VISTA GROUP INTERNATIONAL LIMITED

ANNUAL REPORT

2018 vistagroup.co

VISTA GROUP

TABLE OF

CONTENTS

This report is dated 29 March 2019 and is signed on behalf of the Board of Vista Group International Limited by Kirk Senior, Executive Chairman, and Murray Holdaway, Director.

K Senior
EXECUTIVE CHAIRMAN
29 March 2019

M Holdaway
DIRECTOR
29 March 2019

KIRK SENIOR EXECUTIVE CHAIRMAN *(left)*, **KIMBAL RILEY** GROUP CHIEF EXECUTIVE *(right)*.

CHAIRMAN'S LETTER

Dear Shareholder,

Welcome to the Annual Report of Vista Group International Limited (Vista Group) for the financial year to 31 December 2018.

I am delighted to report that we delivered another exceptional result, with the fifth consecutive year of 20%+ revenue growth. This resulted in a 17% increase in EBITDA and a 150% increase in operating cashflow. We declared a fully imputed dividend 27% up on the prior year, being at the top of our policy range, reflecting our confidence in the business and the desire to reward shareholders.

Since our Initial Public Offering (IPO) in August 2014 we have delivered a compound annual growth rate of 29% and have seen the share price increase by over fourfold, a terrific outcome for all shareholders.

Our balance sheet has never been stronger. This capacity provides us with the ability to take advantage of new opportunities. The strength of our financial position together with our talented team also allows us to continue to innovate across our solution product range to meet customer needs and drive increased growth. Most importantly, we continue to be absolutely focused on our core businesses and seeking out the opportunities with customers and prospects to further accelerate sustainable growth.

Over the past year we have continued to make great progress across all of our businesses.

In particular, our two core businesses are driving the exceptional growth – Vista Cinema and Movio delivered standout results, which Kimbal will expand on in his CEO letter. Our "other businesses" also had either excellent performances or are now on track for on-going growth going forward. These "other businesses" play an important part in our group, often beyond their relative size and their executives are considered to be amongst the finest in the industry.

This time last year, we announced an important executive change with Kimbal Riley taking over the Group CEO role from our Founder, Murray Holdaway, who moved into a key role of Chief Product Officer. I noted in last years' letter that I believed that this would be a case of 1+1=3 and I'm delighted this has proved to be the case. It is a great joy to work alongside Kimbal whose relentless and restless pursuit of, what I like to call, "responsible growth", is infectious.

We continue to be very focused on the now but are equally focused on planning for all aspects of the future to ensure we maximise the opportunity to continue to build on the tremendous base we have created. And we do just see it as a base – there is significant opportunity going out many years.

Vista Cinema is continuing its strategy to build global market share, targeting the large circuits and expanding its presence in key new markets such as Brazil and Saudi Arabia. Vista Cinema is also very focused on continuing to strengthen customer relationships to ensure we are optimally positioned to leverage our market share. Our success with large customers, many of whom are now contracting multiple services from across the group, is a positive sign of our customer relationships.

Our Movio business has well and truly hit its stride and the future looks tremendously exciting. Movio's mission is to connect everyone with their ideal movie and is really starting to shape the future of movie marketing. Whilst the results to date, and in particular in 2018, have been excellent, the upside potential of this business is quite extraordinary – and we are yet to enter into some large markets. In addition to the Research and Direct Campaign products, Movio Media launched its Digital Campaign solution in the second half of 2018 and the early take-up by film studios and media companies illustrates the enormous opportunity that lies ahead. Movio's outstanding team is full of passionate technologists and cinema fanatics determined to make a positive difference to the film industry.

Our joint venture business in China continues to grow strongly and we are looking at how we can accelerate this further – there is no doubt this is a significant opportunity for the long term, but one we must manage carefully.

The Board is very mindful that we must continue to attract, retain and incentivise highly talented people throughout our global organisation. The competition for talented people is real and a global challenge. These people are pivotal to our success, and, as such, we are continually reviewing our performance, incentive and succession plans across the group to ensure our talent and skills base continues to grow with the business. In addition, as a result of our ever-increasing workforce, we will be expanding and upgrading our facilities in our Auckland home office, as well as our key LA office, appropriate to accommodate and motivate our workforce, which this year will approach 1,000 people worldwide.

I want to especially recognise the tremendous work ethic, capability and enthusiasm of the executive team for leading a group of talented and motivated staff who are shaping the success of our company and making a real contribution to the success of our customers.

The Board is very proud of the Group's achievements and excited by what lies ahead. Thank you to the other members of the Board who provide a diverse and complementary set of skills and ideas, constantly challenging each other and management to ensure we are restless and focused.

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

Yours sincerely,

Kirk Senior
EXECUTIVE CHAIRMAN

GROUP CEO'S LETTER

Dear Shareholder,

It has been another terrific year for Vista Group – the dedication, hard work and imagination of everyone in the Vista Group family, combined with the support of our customers, has enabled us to deliver an outstanding result for 2018.

Thanks are in order, and firstly I'd like to acknowledge the contribution of our people. Vista Group is a software and data company, and businesses such as ours succeed based on the collective capability and dedication of their people. I'm privileged to be part of a team that works hard, focuses on innovation and delivers to customers in over 100 countries according to the unique needs and wants of each. Our team is vibrant, diverse, and global – we have offices on every continent – and we are collectively focused on enhancing the success of the Film Industry.

I would also like to thank all of our customers; as a measure of the strength of our customer relationships, we have just under 100 who have been with Vista Group for over 10 years (we have some who have been with us 20 years). We celebrated the most recent additions to the 10-year club at our biennial Customer Conference in Auckland in February 2019 – with around 200 attendees from 24 countries. We work very hard to retain the support and confidence of our customers, we believe that persistence and a commitment to continuous innovation are the core attributes that will continue to anchor those relationships.

Looking at the results for 2018, the two core businesses – Vista Cinema and Movio – really stood out with strong growth, and excellent EBITDA outcomes, both demonstrating operating leverage over the 2017 results. Vista Cinema has shown strength and resilience beyond our expectations over the 5 years since IPO, but Movio is really hitting its straps, exceeding internal stretch targets, and delivering on the promise.

A new metric we have begun sharing for 2018 is the proportion of our revenues from SaaS business. This continues to increase, and it grew from 25% in 2017 to 32% in 2018.

These two companies, supported by the array of capability across our Group businesses, have been pivotal in Vista Group delivering a compound annual growth rate of 29% over the 5 years since IPO – a statistic of which we are extremely proud.

Vista Cinema, the largest of our businesses, added another 1013 Vista sites across the globe taking the number of installed countries to 97. Global market share of the +20 screens segment increased to 40% (excluding China, market share of this segment was 48%). We're confident of continuing to grow this impressive market share as substantial opportunities still exist across the world in both mature and emerging markets.

One of the largest tasks underway at Vista Cinema is moving the core product to the cloud. 2018 saw significant milestones achieved in this regard with customers live in the cloud in the Middle East and Europe. Over time we expect a good proportion of Vista Cinema customers to move to cloud deployments, with attendant incremental revenue opportunities through managed services.

Movio had another outstanding year, increasing revenue by 47%, and EBITDA by 74%. The Movio Cinema element of the business continued strong growth gaining many new customers particularly in Latin America and Europe. But the star of the show is Movio Media – which gained 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 45 cents to 86 cents – this is almost triple the revenue per moviegoer recorded in 2016 (31 cents). Movio Media increased revenue 122% on the back of this increase as connected active moviegoers (those able to be used in digital campaigns) continued to grow.

Veezi added 258 new sites to a total worldwide of 901 (including 93 in China). Revenue growth was strong off the back of the site growth, an increase in the uptake of additional modules, and the continuing increase in the proportion of cinema tickets bought online.

Amongst our other Group businesses, Powster is standing out – both for its excellent financial performance, but most excitingly for the quality and breadth of its innovative imagination. The Los Angeles studio is fully staffed and has launched the 'Powster Labs' creative collaboration offering to studios.

Maccs has begun to turn the corner, with some green shoots appearing in the form of improved delivery efficiency and new customer wins (mostly in Europe and Asia). The financial performance of Maccs in 2018 was disappointing, but we are confident improvement will come in 2019 and beyond.

Cinema Intelligence grew revenue significantly and would have achieved an EBITDA breakeven year but for a key contract slipping into 2019. Integration with the Vista Cinema suite in two key areas has been the highlight of 2018 – with this integration very much improving the overall value add for our cinema customers.

movieXchange (MX) had an interesting year. MX Film is proving to be a solid contributor – both in customer engagement, and in providing a single film data repository for Vista Group companies. MX Tickets enjoyed a one-off spike of third-party ticketing volumes in the middle of 2018, with the rate of sales from the connected third parties settling down to a more consistent pattern toward the end of the year.

We saw a key step in our Stardust journey during 2018, with external investment coming on board. This means that Stardust will become an associate company of Vista Group in 2019. The profile of the Stardust users as film fanatics is proving to be of interesting value to a range of industry players.

I look forward to another year of continued strong growth. Vista Group signed important contracts with key industry players during 2018 – with Cineworld, Odeon, Marcus, Aeon, and Pathé France in the exhibitor community, and with Disney, Fox, and Viacom in the studio/publishing sector. Of particular note was the extent to which these contracts incorporated offerings from multiple Group companies, an indication that customers are increasingly seeing the value of the overall Vista Group strategy.

The team have made the task of assuming the Group CEO role much less daunting than it might have been, and I'm very grateful for the support and patience of the Board and senior executive team. Murray's new role as Chief Product Officer is already delivering long term goodness to the Group as a whole.

My thanks to all stakeholders for their support.

Kimbal Riley
GROUP CHIEF EXECUTIVE

VISTA GROUP COMPANIES

CINEMA	vista, VEEZI
MOVIO	MOVIO
ADDITIONAL GROUP COMPANIES	POWSTER, FLICKS, MACCS
EARLY STAGE INVESTMENTS	CINEMA INTELLIGENCE, movieXchange, Stardust
ASSOCIATES	numero, VISTA 集团

GROUP COMPANY OVERVIEW

Vista Group has continued its mission to become the leading provider of software and big data analysis to the global film industry.

Vista Group operates in a vertical market, which in many respects is similar to any other vertical industry. In most, 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 its vertical market and the fit of its products.

With the integration of the products that Vista Group has developed/acquired we are creating the journey of following the film from its creation, through to it being seen by the moviegoer – and tracking all of the data and attributes that are needed by each party for the duration of that journey. We are then positioned to report on the box office performance of the movie – back through the exhibition 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 very significant. This provides many additional opportunities for Vista Group products such as Movio, Numero and Powster. It has also created the opportunity to provide more efficient access to data for industry participants leading to the Group's investment in movieXchange, Movio Media and additional modules within the cinema product set.

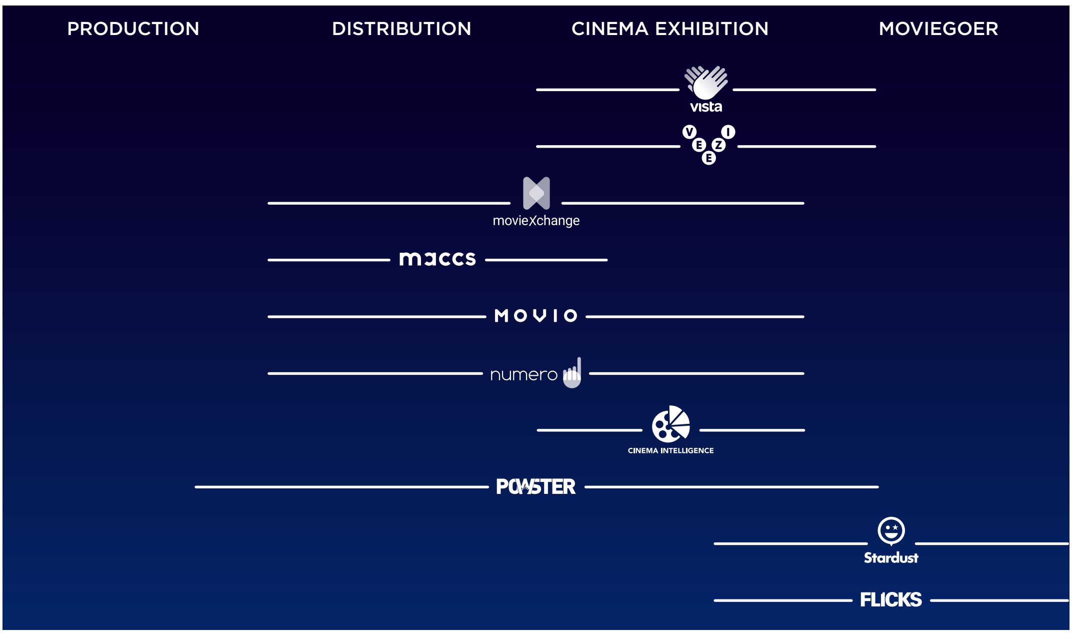
The global cinema market is still expanding with the number of cinema screens and box office revenue growing. Whilst growth in the USA domestic market is slower, the overall international market led by the Asia Pacific region remains strong. Industry participants are focussing on some key trends:

- Consolidation
- Premiumisation
- Data
- Marketing

These are trends that drive the Vista Group businesses forward as our product functionality supports industry players to achieve improvement in their service offerings – for example – to maximise opportunities to gather data and make use of it for targeted marketing.

