting on 25 May 2017. The amount payable to PwC by the Company and its subsidiaries for audit and non-audit services work for the financial year ended 31 December 2017 is disclosed in note 9.1 to the financial statements. The Board considers that due to the nature and quantum of the non-audit services work the auditors' independence is not compromised.

Waivers

The Company did not apply for, nor did it have granted, nor did it rely on any waivers from the NZX during the 2017 financial year.

Subsidiary company Directors

The following people held office as Directors of subsidiary companies at 31 December 2017:

- **Kirk Senior:** VESL, Vista Entertainment Solutions (USA) Ltd, Virtual Concepts Ltd, Movio Ltd, Movio Inc., MovieXchange International Ltd, MovieXchange Ltd, Share Dimension B.V., Powster Ltd, Powster Inc, Stardust Solutions Ltd and Stardust Solutions USA 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, Flicks Ltd, Vista International Entertainment Solutions South Africa (Pty) Ltd, Powster Ltd, MovieXchange International Ltd, MovieXchange Ltd, Stardust Solutions Ltd, Stardust Solutions USA Inc and Senda Direccion Tecnologica S.A. de C.V.
- **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, Movio Limited, Flicks Ltd and Senda Direccion Tecnologica S.A. de C.V.
- **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.
- **Sven Andresen:** VPF Hub.
- **Kimbal Riley:** Vista Entertainment Solutions (Shanghai), Vista International Entertainment Solutions South Africa (Pty) Ltd and Senda Direccion Tecnologica S.A. de C.V.
- **Derek Geoffrey Forbes:** Stardust Solutions Ltd and Stardust Solutions USA Inc.
- **Steven Thompson:** Powster Ltd and Powster Inc.
- **Nick Patsides:** Powster Ltd.
- **Armando Mejias:** Senda Direccion Tecnologica S.A. de C.V.
- **Gustavo Ortega:** Senda Direccion Tecnologica S.A. de C.V.

Annual Meeting

The Company's Annual Meeting of shareholders will be held in Auckland on 23 May 2017 at 3:00pm. A notice of Annual Meeting and Proxy Form will be circulated to shareholders in April 2018.

Donations

The Company made donations of $34,395 (2016 – $14,383) during the 2017 financial year.

Exercise of NZX Disciplinary Powers

NZX did not exercise any of its powers under NZX Listing Rule 5.4.2 in relation to the Company during the 2017 financial year.

Credit Rating

The Company has no credit rating.

VISTA GROUP OFFICE LOCATIONS

V Vista Cinema	M Movio	M Maccs	P Powster
CI Cinema Intelligence	N Numero	F Flicks	

NEW ZEALAND	60 Khyber Pass Road, Newton, Auckland, 1023 V F
	30 St Benedicts Street, Eden Terrace, Auckland, 1010 M
USA	6300 Wilshire Blvd, Suite 940, Los Angeles, California 90048 V M M P CI N
UK	The Aircraft Factory, 100 Cambridge Grove, Hammersmith, London W6 0LE V M
	2 Netil Lane, Netil House, London E8 3RL P
CHINA	Rm 805, E of Office Buildings, Sanlitun SOHO, 8 Gongtibei Rd, Beijing 100027 V
	Room 4001, 40th Floor, Hong Kong New World Tower, 300 Huaihai Zhong Rd, Shanghai 200021 V
AFRICA	27 The Pavilion, Cnr Dock and Portswood Rd, V&A Waterfront, Cape Town, 8001 South Africa V
MEXICO	Avenida Mexico No. 700 Int. 314, Col. San Jeronimo Lidice, Del. Magdalena Contreras, C.P. 10400 Mexico D.F V
NETHERLANDS	Verlengde Hereweg 163, 9721 AN Groningen M
	Bolstoen 2d, 1046AT Amsterdam CI
ROMANIA	Izvor 92;96 Bucharest CI
AUSTRALIA	Suite 69, Jones Bay Wharf, 26-32 Pirrama Road, Pyrmont, NSW 2009 Sydney N

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