Our global market share and relationships with the largest and fastest growing businesses in the industry also provide benefits as consolidation occurs.

Vista Group continues to create products and services that lead the industry in innovation focussed on meeting customer needs and the wider developing needs of the industry. Our recent biennial customer conference held in Auckland provided the opportunity to showcase the direction of our product strategy and ensure that it is aligned with our customer's expectations.

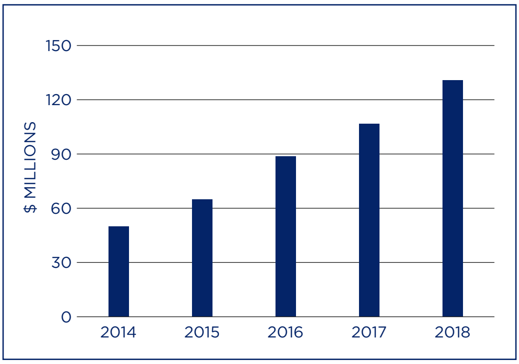


GROUP TRADING
OVERVIEW

GROUP TRADING OVERVIEW 2018

TOTAL REVENUE	RECURRING REVENUE	OPERATING PROFIT
$130.7m	**$79.9m**	**$24.7m**
(UP 23%)	(UP 24%)	(UP 21%)
EBITDA[(1)]	**OPERATING CASHFLOW**	**FINAL DIVIDEND**
$29.2m	**$27.6m**	**2.10 cents/share**
(UP 17%)	(UP 150%)	(TOTAL FY18 DIVIDEND UP 27%)

5 YEAR REVENUE



Vista Group produced strong revenue growth (23%), positive operating cash flow ($27.6m) and maintained a strong balance sheet to provide a platform for the continued growth of Vista Group. Earnings based on EBITDA[(1)] have improved 17% to $29.2m.

Vista Group continues to be the global leader in delivering software and data analytics solutions to the film industry with group companies Vista Cinema, Movio, and Powster each number one globally in their respective market segments.

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 from the core operating businesses of Movio and Vista Cinema. Movio increased EBITDA% to 27% from 23%, and Vista Cinema improved its EBITDA% from 29% to 31%.

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 2018 trading result has set Vista Group up for another strong year in 2019 with growth forecast across all the Group businesses. The high level of recurring revenue (61% in 2018) added to the key large agreements signed in 2018 provide a strong basis for the company in 2019 and 2020.

(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 (Virtual Concepts Limited, trading as Movio) deferred consideration is also excluded. This is consistent with the measure used in the Prospectus dated 3 July 2014. Depreciation and amortisation in 2018 $4.2m (2017: $3.6m).

GROUP TRADING OVERVIEW
CINEMA

The Cinema segment is the largest within Vista Group and represents 63% of total revenue and 87% of EBITDA. For the fifth successive year Cinema has outperformed growth forecasts across all metrics; sites installed, revenue and EBITDA. The growth in the customer base is increasingly important not just for its revenue; it also creates opportunity for other Vista Group companies. Customers who are already using Vista Cinema products can benefit from the higher value that accrues when they use Vista Group's wider integrated products.

GLOBAL LEADER IN CINEMA MANAGEMENT SOFTWARE FOR CINEMA EXHIBITORS IN THE LARGE CIRCUIT MARKET

Vista Cinema delivered another impressive performance in 2018 with 1,013 new cinema sites added, bringing the total site count worldwide to 7,202 (of which 958 are in China). These additional sites represent an increase of 13.4% over 2017. This achievement equates to revenue growth of 22% and took Vista Cinema's global share of the world's large circuit market to 40%; excluding China, Vista Cinema's global share has increased to 48%.

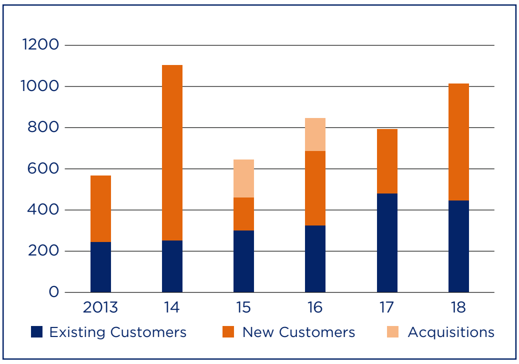
An EBITDA performance of $25.6m represents stronger operating leverage of 31%, up from 29% in 2017.

Vista Cinema software was installed in cinemas in 12 new countries, the most notable being Saudi Arabia and Sweden. These countries together with China, Japan, and Brazil, represent some of the largest new market opportunities for Vista Cinema in 2019 and beyond.

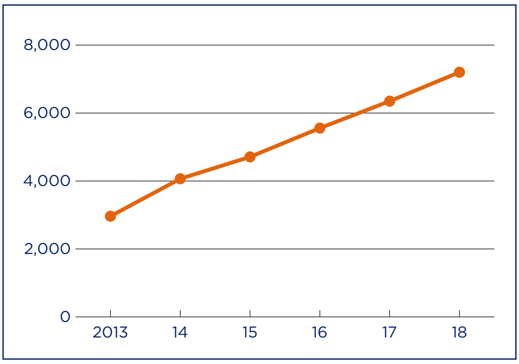
In 2018 Vista Cinema deployed the first customers live in the cloud, a landmark achievement in the Vista Cinema transition-to-the-cloud journey. Additional customers following suit in 2019 is expected to create an uplift in recurring revenue. There were several new products and services on which development started in 2018, including Customer Experience Management (CXM), Omnichannel (more aligned digital sales channels), and Horizon (cloud-based data warehouse and analytics). Effort to drive demand for these products is already underway and the customer response is extremely encouraging.

Third party revenue for Vista Cinema reached $3.5m as a result of channel partnerships. Additional such partnerships are planned for 2019 and revenue is expected to continue to grow.

NEW SITES ADDED

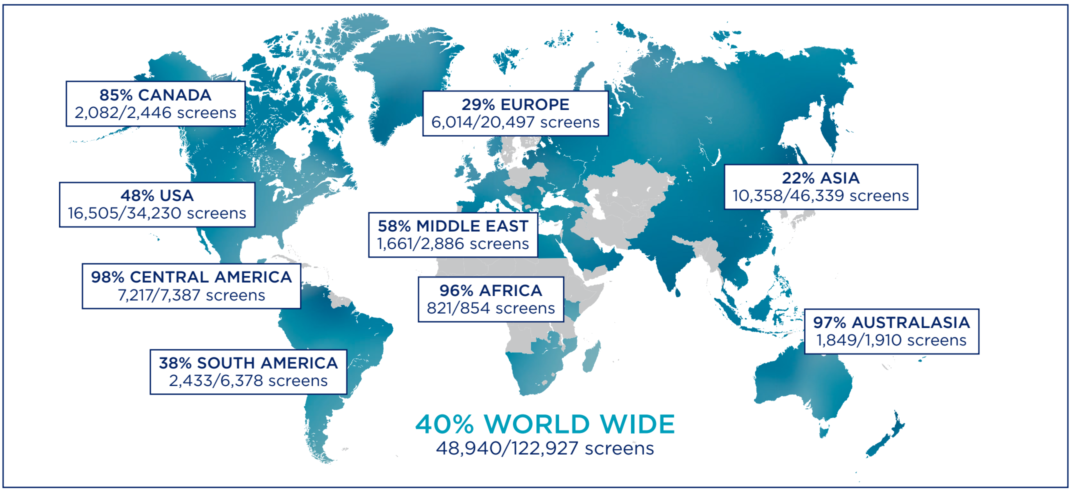


TOTAL SITE COUNT



VISTA MARKET SHARE

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



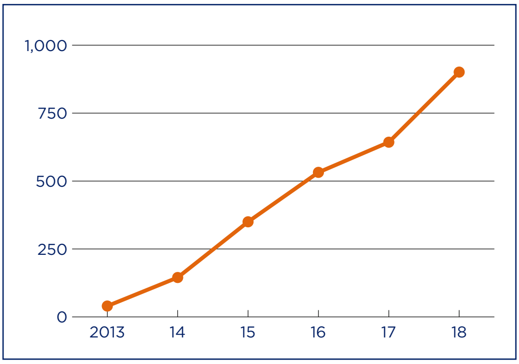
GLOBAL CLOUD-BASED CINEMA MANAGEMENT SOLUTION FOR CINEMA EXHIBITORS IN THE SMALL CIRCUIT (OR 'INDEPENDENTS') MARKET

Veezi increased site numbers 40% (258) to reach 901 contracted sites at year end, of which 93 are in China. A strong year for Box Office, as well as a general uptake in online ticketing sales, has resulted in a monthly average revenue lift of 14% to $588 per site. Combined with site number increases this has lifted the ARR (Annual Recurring Revenue) at year end by 59% to $6.35m. The number of countries with cinemas running Veezi has increased from 27 to 36.

Veezi continues to expand its product offering via the Vista Cinema software development model that includes a consistent new features release.

Veezi is expecting increased site numbers in 2019 as we progress opportunities in Europe, China and India, and continue to form channel partnerships to expand third party revenue.

TOTAL SITE COUNT



MOVIO

The Movio segment is the second largest segment within Vista Group and represents 17.5% of total revenue. Movio delivered a terrific result in 2018 with revenue up 47% to $22.8m and EBITDA up 74% to $6.2m.

MOVIO | GLOBAL LEADER IN DATA DRIVEN MARKETING FOR THE FILM INDUSTRY

Movio's purpose is to 'Connect everyone with their ideal movie'. To date Movio has profiled hundreds of millions of box office admissions generated by more than 45M Active Moviegoers globally. It is this rich history that has allowed Movio to develop industry firsts in Artificial Intelligence capable of predicting the audience for every film. This functionality has captured the attention of Hollywood, with most of the major studios engaging in data-led strategies using insights generated by Movio's AI.

In terms of financial performance, Movio had another standout year with revenue growth of 47% and EBITDA growth of 74%. The core cinema business continued to perform well, expanding to 53 territories, including Brazil, India and Germany, increasing market share of cinemas with 20+ screens to 26%.

Movio's studio-focused offering Movio Media experienced a breakthrough year, growing revenue 122%, driven through all three product lines. The Research business continued to outperform adding Disney and Amazon Studios to the Fox deal signed in 2017.

The Movio Media Direct Campaign offering continued to perform well in the US, with the same offering going live in the UK, the first Media territory outside of the US. However, the standout performing product was the Digital Campaign offering.

Significant advancements in Movio's digital campaign offering has enabled studios to engage with Moviegoers across their preferred digital channels using the most sophisticated behavioural based segments available, with success measured in terms of sales at the box office. To date, Movio has deployed numerous digital campaigns across the US for Viacom, Fox and STX to name a few.

In 2019, Movio will continue to invest in the digital product offering, enabling the roll out of additional territories along with expansion into the connected TV space. Through a deep understanding of moviegoer behaviour and the continued support of our exhibitor partners, we are confident Movio will continue to increase the already meaningful difference it is making at the box office globally.

	ACTIVE MOVIEGOERS (MILLIONS)		REVENUE/ ACTIVE MOVIEGOER (NZ CENTS)	
	2017	2018	2017	2018
USA	24	20	45	86
Rest of World	21	25	23	22
Global	45	45	35	51

CONNECTED MOVIEGOERS US ONLY

8.3m

(UP 75%)

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 4.8% of EBITDA.

POWSTER | GLOBAL LEADER IN FILM MARKETING PRODUCTS

Powster had a strong 2018 with significant growth achieved across its product set. Core movie destination sites created grew by 31% to a total of 1,769. Powster's latest major product development, a Facebook Messenger experience for entertainment IP, has achieved over 80% engagement and is predicted to be a potentially strong revenue line in 2019.

The Powster Los Angeles studio has grown to a team of 12. 'Powster Labs' was also launched in 2018 with a team focused on digital innovation for the entertainment industry. The London studio team is now 24 with new space planned for 2019 to allow for further expansion.

DESTINATION SITES

1,769

(UP 31%)

UK BOX OFFICE

95 out of 100

PLATFORMS / TOP RELEASES

FLICKS | MOVIE AND CINEMA REVIEW AND SHOWTIME GUIDE SITE

2018 saw the successful launch of audience growth initiatives for Flicks products in New Zealand and Australia. Off the back of this effort, Flicks significantly increased advertising sales.

This growth was most pronounced in Australia where the full potential of this larger market is beginning to be felt. 2019 will be about continuing to push audience and advertising sales growth in Australia.

Flicks' **Your Cinema** product (cinema websites for independent cinemas) now has 80 sites live in 12 countries.

MACCS | WORLD LEADING THEATRICAL DISTRIBUTION SOFTWARE

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

2018 was a transition year with the appointment of a new CEO in August and ongoing delivery of the Warner Bros. USA implementation project that was initiated in 2017. During the second half of the year a new management team was appointed, and meaningful actions were taken to restructure the organisation to better manage development capacity and resources overall.

The go forward strategy is to complete restructuring to support expected growth across all core products. Additionally, a simplified theatrical distribution system targeting small to medium sized distributors will be introduced where there is a significant untapped market opportunity.

Growth opportunities also accrue from the continued deployment of MaccsBox, the box office reporting product now servicing over 6,000 cinema sites, and, potential operating synergies with Vista Group's Numero.

EARLY STAGE INVESTMENTS

This segment comprises businesses that 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 to bring them to market successfully.

Revenue doubled for this segment in 2018 to $4.5m (highlighted by mid-year peaks in movieXchange ticket volumes) with a modest positive EBITDA of $0.4m.

CINEMA INTELLIGENCE

FILM FORECASTING AND SCHEDULING

The revenue for Cinema Intelligence revenue grew nearly 100% in 2018. Recurring revenue reached 84% leaving the company positioned well for continued growth in 2019. Sales in the EMEA region have progressed, targeting new customers in the UK and mid-range exhibitor's in the Nordic countries and the UAE. In the USA, Cinema Intelligence bedded down its Los Angeles office and secured several new important customers. Key integrations with Vista Cinema modules were completed in 2018 and are in beta with several customers.

movieXchange

REAL-TIME DISTRIBUTION OF MOVIE MEDIA, TICKETS AND SHOWTIMES

MovieXchange enables the sharing of digital movie assets such as promotional media (MX Film) and allows third-party online ticketing sales vendors to access the ticketing inventory of cinema exhibitors (MX Tickets).

MX Film made good progress integrating with exhibitors during 2018 and is now providing content from film studios to exhibitors that represents the servicing of 8,000+ screens.

MX Tickets has continued adding vendors and exhibitors, with initial focus primarily on the USA but also some activity in EMEA. Ticket volumes and revenue are related to the performance of the supported vendors.

Stardust

SOCIAL APP TO SHARE VIDEO REACTION TO MOVIES AND TELEVISION SHOWS

Stardust is a social media platform that enables users to connect with other fans in discussion of movies and television shows. Development efforts in the second half of 2018 were focused on enhancing the app to increase user engagement and retention. A new investment round in Stardust during 2018 was led by an external investor, and with this Stardust will move into the status of an associate company within Vista Group in 2019.

ASSOCIATES

Vista Group held two investments in associates at year end.

numero — BOX OFFICE TRACKING AND REPORTING PRODUCT

Numero's revenue growth was strong in 2018 reaching $2.1m ARR (Annual Recurring Revenue) by Q4/2018.

USA coverage has increased and is tracking well toward the key 95% coverage level.

Numero has both full and partial coverage of cinemas across the world's regions. Outside of the US, Numero reporting dashboards are available in 20+ countries representing significant growth and positive EBITDA.

Five major studios are contracted for international reporting with a sixth contracted for Australia and New Zealand with the expectation to extend to full international in Q3/2019.

Numero is targeting positive EBITDA by the end of 2019.

VISTA 集团 — VISTA GROUP CHINA JOINT VENTURE

Vista China grew its revenue by 19% to nearly $21m and made an EBITDA loss of $4.1m. The loss, however, included $5.9m of expenses from Vista Group for localisation and maintenance. Site numbers increased by 199 to a total of 958 which represents around 17% of the large cinema market in China. Growth in Veezi continued with a total of 93 sites installed at the end of 2018. The Beijing office is now fully staffed – with headcount in total across the 2 offices of 79.

Local development capability was added during 2018, with the focus being uniquely Chinese requirements to enhance the Vista Cinema offering. This has primarily taken the form of WeChat mini-programmes (which offer similar functionality to the way that apps are used outside of China), and software to enhance the integration with the third-party ticketing providers.

Vista China won the business of the Stellar circuit during late 2018, and once this rollout is complete Vista China will have 3 of the top 5 (by site count) circuits in China as customers.

GROWTH OUTLOOK

Growth in the Chinese film and cinema market was subdued by recent standards during 2018, with Box Office growth of 9%. Cinema building continues apace with growth of 18% over the year.

There is significant potential for Vista in China in a number of areas:

- Through increasing site market share in the large cinema market;
- Continuing to establish Veezi in the smaller independent sites where the market size is large;
- Increasing the share of online ticket sales processed for customers where a revenue share is obtained;
- Building on the opportunities for other Group companies (in particular Movio) to implement their solutions in China.

As noted during 2018, Vista Group increased its shareholding in Vista China to 47.5%. It remains our intention to complete a transaction that enables Vista Group to consolidate and directly control the operations of Vista China. We will update the market as and when we make progress in this direction.

CORPORATE RESPONSIBILITY

EMPLOYEES & RECRUITMENT

Our People

Vista Group's success has been built on the premise of doing good things with good people. We have a continued focus on ensuring that we provide an environment where all our talented staff can do their best work, every day. 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 whilst doing so. We 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 we are looking to continue to take a leadership role in developing both our staff and our industry.

Wellbeing

Vista Group's wellness programmes continue to be well supported by our staff. During 2018, we've placed particular emphasis on encouraging a focus on mental wellbeing through education sessions, increased availability of employee assistance programmes (self-referral where possible globally) and executive encouragement. Additional focus on physical wellbeing through staff-led boot camps, global wellness programmes and healthy eating sessions have gained traction and become part of the fabric of the organisation during 2018.

Inclusion

Vista Group always looks for great talent and diversity of thought to lead the generation of fantastic ideas.

We believe that we have some of the most talented people in our industry and want to ensure that we provide an environment where everyone feels included and their ideas can be heard. This means we need to ensure that everyone feels safe (physically and mentally) and that they can bring their 'Whole Selves' to work each day.

We were proud to have achieved the Rainbow Tick in New Zealand. Being a Rainbow Tick employer means Vista Group NZ has been recognised as being a safe, supportive and welcoming workplace for our staff from the Rainbow community.

Vista Group acknowledges that as a member of the tech sector we remain committed to increasing female participation internally; we have been proud to see the creation and thriving of women-led groups that have provided training, mentoring and encouragement for our growing female contingent. In addition, the community outreach they are providing through ShadowTech and directly to schools in science, technology, engineering and mathematics, to improve the female participation pipeline for years to come.

We have customers in 97 countries around the world and whilst our staff do not quite cover all those countries, we certainly represent a diverse range of nationalities with over 25 languages spoken by staff. This creates an enormous benefit to an outward looking, export oriented New Zealand business.

Relationship with Universities

Vista Group has established a strong relationship with The University of Auckland and a key project course run through the Information Systems department. For 10 years, we have had project teams 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 on to leadership roles.

Vista Group has also created strong relationships with other Universities to share our knowledge with them and provide project work for students and specialist post graduate students. In the past two years we've hired graduates from all major Universities in New Zealand that provide software engineering courses.

Vista Group sponsors SESA (Software Engineering Students Association) through organised co-managed events to provide networking opportunities and ensure students learn a little about our company.

Interns and Graduates

Vista Group runs a strong intern and graduate recruitment programme as part of our dedication to developing the tech talent of tomorrow. The programme 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 programme is that many of the interns join as graduates on completion of their studies. In addition, Vista Group companies run a strong graduate recruitment programme through the Universities to bring fresh new talent in to the organisation.

Our recently released app – MX Slate (available on the Google Play and App Store) which details the upcoming schedule of film release times is a great example of the projects our interns deliver. With the guidance of our product owners and technical experts the interns produced a commercially viable product that we were able to deliver to market within 3 months.

ROBOTICS

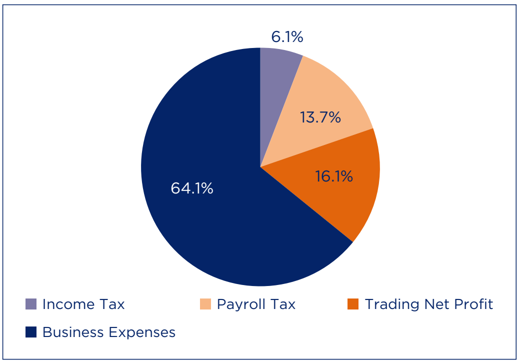
On a smaller scale, Vista Group has for many years been a supporter of one of the most successful secondary school VEX robotics teams in New Zealand. The Lynfield College team (a west Auckland school) has won several world titles (held in the USA) and through Vista sponsorship and help from Vista staff this has assisted the team with travel costs and the building of the Robots.

TAXES PAID

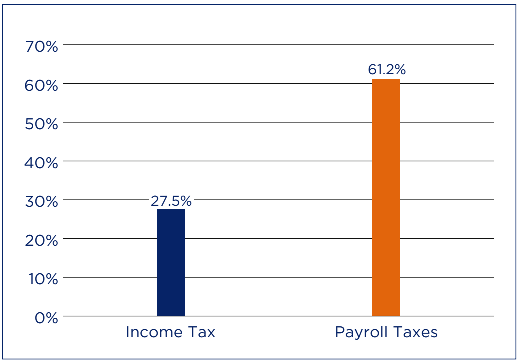
Vista Group is committed to good corporate citizenship and understands the importance of paying tax and the positive contribution that tax makes to the jurisdictions in which it operates. Vista Group does not actively structure its businesses or policies to divert profits to low tax jurisdictions or 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 obligations with respect to correctly deducting and paying these taxes to the local tax authorities.

The pie chart shows the share of total revenue that taxes represent. 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

Continuing its commitment to the health and success of the New Zealand film industry, the Vista Foundation extended both its funding pool and funding commitments in 2018.

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 encourages the production of exceptional works of New Zealand cinema, as well as extends the opportunities available to more groups and individuals.

The Foundation has provided funding, or has funding in progress, for the following projects:

- The Filmmaker Incubator for Women Directors – in conjunction with the Directors & Editors Guild of New Zealand.
- The Outlook for Someday Filmmaking Challenge – in conjunction with the Connected Media Charitable Trust; 3 sustainability filmmaking workshops providing opportunity for vulnerable and at-risk young people.
- The launch of the Pan-Asian Screen Collective – a new Incorporated Society whose goal is for "New Zealand's cultural landscape to honestly reflect pan-Asian faces, creativity, expertise, experience and history on and behind our screens".
- The Margaret Thomson Documentary Award – in conjunction with The Arts Foundation of New Zealand, The New Zealand International Film Festival and The New Zealand Film Commission; a biennial grant to a panel-selected documentary filmmaker to support the continuation of documentary filmmaking.

Changes to the Foundation Board of Trustees in 2018 were the retirement from the Board of our Chairperson Joe Moodabe – a long-time New Zealand film industry practitioner and advocate. This saw John Barnett – a highly respected New Zealander in the industry – join the board, and existing Trustee Ross Churchouse appointed as the new Chair.

Vista Group has confirmed contributions to the Foundation over the next three years; the initial $100,000 contributed in 2018 and up to a further $200,000 committed over 2019 and 2020 to match external funding raised directly by the Foundation. This provides an excellent platform for the ongoing work in meeting the Foundation's primary aims.

VISTA
FOUNDATION

FINANCIAL STATEMENTS

CORPORATE INFORMATION

DIRECTORS

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

REGISTERED OFFICE

Level 3
60 Khyber Pass Road
Grafton
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

Chapman Tripp
Level 35
23 Albert 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

Canada

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

China

Herbert Smith Freehills LLP
28th Floor Office Tower Beijing Yintai Centre
2 Jianguomenwai Avenue
Chaoyang District
Beijing 100022

SHARE REGISTRY

New Zealand
Link Market Services Ltd
Level 11, Deloitte Centre
80 Queen Street
Auckland 1010

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

BANKERS

New Zealand

ASB Bank Limited
PO Box 35
Shortland St
Auckland, 1140

Bank of New Zealand
Deloitte Centre
80 Queen Street
Auckland, 1142

UK

HSBC Bank PLC
2nd Floor, 62-76 Park St
London, SE1 9DZ
United Kingdom

Barclays Bank PLC
1 Churchill Place
London, E14 5HP
United Kingdom

USA

HSBC Bank USA, NA
660 South Figueroa Street
Los Angeles
California 90017
USA

China

HSBC Bank (China) Coy. Ltd.
Level 30, HSBC Building
Shanghai ifc
8 Century Avenue, Pudong
Shanghai 200120
People's Republic of China

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

Australia

Commonwealth Bank of Australia
Level 10, 101 George St
Parramatta
NSW 2150
Australia

Netherlands

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

Mexico

Citi Banamex
Suc.701 Campestre Churubusco
Ave. Taxquena #1565
Petrolera, Tanquena
Coyoacan
Federal District CP04410
Mexico

HSBC Mexico
S.A.Av Paseodela
Reforma 347
Piso 17
Col. Cuauhtemoc
C.P 06500
Mexico

DIRECTORS' REPORT

The Board of Directors present the financial statements of the Group for the year ended 31 December 2018 and the independent auditor's report thereon.

The directors are responsible, on behalf of the Company, for presenting these consolidated financial statements in accordance with applicable New Zealand legislation and generally acceptable accounting practices in New Zealand in order to present consolidated financial statements that present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and the results of the Group's operations and cash flows for the year then ended.

For and on behalf of the Board of Directors who approved these financial statements for issue on 26 February 2019.

Kirk Senior
EXECUTIVE CHAIRMAN
26 February 2019

Susan Peterson
DIRECTOR
26 February 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	SECTION	2018 NZ$'000	2017 NZ$'000
Revenue	2.1	130,716	106,623
Total revenue		**130,716**	**106,623**
Sales and marketing expenses		8,469	7,669
Operating expenses		59,866	51,676
Administration expenses		38,281	26,689
Acquisition expenses	3.1, 7.4	308	960
Foreign currency gains		(914)	(770)
Total expenses		**106,010**	**86,224**
Operating Profit		**24,706**	**20,399**
Finance costs		(1,044)	(680)
Finance income		404	350
Share of loss from associates	3	(3,021)	(3,256)
Profit before tax		**21,045**	**16,813**
Tax expense	8.1	(8,011)	(6,830)
Profit for the period		**13,034**	**9,983**
Profit for the period is attributable to:			
Owners of the parent		12,258	9,676
Non-controlling interests		776	307
		13,034	**9,983**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		1,179	3,146
Items that will not be reclassified to profit and loss:			
Excess income tax benefit on share-based payments		166	-
Total comprehensive income for the period		**14,379**	**13,129**
Total comprehensive income for the period is attributable to:			
Owners of the parent		13,525	12,768
Non-controlling interests		854	361
		14,379	**13,129**
Earnings per share for profit attributable to the equity holders of the parent			
Basic (cents per share)	6.2	$0.07	$0.06
Diluted (cents per share)	6.2	$0.07	$0.06

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

		ATTRIBUTABLE TO THE OWNERS OF THE PARENT						
	SECTION	CONTRIBUTED EQUITY NZ$'000	RETAINED EARNINGS NZ$'000	FOREIGN CURRENCY RESERVE NZ$'000	SHARE-BASED PAYMENT RESERVE NZ$'000	TOTAL NZ$'000	NON-CONTROLLING INTERESTS NZ$'000	TOTAL EQUITY NZ$'000
Balance at 31 December 2017		**57,821**	**75,206**	**2,101**	**1,749**	**136,877**	**11,224**	**148,101**
Change in accounting policy	7.7	-	(1,295)	-	-	(1,295)	(40)	(1,335)
Restated total equity at 1 January 2018		**57,821**	**73,911**	**2,101**	**1,749**	**135,582**	**11,184**	**146,766**
Profit for the period		-	12,258	-	-	12,258	776	13,034
Other comprehensive income		-	166	1,101	-	1,267	78	1,345
Total comprehensive income		**-**	**12,424**	**1,101**	**-**	**13,525**	**854**	**14,379**
Transactions with owners in their capacity as owners:								
Issue of equity		-	-	-	-	-	1,907	1,907
Non-controlling interest change		192	12	-	-	204	(204)	-
Share-based payments	6.4	841	-	-	1,570	2,411	6	2,417
Dividends paid	6.3	-	(5,510)	-	-	(5,510)	(563)	(6,073)
VCL share based payment	6.1	524	-	-	(524)	-	-	-
Balance at 31 December 2018		**59,378**	**80,837**	**3,202**	**2,795**	**146,212**	**13,184**	**159,396**
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**
Transactions with owners in their capacity as owners:								
Issue of equity		1,107	-	-	-	1,107	-	1,107
Share-based payments		249	-	-	466	715	37	752
Dividends paid		-	(5,751)	-	-	(5,751)	(699)	(6,450)
VCL share based payment		811	-	-	(412)	399	-	399
Acquisition of non-controlling interests		-	-	-	-	-	797	797
Balance at 31 December 2017		**57,821**	**75,206**	**2,101**	**1,749**	**136,877**	**11,224**	**148,101**

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	SECTION	2018 NZ$'000	2017 NZ$'000
CURRENT ASSETS			
Cash		34,353	20,954
Trade and other receivables	5.1	61,353	71,119
Income tax receivable		919	212
Total current assets		**96,625**	**92,285**
NON-CURRENT ASSETS			
Property, plant and equipment	5.5	5,358	4,637
Investment in associates	3.1	31,879	26,066
Goodwill	5.3	63,947	62,844
Other intangible assets	5.2	20,441	16,061
Deferred tax asset	8.2	2,836	2,342
Total non-current assets		**124,461**	**111,950**
Total assets		**221,086**	**204,235**
CURRENT LIABILITIES			
Trade and other payables	5.6	18,602	14,769
Deferred revenue		21,396	23,751
Borrowings related party	4.2	-	614
Income tax payable		3,729	2,069
Total current liabilities		**43,727**	**41,203**
NON-CURRENT LIABILITIES			
Borrowings related party	4.2	868	-
Borrowings external	4.2	11,076	10,709
Deferred revenue		4,491	1,379
Contingent consideration	7.4	-	908
Provisions		508	292
Deferred tax liability	8.2	1,020	1,643
Total non-current liabilities		**17,963**	**14,931**
Total liabilities		**61,690**	**56,134**
Net assets		**159,396**	**148,101**
EQUITY			
Contributed equity	6.1	59,378	57,821
Retained earnings		80,837	75,206
Foreign currency revaluation reserve		3,202	2,101
Share-based payment reserve	6.4	2,795	1,749
Total equity attributable to owners of the parent		**146,212**	**136,877**
Non-controlling interests		13,184	11,224
Total equity		**159,396**	**148,101**

For and on behalf of the Board who authorised these financial statements for issue on 26 February 2019.

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 2018

	SECTION	2018 NZ$'000	2017 NZ$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		132,427	105,143
Interest received		55	86
Payments to suppliers		(96,034)	(87,141)
Taxes paid		(8,192)	(6,784)
Interest paid		(677)	(259)
Net cash inflow from operating activities		**27,579**	**11,045**
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5.5	(2,488)	(1,629)
Internally generated software and other intangibles	5.2	(7,914)	(5,005)
Proceeds from disposal of intangibles		1,388	-
Related party loan advance – Numero	3.2	(1,270)	(1,703)
Acquisition of a business, net of cash acquired		-	(7,545)
Contingent consideration paid	7.4	-	(2,824)
Proceeds from Vista China transaction	3.1	165	8,301
Net cash applied to investing activities		**(10,119)**	**(10,405)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings	4.2	213	6,475
Dividends paid to non-controlling interest		(563)	(699)
Dividends paid to the owners of the parent	6.3	(5,510)	(5,751)
Net cash (applied to)/generated from financing activities		**(5,860)**	**25**
Net increase in cash		11,600	665
Cash at the beginning of the year		20,954	21,338
Foreign exchange differences		1,799	(1,049)
Cash at the end of the year		**34,353**	**20,954**

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

NOTES TO THE FINANCIAL STATEMENTS

General information

The notes are consolidated into ten sections. Each section contains an introduction which is indicated by the symbol above. The first section outlines general information about Vista Group International Limited (the Company and its subsidiaries, collectively 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.

Section 3.1	Vista China	Page 28	Carrying value of investment in Vista China
Section 3.2	Numero Limited	Page 31	Recoverability of loan to Numero Limited
Section 5.2	Intangible assets	Page 34	Capitalisation of development costs
Section 5.4	Impairment testing	Page 36	Assumptions used in testing Goodwill for impairment
Section 6.4	Share-based payments	Page 41	Fair value and number of equity instruments
Section 8.2	Deferred income tax	Page 57	Recognition of deferred tax asset

1. GENERAL INFORMATION

These financial statements are for 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 26 February 2019.

2. FINANCIAL PERFORMANCE

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

2.1 REVENUE

Vista Group recognises revenue when performance obligations have been settled. A performance obligation is settled when the customer has received all of the benefits associated with the performance obligation. The following sections detail the type of revenue recognised within each category. Effective from 1 January 2018, Vista Group adopted NZ IFRS 15 *Revenue from Contracts with Customers*, this did not result in significant changes in accounting policies related to the recognition of revenue. Refer to section 7.7 for details regarding the method and timing of revenue recognition.

Product

Product revenue comprises different items across each of Vista Group's operating segments. Within the Cinema segment, product revenue relates primarily to fees charged for perpetual software licenses. The exception is the Veezi subscription-based software which is charged monthly.

Movio segment product revenue relates to annual access fees for cloud-hosted marketing and analytics platforms.

The Additional Group Companies segment recognises product revenue for perpetual licensing within the Maccs business. Also within this segment, is the Powster business which includes website and marketing platform revenue within the product category.

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. Maintenance revenue relates to fees charged for support services and upgrades to software applications.

Services

Services revenue comprises fees charged for value-add services 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 bespoke 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. This revenue is recognised on a stage of completion basis as the performance obligations are delivered.

Hardware

Revenue from hardware is recognised at a point in time when delivery has been made and an invoice issued to the customer. This category has been added in the 2018 financial statements due to the materiality of hardware revenue recognised during the period.

Other revenue

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

	2018	RESTATED 2017
	NZ$'000	NZ$'000
Product	62,842	44,638
Maintenance	43,261	39,405
Services	12,665	9,947
Development	8,220	11,882
Hardware	3,231	76
Other	497	675
Revenue	**130,716**	**106,623**

No individual customer exceeded 10% of revenue in 2018 or 2017.

2.2 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.

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 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 separate disclosure under NZ IFRS 8. The Early Stage Investments segment includes businesses that are in the start-up phase of their life cycle. In FY2018, 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 separate disclosure under NZ IFRS 8.

The Corporate segment contains the shared services functions associated with Vista Group International, being legal, finance, and senior management. Revenue received from the associate company Vista Entertainment Solutions (Shanghai) Limited (Vista China) is recognised within the corporate segment.

2018	CINEMA NZ$'000	MOVIO NZ$'000	ADDITIONAL GROUP COMPANIES NZ$'000	EARLY STAGE INVESTMENTS NZ$'000	CORPORATE NZ$'000	TOTAL NZ$'000
Timing of revenue recognition						
At a point in time	31,664	9,291	1,826	3,727	-	46,508
Over time	50,768	13,513	13,220	816	5,891	84,208
Total revenue	**82,432**	**22,804**	**15,046**	**4,543**	**5,891**	**130,716**
Operating expenses	(40,669)	(9,676)	(7,289)	(2,046)	(186)	(59,866)
Sales, general and administration expenses	(17,828)	(6,989)	(6,433)	(2,070)	(9,274)	(42,594)
Foreign currency gains/(losses)	1,632	106	80	13	(917)	914
EBITDA(1)	**25,567**	**6,245**	**1,404**	**440**	**(4,486)**	**29,170**

2017 RESTATED	CINEMA NZ$'000	MOVIO NZ$'000	ADDITIONAL GROUP COMPANIES NZ$'000	EARLY STAGE INVESTMENTS NZ$'000	CORPORATE NZ$'000	TOTAL NZ$'000
Timing of revenue recognition						
At a point in time	23,282	5,718	7,159	741	-	36,900
Over time	44,350	9,772	5,166	437	9,998	69,723
Total 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 and administration expenses	(14,221)	(4,361)	(4,513)	(1,572)	(6,063)	(30,730)
Foreign currency gains/(losses)	1,684	38	(115)	(15)	(822)	770
EBITDA(1)	**19,836**	**3,592**	**631**	**(1,766)**	**2,694**	**24,987**

A reconciliation of EBITDA(1) to operating profit before tax for the year is provided below as follows:

	2018 NZ$'000	2017 NZ$'000
EBITDA(1)	29,170	24,987
Depreciation and Amortisation	(4,156)	(3,628)
EBIT(2)	25,014	21,359
Finance income	404	350
Finance costs	(1,044)	(680)
Acquisition expenses	(308)	(960)
Share of loss from associates	(3,021)	(3,256)
Tax expense	(8,011)	(6,830)
Profit for the year	**13,034**	**9,983**

(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 within entities across several jurisdictions. Revenue is allocated to geographical regions based on where the sale is recorded by each operating entity within Vista Group. Independent resellers are used to promote 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 based on the location of the transacting Vista Group entity.

The Other category in the tables below include entities in the Netherlands, Germany, Romania and South Africa. The comparatives below have been restated to separately disclose Mexico.

DOMICILE OF ENTITY	2018 NZ$'000	RESTATED 2017 NZ$'000
New Zealand	34,282	36,404
United States	45,574	33,722
United Kingdom	27,740	24,090
Mexico	15,674	5,416
Other	7,446	6,991
Revenue	**130,716**	**106,623**

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	2018 NZ$'000	RESTATED 2017 NZ$'000
New Zealand	43,164	35,492
United States	8,697	8,589
United Kingdom	8,822	9,789
Mexico	11,388	10,766
Other	20,511	21,248

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

3. ASSOCIATE COMPANIES

3.1 VISTA CHINA

Vista China is an associate company that has been accounted for using the equity method in the financial statements.

Acquisition of a further 7.9% in Vista China

On 20 February 2018, Vista Group announced that it has signed agreements to reacquire an additional 7.9% of equity in Vista China for $7.6m, from its partner, Beijing Weying Technology Co. Ltd (WePiao). These agreements were subject to regulatory approval in China which was obtained in August 2018. This transaction, effective 24 August 2018, increased the total shareholding in Vista China to 47.5% and resulted in an increase to goodwill of $5.5m.

The amount payable to WePiao of $7.6m, for the purchase of the additional equity in Vista China, was offset against remaining amounts owing from WePiao in respect of the initial transaction in 2016 of $8.7m. Further details of this transaction are included in the 2016 annual report. To complete the transaction a further $0.2m in cash was received from WePiao. Withholding taxes of $1.0m were unrecoverable and were expensed as acquisition costs in the statement of comprehensive income.

A summary of the transaction flows is detailed below:

	NZ$'000
WePiao receivable from initial transaction	8,723
Amount offset against receivable	(7,564)
Cash received from WePiao	(165)
Withholding tax not recoverable	(994)

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

	NZ$'000
Opening carrying amount	26,066
Share Vista China loss prior to acquisition at 39.53%	(1,094)
Carrying amount prior to additional investment	**24,972**
Vista Group additional investment 7.9%	7,564
Carrying amount after additional investment	**32,536**
Share of Vista China loss at 47.5%	(657)
Carrying amount	**31,879**

	2018	2017
	NZ$'000	NZ$'000
Opening net assets	28,725	32,780
Loss for the period	(4,150)	(4,055)
Closing net assets	**24,575**	**28,725**
Vista Group interest	47.50%	39.53%
Vista Group share	11,673	11,355
Goodwill	20,206	14,711
Carrying amount	**31,879**	**26,066**

Carrying value of Vista China

An independent indicative valuation of Vista China was carried out at 31 December 2018 based on a Discounted Cashflow method (DCF) and capitalisation of revenue (Revenue) method. Judgement was applied by management to estimate the 5-year operating performance of Vista China upon which this valuation was based.

A summary of the key inputs and outcomes of the indicative valuation is presented below.

METHOD	INVESTMENT	ENTERPRISE VALUE	VISTA GROUP SHARE AT 47.5%	DISCOUNT RATE / MULTIPLE
Indicative value	Vista China	$107m – $127m	$50.8m – $60.3m	Discount rate: 20% – 25%

Vista China trading result

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

	2018 NZ$'000	2017 NZ$'000
Revenue	**20,583**	**17,259**
Total expenses	(24,563)	(21,370)
Operating loss	**(3,980)**	**(4,111)**
Finance (expense)/income	(170)	56
Loss for the period	**(4,150)**	**(4,055)**
Vista Group equity accounted interest – through August 2018	39.53%	39.53%
Vista Group equity accounted interest – 24 August 2018 to 31 December 2018	47.50%	-
Vista Group equity accounted loss for the period	**(1,751)**	**(1,603)**

A summarised statement of financial position is presented below:

	2018 NZ$'000	RESTATED 2017 NZ$'000
Cash	26,366	31,178
Trade and other receivables	11,582	17,036
Total current assets	37,948	48,214
Total non-current assets	1,315	316
Total assets	**39,263**	**48,530**
Total liabilities	**(13,239)**	**(18,719)**
Effect of translation	(1,449)	(1,086)
Net assets	**24,575**	**28,725**

Related party balances

Related party transactions have been undertaken during FY2018 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	RECEIVABLE/ (PAYABLE) 2018 NZ$'000	RECEIVABLE/ (PAYABLE) 2017 NZ$'000
Vista China	Related party receivable	6,838	12,780
Vista China	Related party payable	(4,791)	(3,199)
Net receivable		**2,047**	**9,581**

During 2018, the related party receivable reduced by $5.9m subsequent to the receipt of the final tranche of localisation revenue under the reseller agreement entered into in 2016.

Related party transactions for the year were as follows:

	2018 NZ$'000	2017 NZ$'000
Development fees	3,824	7,931
Maintenance fees	2,067	2,067
Service fees	87	-
Recoverable expenses	(22)	62
Total	**5,956**	**10,060**

During 2018, Vista Group recognised $6.0m of revenue from Vista China (2017: $10.0m). The statement of financial position includes $1.4m (2017: $7.3m) as deferred revenue for maintenance which will be recognised over the next year.

The related party receivable of $6.8m (2017: $12.8m) includes $5.6m (2017: $5.4m) for receivables owing prior to the sale of a controlling stake in Vista China and $1.2m (2017: $7.3m) relates to amounts owing under the reseller agreement between Vista Group and Vista China. Subsequent to year end, Vista Group and Vista China have settled all outstanding related party amounts receivable and payable at 31 December 2018. As part of this settlement, Vista Group agreed to forgo $0.8m of the related party receivable. This has been recognised in administration expenses in the statement of comprehensive income.

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

3.2 NUMERO LIMITED

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

Recoverability of loan to Numero Limited

Management has applied judgement to estimate the amount recoverable from Numero Limited. Cashflow estimates were projected based on a 5-year strategic business plan as approved by the Numero Board. As a result of this analysis, a further provision of $1.3m (2017: $1.7m) was recognised in relation to advances made to Numero. This brings the provision for impairment to $3.0m in total.

During the year, the loan and all other related party advances were converted into a loan facility from Vista Group International Limited, with a term of 5 years and limit of $9.5m. The loan amount is unsecured, and no guarantees are in place. Interest of 6% (2017: 10%) is charged against the loan under the loan agreement.

ENTITY	NATURE OF TRANSACTIONS	2018 NZ$'000	RESTATED 2017 NZ$'000
Numero Limited	Related party loan	8,386	2,621
Numero Limited	Related party advance	-	4,495
Numero Limited	Provision for impairment	(2,973)	(1,703)
Total		**5,413**	**5,413**

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

	2018 NZ$'000	2017 NZ$'000
Recharges – license fees	360	329
Recharges – development fees	531	459
Recharges – other advances	127	653
Recharges – interest on loan	252	262
Total	**1,270**	**1,703**

During the year, Numero made a loss of $2.1m, Vista Group's share being $1.0m (2017: $1.0m).

4. CASH, BORROWINGS AND CASH FLOWS

This section builds on information from the statement of cash flows and provides details on the cash and cash equivalents 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. Cash comprises cash at bank and on hand.

4.1 RECONCILIATION OF NET SURPLUS TO CASH FLOWS

	SECTION	2018 NZ$'000	2017 NZ$'000
Net profit after tax		**13,034**	**9,983**
Non-cash items:			
Amortisation	5.2	2,480	2,349
Depreciation	5.5	1,676	1,279
Share-based payment expense	6.5	2,417	752
Non-cash finance charges		260	318
Acquisition expenses	3.1, 7.4	1,024	399
Loss from investment in associates	3.1	1,751	3,256
Deferred tax		1,007	-
Foreign exchange movements		(440)	(487)
Expected credit loss	7.7	(257)	-
Doubtful debt expense	5.1	(164)	840
Net non-cash items		**9,754**	**8,706**
Movements in working capital:			
Increase in related party trade and other payables	3.1	1,593	508
Decrease in related party trade and other receivables, net of deferred revenue	3.1	5,942	6,231
Increase/(decrease) in trade and other payables		2,457	(4,713)
(Increase) in trade and other receivables, net of deferred revenue		(5,037)	(9,240)
(Decrease) in taxation receivable and payable		(164)	(430)
Net change in working capital		**4,791**	**(7,644)**
Net cash inflow from operating activities		**27,579**	**11,045**

The increase in trade and other receivables, net of deferred revenue, includes an adjustment of $8.7m related to the WePiao receivable from 2017. Refer to section 3.1 for further detail.

4.2 BORROWINGS

Borrowings are initially recognised at fair value less directly attributable transaction 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 ASB. The facility includes the previously established NZD $2.0m commercial credit overdraft facility and the EUR Ð3.0m term loan as well as the USD $4.0m term loan facility.

The NZD $2.0m commercial credit overdraft facility is used to fund working capital as required with no set expiry date. The interest rate is floating and was 6.12% for 2018 (2017: 6.18%). At balance date, there was no draw down against this facility.

The EUR Ð3.0m 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 2.97% (2017: 3.03%) per annum.

The USD $4.0m term loan was established to fund part of the acquisition of Senda Direccion Technologica SA De CV (Vista Latin America) in FY2017. The loan matures on 31 October 2021 and the current interest rate is 5.59% per annum (2017: 4.44%).

Security for the senior facility agreement with ASB 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.

Related party borrowings include loans from minority shareholders for Maccs and Share Dimension. Amounts related to Share Dimension are from the minority shareholder, Tanasescu Holdings and amount to $0.7m (2017: $0.6m). The loan from Tanasescu Holdings matures on 30 April 2020 and the current interest rate is 5% per annum. The loans from the Maccs minority shareholders amount to $0.2m (2017: nil) and expire on 30 April 2020 with a current interest rate of 5% per annum. The loans are in place to contribute towards the working capital requirements.

	2018 NZ$'000	2017 NZ$'000
Borrowings related party	868	614
Borrowings external	11,076	10,709
Total borrowings	**11,944**	**11,323**

The table below details the movement in borrowings during the year:

	2018 NZ$'000
Borrowings related party:	
Opening	614
Additional borrowing – Maccs minority shareholders	213
Movement in foreign exchange	41
Balance at 31 December	**868**
Borrowings external:	
Opening	10,709
Movement in foreign exchange	367
Balance at 31 December	**11,076**

5. 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.

5.1 TRADE AND OTHER RECEIVABLES

	SECTION	2018 NZ$'000	2017 NZ$'000
Trade receivables		44,293	45,618
Sundry receivables		3,877	11,414
Accrued revenue		4,853	6,193
Prepayments		2,917	2,481
Related party loan – Numero	3.2	5,413	2,621
Related party advance – Numero		-	2,792
Total trade and other receivables		**61,353**	**71,119**

Vista Group has recognised a loss of $0.2m (2017: $0.1m) in respect of bad debts during the year ended 31 December 2018. The impairment allowance included in trade receivables as at 31 December 2018 was $0.8m (2017: $1.0m). The related party loan to Numero is presented net of the provision for impairment of $3.0m (2017: $1.7m) see section 3.2 for more detail. Included within trade receivables is a receivable from Vista China of $6.8m (2017: $12.8m) refer to section 3.1 for further detail. The movement in sundry receivables is primarily due to the offset of the receivable from WePiao of $8.7m (2017: $8.7m) for an additional 7.9% stake in Vista China. Refer to section 3.1 for more detail.

The following table summarises the impact of doubtful debt and expected credit loss provision on the trade receivables balance. See section 7.7 for more detail on the accounting policies that impact trade receivables:

	2018 NZ$'000	2017 NZ$'000
Trade receivables – gross	46,191	46,594
IFRS 9 expected credit loss provision	(1,086)	-
Doubtful debts provision	(812)	(976)
Trade receivables – net of provisions	**44,293**	**45,618**

The movement in the provision for doubtful debts during the year was as follows:

	2018 NZ$'000	2017 NZ$'000
Opening balance	(976)	(110)
Bad debt written off	179	122
Change in provision	(15)	(988)
Closing balance	**(812)**	**(976)**

5.2 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 their 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 expenses 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.

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 5.3 and 5.4 for goodwill measurement and impairment testing.

2018	INTERNALLY GENERATED SOFTWARE NZ$'000	SOFTWARE LICENSES NZ$'000	INTELLECTUAL PROPERTY NZ$'000	CUSTOMER RELATIONSHIPS NZ$'000	TOTAL NZ$'000
Gross carrying amount					
Balance at 1 January	9,762	2,645	2,136	7,808	22,351
Internally generated software	7,888	-	-	-	7,888
Additions	-	-	26	-	26
Disposals	-	-	-	(3,076)	(3,076)
Exchange differences	79	(19)	19	134	213
Balance at year end	**17,729**	**2,626**	**2,181**	**4,866**	**27,402**
Accumulated amortisation					
Balance at 1 January	(626)	(1,068)	(725)	(3,871)	(6,290)
Amortisation	(1,261)	(182)	(257)	(780)	(2,480)
Disposals	-	-	-	1,766	1,766
Exchange differences	1	11	(14)	45	43
Balance at year end	**(1,886)**	**(1,239)**	**(996)**	**(2,840)**	**(6,961)**
Carrying amount at 31 December 2018	**15,843**	**1,387**	**1,185**	**2,026**	**20,441**

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 at 1 January	4,814	2,362	1,940	7,275	16,391
Acquisition through business combinations	-	52	-	-	52
Internally generated software	4,937	-	-	-	4,937
Additions	-	52	16	-	68
Exchange differences	11	179	180	533	903
Balance at year end	**9,762**	**2,645**	**2,136**	**7,808**	**22,351**
Accumulated amortisation					
Balance at 1 January	(96)	(816)	(449)	(2,241)	(3,602)
Current year amortisation	(529)	(212)	(340)	(1,268)	(2,349)
Exchange differences	(1)	(40)	64	(362)	(339)
Balance at year end	**(626)**	**(1,068)**	**(725)**	**(3,871)**	**(6,290)**
Carrying amount at 31 December 2017	**9,136**	**1,577**	**1,411**	**3,937**	**16,061**

On 23 March 2018, Vista Group announced the termination of the French market distribution agreement with Cote Cine Group (CCG). This resulted in the disposal of the customer relationship previously recognised. A settlement payment of $1.4m was received. A net gain on disposal of $29,000 was recognised within administrative expenses.

5.3 GOODWILL

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.

	2018 NZ$'000	2017 NZ$'000
Gross carrying amount		
Balance at 1 January	66,398	53,839
Acquisition through business combinations	-	10,325
Exchange differences	1,103	2,234
Balance at year end	**67,501**	**66,398**
Accumulated impairment		
Balance 1 January	(3,554)	(3,554)
	(3,554)	**(3,554)**
Balance at year end	**63,947**	**62,844**

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

	2018 NZ$'000	2017 NZ$'000
Vista Entertainment Solutions Limited (VESL)	24,414	23,384
Virtual Concepts Limited (VCL) – (Movio)	16,970	16,970
Maccs International BV (Maccs)	12,564	12,459
Share Dimension BV (Cinema Intelligence)	1,972	1,959
Powster Limited (Powster)	7,423	7,468
Flicks.co.nz Limited (Flicks)	604	604
Goodwill at year end	**63,947**	**62,844**

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.

5.4 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 or “CGU”). The allocation is made to those CGUs 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.

Value in use is determined by discounting the future cash flows generated by each CGU. Cash flows were projected based on a five-year strategic business plan as approved by the Board. The discount rate applied to future cash flows for each CGU is detailed in the table below.

Critical judgements used in applying accounting policies and estimation uncertainty

The Board has carried out an annual impairment review of goodwill allocated to the CGUs in order to ensure that recoverable amounts exceed aggregate carrying amounts. Value in use was determined by discounting the future cash flows generated by each CGU. Cash flows were projected based on a 5 year business model for each CGU. See below for key assumptions and sensitivity analysis. 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.

The Weighted Average Cost of Capital (WACC) is based upon CAPM methodology using market specific inputs. The WACC for each CGU is reviewed annually.

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

CGU	2018 REVENUE GROWTH 2019 – 2023	WACC 2018	2017 REVENUE GROWTH 2018 – 2022	WACC 2017
VESL	6 – 13%	9.7%	4 – 13%	9.0%
Movio	19 – 30%	9.7%	18 – 27%	9.0%
Flicks	9 – 39%	9.7%	7 – 72%	9.0%
Maccs	11 – 26%	11.5%	10 – 27%	11.5%
Powster	7 – 26%	12.0%	7 – 67%	12.0%
Cinema Intelligence	20 – 45%	12.6%	25 – 68%	12.6%

The terminal revenue growth rate for all CGUs is calculated based on the 2023 year and assumes continuous growth of a minimum of projected inflation estimates of 2.5% (2017: 2.5%). The values assigned to the key assumptions represent management’s assessment of future trends and are based on both external and internal sources.

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 (2017: $Nil). The Board believes that any reasonable possible change in the key assumptions used in the calculations for all CGUs, with the exception of Maccs and Cinema Intelligence, would not cause the carrying amount to exceed the recoverable amount.

The Maccs CGU impairment test is sensitive to WACC discount rate, revenue growth and terminal growth rate. 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: 1.7% increase
- Revenue growth: 0.7% reduction
- Terminal growth: 2.3% reduction

The Cinema Intelligence CGU demonstrates sensitivity to revenue assumptions. Assumptions used for the purpose of assessing the value in use are premised upon the penetration of Cinema Intelligence software across Vista Cinema sites over the next five years. Should the long-term penetration rate be lower than assumed, such that average revenue growth over the 5-year period reduced by 4%, this would result in its value in use amount being equal to its carrying value.

5.5 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 statement of comprehensive income to write off the cost of an item of property, plant and equipment, less any residual value, over its expected useful life on the following basis:

- Fixtures and fittings: 6 to 14 years straight line
- Computer equipment: 2.5 to 6 years straight line

2018	FIXTURES & FITTINGS NZ$'000	COMPUTER EQUIPMENT NZ$'000	TOTAL NZ$'000
Gross carrying amount			
Balance at 1 January	4,590	3,515	8,105
Additions	1,178	1,310	2,488
Exchange differences	45	44	89
Balance at year end	**5,813**	**4,869**	**10,682**
Accumulated depreciation			
Balance at 1 January	(1,399)	(2,069)	(3,468)
Current year depreciation	(592)	(1,084)	(1,676)
Exchange differences	(86)	(94)	(180)
Balance at year end	**(2,077)**	**(3,247)**	**(5,324)**
Carrying amount at 31 December 2018	**3,736**	**1,622**	**5,358**

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

5.6 TRADE AND OTHER PAYABLES

	2018 NZ$'000	2017 NZ$'000
Trade payables	5,824	4,413
Sundry accruals	6,265	3,988
Deferred lease incentives	353	419
Employee benefits	6,160	4,709
Employee benefits – VCL contingent consideration	-	1,240
Total trade and other payables	**18,602**	**14,769**

Included in trade payables is a balance of $4.8m (2017: $3.2m) payable to the associate company Vista China. See section 3.1 for detail.

5.7 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 expenses included in total expenses:

	2018 NZ$'000	2017 NZ$'000
Wages and salaries	62,999	52,190
Share-based payment expense	2,417	752
Defined contribution plans	4,028	2,987
Total employee benefits	**69,444**	**55,929**

5.8 RELATED PARTIES

Vista Group has various types of transactions with related parties. Refer to section 3.1 and 3.2 for details of transactions with associate companies, Vista China and Numero. Refer to section 4.2 for details of related party borrowings. Other related party transactions include transactions with key management personnel which are detailed below:

Key management personnel transactions

Key management personnel include Vista Group's Board of Directors (executive and non-executive) and senior management. Senior management is defined as personnel that report directly to the Vista Group's Chief Executive. Key management personnel include 16 individuals (6 Directors and 10 Senior management) (2017: 14 being 6 Directors and 8 Senior management).

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

	2018 NZ$'000	RESTATED 2017 NZ$'000
Salaries including bonuses	3,835	3,351
Share-based payments	721	131
Dividends	516	639
Directors' fees	260	233
Total	**5,332**	**4,354**

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.

6.1 CONTRIBUTED EQUITY

During the 2018 financial year, 778,960 shares were issued (2017: 437,770). A total of 440,524 (2017: 144,901) shares were issued for no consideration in respect to the final tranche of share-based payments related to VCL contingent consideration (refer to section 7.4). A total of 338,436 shares were issued in respect to employee incentives for no consideration (2017: 101,971).

	2018 NO. OF SHARES 000'S	2017 NO. OF SHARES 000'S	2018 NZ$'000	2017 NZ$'000
Shares issued and fully paid:				
Beginning of the year	164,756	81,940	57,821	55,654
Ordinary shares issued during the year:				
Powster contingent consideration	-	75	-	423
VCL contingent consideration	441	145	524	811
Employee incentives	338	102	841	249
Non-controlling interest change	-	-	192	-
Vista Latin America acquisition	-	116	-	684
Total shares prior to share split	**165,535**	**82,378**	**59,378**	**57,821**
Impact of two for one share split completed November 2017	-	82,378	-	-
Total shares authorised at 31 December	**165,535**	**164,756**	**59,378**	**57,821**

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 2018, 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 FY2018 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:

	2018 NZ$'000	2017 NZ$'000
Profit attributable to ordinary shareholders of the Parent for basic earnings	12,258	9,676
Profit attributable to ordinary shareholders of the Parent adjusted for the effect of dilution	12,258	9,676
Weighted average number of shares in basic earnings per share	165,305	164,448
Shares deemed to be issued for no consideration in respect of share-based payments	1,772	1,082
Weighted average number of shares used in diluted earnings per share	167,077	165,530
EPS	$0.07	$0.06
Diluted EPS	$0.07	$0.06

6.3 DIVIDENDS

Vista Group paid two dividends during 2018. In March 2018, Vista Group paid a final dividend of 1.7 cents per share (2017: 4.61) related to FY2017. In September 2018, Vista Group paid an interim dividend of 1.6 cents per share (2017: 2.4). Note that the dividend amounts per share quoted for 2017 were paid on the total shares on issue prior to the 2 for 1 share split in November 2017.

	NO. OF SHARES	2018		2017	
	000'S	CENTS PER SHARE	NZ$'000	CENTS PER SHARE	NZ$'000
Dividends:					
2018 Interim dividend – paid 27 September 2018	165,536	1.60	2,649		
2017 Final dividend – paid 23 March 2018	164,757	1.74	2,861		
2017 Interim dividend – paid 22 September 2017	82,378			2.40	1,977
2016 Interim and final dividend – paid 24 March 2017	81,940			4.61	3,777

6.4 SHARE-BASED PAYMENTS

Estimates related to share-based payments

Vista Group operates a number of equity settled, share-based payment schemes, under which it receives services from employees as consideration for equity instruments of Vista Group. An independent valuation has been completed for each share-based payment scheme to estimate the fair value of the performance rights allocated. Management also make estimates annually about the number of performance rights expected to vest under each share-based payment scheme.

Equity settled long-term incentive scheme – Total Shareholder Return

During 2017, the Board approved the third annual issue of an equity settled Long-Term Incentive (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 administration 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 $0.4m of employee expenses during the year ended 31 December 2018 (2017: $0.8m) 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 is transferred to share capital. When any granted performance rights lapse upon participant termination, the amount in the share-based payments reserve relating to those rights is transferred to retained earnings.

Below is a summary of performance rights granted at 31 December 2018 and 31 December 2017 under these schemes:

31 DECEMBER 2018		TOTAL VALUE OF GRANTED PERFORMANCE RIGHTS	PERFORMANCE RIGHTS GRANTED AT 31 DECEMBER 2018
GRANT DATE	EXPIRY DATE	$000'S	000'S
TSR SCHEMES 2015–2017			
1 January 2015	1 April 2018	-	-
1 January 2016	1 April 2019	413	232
1 January 2016	1 April 2019	413	232
1 January 2017	1 April 2020	364	209
1 January 2017	1 April 2020	364	209
Total TSR Schemes		**1,554**	**882**

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

Equity settled long-term incentive scheme – 2018 LTI Scheme

During 2018, the Board approved a new equity settled LTI scheme (the 2018 LTI Scheme) for selected key management personnel (participants). The 2018 LTI Scheme rewards performance rights to participants based upon the achievement of Revenue and EBITDA performance targets. The plan is intended to focus performance on achievement of key long-term performance metrics. The 2018 LTI Scheme differs to the 2015 – 2017 LTI schemes which were based upon relative TSR achievement.

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 2018 LTI Scheme is at the Board's discretion and participants in the 2018 LTI Scheme are not guaranteed participation from year to year.

The amount of performance rights to vest depends on Vista Group's performance against specified revenue and EBITDA targets. The 2018 LTI Scheme identifies these targets over a three-year performance period, with vesting split into 6 tranches, being one per year for each specified target, over the three-year performance period.

The fair value of rights granted is recognised as an administration 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. For the 2018 LTI Scheme Vista Group has recognised $0.6m of employee expenses during the year ended 31 December 2018.

When performance rights vest, the amount in the share-based payments reserve relating to those rights are transferred to share capital. Should any granted performance rights lapse upon participant termination, the amount in the share-based payments reserve relating to those rights is transferred to retained earnings.

Below is a summary of performance rights granted under this scheme:

2018 LTI SCHEME		TOTAL VALUE OF GRANTED PERFORMANCE RIGHTS	PERFORMANCE RIGHTS GRANTED AT 31 DECEMBER 2018
GRANT DATE	EXPIRY DATE	$000'S	000'S
1 January 2018	1 April 2020	307	109
1 January 2018	1 April 2021	307	109
1 January 2018	1 April 2022	307	111
Total 2018 LTI Scheme		**921**	**329**

Equity settled incentive scheme – Group CEO Retention Scheme

During 2018, the Board approved a new equity settled retention scheme for the Vista Group CEO (the Vista Group CEO Retention Scheme). The Vista Group CEO Retention Scheme is intended to align the Vista Group CEO with shareholder interests and ensure continued retention.

The share rights vest to the Group CEO on an annual basis dependent on continued tenure with no further performance requirements. Share rights are granted for no consideration and carry no dividend or voting rights until vested.

The value of the share rights is considered in the Board setting of appropriate remuneration levels for the Group CEO. The Vista Group CEO Retention Scheme vested 200,000 shares in April 2018 upon signing of the scheme documentation. A further three tranches will vest in April 2019, 2020 and 2021.

The fair value of rights granted is recognised as an administration 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. For the Group CEO Retention Scheme, Vista Group has recognised $1.2m of employee expenses during the year ended 31 December 2018.

When share rights vest, the amount in the share-based payments reserve relating to those rights is transferred to share capital. Should any granted performance rights lapse upon CEO termination, the amount in the share-based payments reserve relating to those rights is transferred to retained earnings.

Below is a summary of performance rights granted under this scheme:

GROUP CEO RETENTION SCHEME		TOTAL VALUE OF GRANTED PERFORMANCE RIGHTS	PERFORMANCE RIGHTS GRANTED AT 31 DECEMBER 2018
GRANT DATE	EXPIRY DATE	$000'S	000'S
30 April 2018	30 April 2019	446	150
30 April 2018	30 April 2020	441	150
30 April 2018	30 April 2021	582	200
Total Group CEO Retention Scheme		**1,469**	**500**

Equity settled long-term incentive scheme – Operating Segment Revenue Scheme

During 2018, the Board approved an equity settled LTI scheme for selected key management personnel (participants) that is based upon the achievement of defined revenue targets (the Operating Segment Revenue LTI Scheme). The Operating Segment Revenue LTI Scheme is intended to focus performance on achievement of key long-term performance metrics with particular focus on the achievement of individual operating segment revenue stretch objectives.

The allocation of performance rights is based on set annual amounts of shares to vest as revenue milestones are achieved. Performance rights are granted under the plan for no consideration and carry no dividend or voting rights. Participation in the Operating Segment Revenue LTI Scheme is at the Board's discretion.

The amount of performance rights to vest depends on operating segment revenue performance against specified targets. Upon the achievement of stated annual revenue targets, performance rights are allocated with vesting split into 2 tranches. The first tranche (50%) to vest following a 12-month deferral period following performance rights being issued and the second (50%) following an additional 12 months. In addition, there is a singular additional long-term revenue hurdle set for the 2021 financial year.

The fair value of rights granted is recognised as an administration 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. For the Operating Segment Revenue LTI Scheme, Vista Group has recognised $0.2m of employee expenses during the year ended 31 December 2018.

When performance rights vest, the amount in the share-based payments reserve relating to those rights are transferred to share capital. Should any granted performance rights lapse upon participant termination, the amount in the share-based payments reserve relating to those rights is transferred to retained earnings.

Below is a summary of performance rights granted under this scheme:

OPERATING SEGMENT REVENUE SCHEME		TOTAL VALUE OF GRANTED PERFORMANCE RIGHTS	PERFORMANCE RIGHTS GRANTED AT 31 DECEMBER 2018
GRANT DATE	EXPIRY DATE	$000'S	000'S
1 January 2018	31 January 2020	194	53
1 January 2018	31 January 2021	70	23
1 January 2018	31 January 2022	176	60
1 January 2018	31 January 2023	176	61
Total Operating Segment Revenue Scheme		**616**	**197**

Below is a summary of the performance rights granted, exercised and forfeited during 2018 for all of the schemes outlined above:

GRANT DATE	2018 AVERAGE EXERCISE PRICE PER PERFORMANCE RIGHT	2018 NUMBER OF PERFORMANCE RIGHTS 000'S	2017 AVERAGE EXERCISE PRICE PER PERFORMANCE RIGHT	2017 NUMBER OF PERFORMANCE RIGHTS 000'S
As at 1 January	$1.68	1,082	$1.56	868
Granted during the year	$2.94	1,226	$1.70	418
Exercised during the year	$2.27	(338)	$1.22	(204)
Forfeited during the year	$1.22	(63)	-	-
As at 31 December	**$2.40**	**1,907**	**$1.68**	**1,082**

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 administration expenses in the statement of comprehensive income, refer to section 7.4 for more details of the VCL incentive scheme.

6.5 EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

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

	2018 NZ$'000	2017 NZ$'000
Expenses arising from VCL acquisition	30	538
Equity settled LTI scheme	2,411	715
Stardust equity settled scheme	6	37
Total expense	**2,447**	**1,290**

6.6 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.

6.7 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:

	2018 NZ$'000	2017 NZ$'000
Consolidated shareholders' funds	159,396	148,101
Consolidated assets	221,086	204,235
Capital ratio	72%	73%

7. BASIS OF PREPARATION/ACCOUNTING POLICIES

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

7.1 KEY LEGISLATION AND ACCOUNTING STANDARDS

The 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 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 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.

7.2 BASIS OF CONSOLIDATION

Vista Group's financial statements consolidate those of the Company and its subsidiaries as at 31 December 2018. 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 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.

7.3 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 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.

7.4 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.

Contingent consideration

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

	2018		2017	
	CASH	SHARES	CASH	SHARES
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Powster Limited (Powster)	-	-	1,955	423
Ticketsoft	-	-	729	-
Flicks.co.nz (Flicks)	-	-	140	-
Total contingent consideration	**-**	**-**	**2,824**	**423**

VISTA LATIN AMERICA

In August 2017, Vista Group completed the acquisition of a controlling stake of 60% of the equity in its long-term Latin American business partner Vista Latin America. The purchase agreement included 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 performance over the FY2017 and FY2018 financial periods against specified performance targets. For the purpose of quantifying the amount payable, an estimate was developed based on the expected performance of the Vista Latin America business for the financial period specified. The assumptions used were validated by senior management. At the acquisition date, the fair value of the contingent consideration was estimated to be $0.9m.

At 31 December 2018, an assessment was made of the actual performance against the targets specified for the contingent consideration to vest. The outcome of this assessment was that there would be no contingent consideration paid to the former owners of Vista Latin America as the specified EBITDA targets were not achieved. The contingent consideration recognised within the original business combination of $0.9m was therefore released via the statement of comprehensive income within acquisition expenses.

VIRTUAL CONCEPTS LIMITED

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 was payable in three tranches on 1 April 2016, 1 April 2017 and 1 April 2018. During the year the final tranche was settled, amounting to $1.2m in cash and $0.5m in shares. At the reporting date, the fair value of the remaining contingent consideration is nil (2017: $1.7m)

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

CONTINGENT CONSIDERATION AT 31 DECEMBER	2018 NZ$'000	2017 NZ$'000
Amounts paid		
Cash (current)	1,240	348
Shares – Vista Group	524	811
	1,764	**1,159**
Estimated liability		
Cash (current)	-	1,240
Cash (non-current)	-	-
Shares – Vista Group	-	524
Total estimated liability	**-**	**1,764**

7.5 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(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; and

(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.

Group information

The financial statements include the following subsidiaries:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	SHARE-HOLDING 2018	SHARE-HOLDING 2017
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 B.V.	Software development and licensing	Netherlands	50.1%	50.1%
Maccs US	Software licensing	USA	50.1%	50.1%
VPF Hub GmbH	Software licensing	Germany	45.1%	45.1%
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 Dirección Tecnológica S.A. de C.V.	Software licensing	Mexico	60%	0%
Senda DO Brasil Serviços de Tecnologia LTDA	Software licensing	Brazil	60%	0%
Book My Show Limited	Inactive	New Zealand	74%	74%
Book My Show (NZ) Limited	Inactive	New Zealand	74%	74%
Share Dimension B.V.	Software development and licensing	Netherlands	50%	50%
S.C. Share Dimension S.R.L.	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	58.9%	74.9%
Stardust Entertainment, Inc.	Application licensing	USA	58.9%	74.9%
MovieXchange International Limited	Web platform development and licensing	New Zealand	100%	100%
MovieXchange Limited	Web platform licensing	New Zealand	100%	100%
Vista Entertainment Solutions (Spain), S.L.	Software licensing	Spain	100%	0%
Vista International Entertainment Solutions South Africa (PTY) Limited	Software licensing	South Africa	100%	100%

7.6 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 5.4.

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.

7.7 ADOPTION OF NEW ACCOUNTING STANDARDS

New accounting standards adopted by Vista Group:

A number of new or amended standards become applicable for the current reporting period and Vista Group has had to change its accounting policies as a result of adopting the following standards:

- NZ IFRS 15 *Revenue from Contracts with Customers*
- NZ IFRS 9 *Financial Instruments*

The impact of the adoption of these new standards is disclosed below.

NZ IFRS 15 *Revenue from Contracts with Customers* – impact of adoption

Vista Group adopted NZ IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018, which resulted in changes in accounting policies relating to the recognition of revenue.

Following a detailed review of Vista Group's portfolio of contracts, management concluded that the implementation of NZ IFRS 15 has no material impact on the way in which Vista Group recognises revenue. Therefore, there is no requirement to restate revenue reported in prior periods. The details of the review process are outlined below. Accounting policies have been amended to ensure that the five-step method, as defined in NZ IFRS 15, is applied consistently to revenue recognition processes across Vista Group.

Process and policy

To assess the impact of NZ IFRS 15 on Vista Group, contracts within each segment were aggregated to create portfolios of contracts. An individual contract from each portfolio was selected as being representative of each unique contract type. For each contract type, the five-step method was applied to assess the impact on revenue recognition.

The five-step method for recognising revenue from contracts with customers involves consideration of the following:

1. Identifying the contract with the customer;
2. Identifying performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to distinct performance obligations; and
5. Recognising revenue.

The tables below provide further information on the application of NZ IFRS 15 across the major segments in Vista Group. The segments detailed below represent 92% of Vista Group's revenue for the year ended 31 December 2018.

Vista Cinema Segment

REVENUE TYPE	DESCRIPTION	KEY JUDGEMENTS	OUTCOME	TIMING OF REVENUE RECOGNITION
Product – Cinema	Perpetual ERP software license targeted at larger cinema circuits.	Determining the distinct performance obligations and whether items are required to be bundled to form a distinct performance obligation.	Providing a software license is a distinct performance obligation and is not required to be bundled with other performance obligations.	**Point in time** Recognised at the point in time when the software goes live, which is when the customer is able to benefit from using the software.
Product – Veezi	Subscription-based software targeted at small and independent theatres. Revenue includes a fixed monthly fee plus a variable component based on the number of tickets sold.	Determining whether a sales-based license of intellectual property exists. Determining whether there is a sales-based variable component.	The subscription to Veezi is a sales-based license of intellectual property. There is a sales-based variable component.	**Point in time** Recognised at the end of each month once the sales-based variable usage is known.
Maintenance – Cinema	Basic support and any enhancements or upgrades to the software.	No major judgement required, other than confirming the scope and period of the maintenance contract.	N/A	**Over time** Benefits are simultaneously received and consumed; revenue is recognised over the maintenance term.
Services & Development	Value-add services, implementation services and bespoke development of the software.	Determining whether the services & development provided are a distinct performance obligation.	The services & development are a distinct performance obligation as they are not highly dependent or interrelated to other performance obligations in the contract.	**Over time** Recognised when the service is complete or on a stage of completion basis.

Movio Segment

REVENUE TYPE	DESCRIPTION	KEY JUDGEMENTS	OUTCOME	TIMING OF REVENUE RECOGNITION
Product – Cinema	Movio Cinema cloud-hosted data, marketing and analytics platform. Customers are charged an annual access fee to platform plus a variable component (see below).	Determining whether the platform access is a distinct performance obligation.	Access to the platform is a distinct performance obligation and is not required to be bundled with other performance obligations.	**Over time** Platform access is recognised over time as benefits are simultaneously received and consumed.
	Variable revenue based on the number of active members managed and the number of promotional messages sent during a given period.	Determining if a usage-based license of intellectual property exists.	The variable revenue is a usage-based license of intellectual property.	**Point in time** Variable license revenue is recognised at the end of each month once usage-based quantities are known.

REVENUE TYPE	DESCRIPTION	KEY JUDGEMENTS	OUTCOME	TIMING OF REVENUE RECOGNITION
Product – Media	Movio Media cloud-hosted data, marketing and analytics platform.	Determining whether the platform access is a distinct performance obligation.	Access to the platform is a distinct performance obligation and is not required to be bundled with other performance obligations.	**Over time** Platform access is recognised over time as benefits are simultaneously received and consumed.
	Targeted marketing campaigns, digital advertising and reports.	No major judgement required.	N/A	**Point in time** Revenue is recognised when the campaigns and reports are completed.
Services	Value-add services, data scientist services and setup & configuration.	Determining whether the services provided are a distinct performance obligation.	The services are distinct performance obligations as they are not highly dependent or interrelated to other performance obligations in the contract.	**Over time** Recognised when the service is complete or on a stage of completion basis.

Additional Group Companies Segment

REVENUE TYPE	DESCRIPTION	KEY JUDGEMENTS	OUTCOME	TIMING OF REVENUE RECOGNITION
Product – Showtimes Platform	Website and marketing platform for feature films, incorporating Showtimes data.	Determining the distinct performance obligations and the requirements to bundle performance obligations.	Two distinct performance obligations exist; Platform creation and incorporating Showtimes data.	**Point in time** Recognised at a point in time when the Platform is live and subsequently when the Showtimes data is incorporated.
Product – Maccs	Perpetual theatrical distribution software for film distributors.	Determining the distinct performance obligations and whether they are required to be bundled as one performance obligation.	Provision of the software license is a distinct performance obligation but is required to be bundled with development where the license is dependent on the Development.	**Point in time** Recognised at a point in time when the territory is live on the software, and the customer is able to benefit from the software license.
Maintenance – Maccs	Basic support and any enhancements or upgrades of the software.	No major judgement required, other than confirming the scope and period of the maintenance contract.	N/A	**Over time** Benefits are simultaneously received and consumed; revenue recognised over the maintenance term.
Services & Development	Value-add services, implementation services and bespoke development of the software.	Determining the distinct performance obligation and whether the development is required to be bundled to form a distinct performance obligation.	Where the services & development are highly interrelated to a license, they are bundled with the license as a single performance obligation. Otherwise, the services & development are a distinct performance obligation.	**Over time** Recognised when the services & development are complete or on a stage of completion basis.

In terms of impact to the presentation of the financial statements, NZ IFRS 15 requires the disaggregation of revenue to provide clear and meaningful information. For Vista Group, management concluded that presentation of revenue in terms of the method of revenue recognition was most appropriate. Therefore, revenue is disaggregated in the operating segments section (refer to section 2.2) as amounts recognised at a point in time and over time.

Critical judgements used in applying accounting policies and estimation uncertainty

Vista China Localisation

As disclosed in section 3.1, 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.

NZ IFRS 9 *Financial Instruments* – impact of adoption

NZ IFRS 9 *Financial Instruments* as it relates to Vista Group replaces the provisions of NZ IAS 39 that relate to the recognition, classification, measurement and impairment of financial assets. The adoption of NZ IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in the sections below along with the impact to the financial statements.

Vista Group has applied NZ IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with Vista Group's previous accounting policies.

Classification and measurement

NZ IFRS 9 impacts the following classifications of financial assets:

- Cash;
- Trade receivables;
- Loan and receivables to the associate company Numero; and
- Sundry receivables.

From 1 January 2018, Vista Group classifies its financial assets as being measured at amortised cost. Until December 2017, Vista Group classified its financial assets as loans and receivables. There was no change in the fair value of the financial assets as a result of the reclassification.

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

Impairment

From 1 January 2018, Vista Group assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In assessing whether there has been a significant increase in credit risk, Vista Group considers the forward looking and previous financial history of counterparts to assess the probability of default or likelihood that full settlement is not received.

For trade receivables, Vista Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with Vista Group, and a failure to make contractual payments for a period of greater than 180 days past due.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. Vista Group uses judgement in making these assumptions and selecting the inputs to impairment calculation, based on Vista Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions and judgements are included in each section below.

Cash

While cash is subject to the impairment requirements of NZ IFRS 9, the identified impairment loss was immaterial.

Trade receivables

Vista Group's trade receivables are subject to NZ IFRS 9's expected credit loss model. Vista Group has applied the NZ IFRS 9 simplified approach to measuring credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit losses, trade receivables have been grouped and reviewed on the basis of the number of days past due. The expected credit loss has been calculated by considering the impact of the following characteristics:

- The Baseline characteristic considers the age of each invoice and applies an increasing expected credit loss estimate as the trade receivable ages.
- The Aging and Write off characteristics consider the history of write off related to the specific customer and the relative size of aged debt to current debt. If the trade receivable aged over 180 days makes up more than 45% of the total trade receivable for a specific customer, further provision for expected credit loss is added.
- The Country, Customer and Market characteristics consider the relative risk related to the country and/or region within which the customer resides and makes an assessment of the financial strength of the customer and the market position that Vista Group has achieved within that market.

The expected credit loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 JANUARY 2018	CURRENT NZ$'000	91-180 DAYS PAST DUE NZ$'000	181-270 DAYS PAST DUE NZ$'000	271-360 DAYS PAST DUE NZ$'000	361+ DAYS PAST DUE NZ$'000	TOTAL NZ$'000
Gross carrying amount	21,875	11,937	2,735	1,728	8,319	46,594
Baseline	54	88	40	43	410	635
Aging and Write offs	5	3	34	56	373	471
Country, Customer and Market	51	49	15	13	101	229
Total expected credit loss rate	0.50%	1.17%	3.25%	6.48%	10.63%	2.87%
Expected credit loss allowance	**110**	**140**	**89**	**112**	**884**	**1,335**

The expected credit loss allowance for trade receivables as at 31 December 2017 as reported in the annual report reconciles to the opening expected credit loss allowance on 1 January 2018 as follows:

	NZ$'000
Expected credit loss allowances for trade receivables	
At 31 December 2017 – calculated under NZ IAS 39	976
Amounts restated through opening retained earnings	1,335
Opening expected credit loss allowance as at 1 January 2018 – calculated under NZ IFRS 9	**2,311**

The expected credit loss allowance as at 31 December 2018 was determined as follows for trade receivables:

31 DECEMBER 2018	CURRENT NZ$'000	91-180 DAYS PAST DUE NZ$'000	181-270 DAYS PAST DUE NZ$'000	271-360 DAYS PAST DUE NZ$'000	361+ DAYS PAST DUE NZ$'000	TOTAL NZ$'000
Gross carrying amount	32,187	3,841	2,132	544	7,487	46,191
Baseline	81	29	32	14	374	530
Aging and Write offs	3	2	18	11	368	402
Country, Customer and Market	44	8	9	2	91	154
Total expected credit loss rate	0.40%	1.02%	2.77%	4.96%	11.13%	2.35%
Expected credit loss allowance	**128**	**39**	**59**	**27**	**833**	**1,086**

During the year the trade receivables position has improved resulting in a reduction in the expected credit loss allowance of $0.2m. This amount was recognised during the year within administration expenses in the statement of comprehensive income.

Loan to associate company Numero

The loan and outstanding receivables from Numero are subject to the requirements of NZ IFRS 9. For these amounts, Vista Group has applied the general approach mandated under NZ IFRS 9 to assess the impairment provision, which involves assessing the lifetime recoverability of these receivables as the credit risk has increased since initial recognition.

Vista Group has considered reasonable and supportable information available to calculate the present value of future cash flows of Numero based on a five-year period. Management judgement has been applied in determining the inputs for future periods and the discount rate applied. This analysis calculated the amount of debt supportable by Numero based on discounted future cash flows to be $5.4m at 31 December 2018, being no change from the prior reporting period.

At 31 December 2018, Vista Group recognised an incremental provision for impairment of $1.3m bringing the total amount provided for against the receivable from Numero to $3.0m. The provision combined with the gross receivable of $8.4m results in a net loan receivable of $5.4m.

Sundry receivables

At balance date, Vista Group holds a total of $3.9m of Sundry receivables (2017: $11.4m). Management has applied judgement to remove this balance from the impairment calculation as the counterparties are considered to have a high level of certainty in terms of recoverability.

Impact of standards issued but not yet adopted by Vista Group

NZ IFRS 16 *Leases*

NZ IFRS 16 *Leases* will result in almost all leases being recognised in the statement of financial position, as the distinction between operating leases and finance leases is removed. The standard is mandatory for reporting periods beginning on, or after 1 January 2019. Vista Group does not intend to adopt the standard before its mandatory effective date.

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 an operating lease (off balance sheet) and a finance lease (on balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting the future lease payments and a 'right-of-use' asset for almost all lease contracts. The statement of comprehensive income will be impacted by the recognition of an interest expense and a depreciation expense with premise rental and office equipment expenses removed altogether.

For Vista Group, the impact will be primarily focused on the accounting for operating leases. As at the reporting date, Vista Group has operating lease commitments of $24.4m. Upon adoption, NZ IFRS 16 will have a significant impact upon Vista Group's statement of financial position and statement of comprehensive income.

To calculate the impact of NZ IFRS 16 as at 1 January 2019, being the date of adoption, Vista Group's management has developed a detailed model. Management has had to apply judgement across several parameters that input into this model as follows:

- The lease term including potential renewals for which Vista Group may have a right to exercise;
- The incremental borrowing rate that is used to discount lease assets and liabilities.

As a result of the calculations and the application of judgement within the model, management is able to quantify the potential impact of NZ IFRS 16 based on the current lease arrangements across Vista Group. Management expects that there will be material impact across the following line items in the statement of financial position:

- Recognition of right-of-use assets of $6.4m;
- Recognition of a lease liability $7.0m; and
- Decrease in opening retained earnings $0.6m.

The expected impact on the statement of comprehensive income for the year ended 31 December 2019 across the following lines items are estimated as follows:

- Increase in finance costs (recognised as interest expense) $0.3m;
- Increase in depreciation and amortisation expense $1.9m; and
- Decrease in premises and office equipment expenses recognised within administration expenses $2.5m.

Estimates are subject to change at the time of adoption and for the year ended 31 December 2019 due to:

- Any changes in managements judgements as they apply;
- Outcome of renewals under lease agreements;
- Any changes to existing leasing arrangement;
- New lease contracts entered into; and
- Finalisation of management's judgements and changes to borrowing rates.

The implementation of NZ IFRS 16 has no cash impact to Vista Group as changes are limited to financial reporting requirements only. Vista Group intends to implement the simplified transition approach as defined in the standard for the year ended 31 December 2019 and will not restate comparative amounts for the period prior to adoption.

8. TAX

8.1 INCOME TAX EXPENSE

Income tax

The income tax expense for the year 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 operates and generates 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.

	2018 NZ$'000	2017 NZ$'000
Income tax expense comprises:		
Current tax expense	9,100	7,977
Deferred tax expense (section 8.2)	(1,089)	(1,147)
Tax expense	**8,011**	**6,830**

Reconciliation of income tax expense

The relationship between the expected tax expense based on the domestic effective tax rate of the Company at 28% (2017: 28%) and the reported tax expense in the statement of comprehensive income can be reconciled as follows:

	2018 NZ$'000	2017 NZ$'000
Profit before tax	21,045	16,813
Taxable income	21,045	16,813
Domestic tax rate for Vista Group International Limited	28%	28%
Expected tax expense	**5,893**	**4,708**
Foreign subsidiary company tax	170	99
Non-assessable income/non-deductible expenses	880	1,713
Prior period adjustment	(50)	127
Deferred tax assets no longer recognised	1,007	-
Other	111	183
Actual tax expense	**8,011**	**6,830**

As at 31 December 2018, Vista Group has $12,886,073 (2017: $8,881,478) of imputation credits available for use in subsequent reporting periods.

8.2 DEFERRED TAX ASSETS AND LIABILITIES

Recognition of deferred tax assets

The net deferred tax asset at balance date includes temporary timing differences and income tax losses available to carry forward against future taxable profits. A deferred tax asset is recognised on losses, only when it is considered probable, that sufficient taxable profits will be available to utilise the losses in the near future. Management applies judgement when reviewing current business plans and forecasts to ascertain the likelihood of future taxable profits. The financial forecasts used in this assessment are the same as those used in the impairment review of goodwill and other assets in section 5.4.

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 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 tax 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:

2018	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	224	-	188	412
Employee benefits	474	-	1,122	1,596
Property, plant and equipment	(108)	-	(12)	(120)
Other	172	-	(122)	50
Intangible assets	(1,535)	28	247	(1,260)
Unused tax losses	1,472	-	(334)	1,138
Deferred tax temporary asset	**699**	**28**	**1,089**	**1,816**

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**

9. 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.

9.1 FOREIGN CURRENCY RISK

Vista Group operates internationally and is exposed to foreign exchange risk in US Dollars (USD), Pounds Sterling (GBP), Australian Dollars (AUD), Chinese Yuan Renminbi (CNY) and Euros (EUR). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

To mitigate exposure to foreign currency risk, foreign currency 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 2018					
Financial assets					
Cash	19,584	9,945	1,566	-	1,905
Trade receivables	27,749	3,839	5,228	5,855	1,526
Sundry receivables	469	-	382	-	-
Financial liabilities					
Trade payables	(1,358)	(65)	(82)	(2,358)	(4)
Sundry accruals	(1,026)	(518)	(52)	-	-
Borrowings	(5,960)	-	(5,983)	-	-
Net exposure	**39,458**	**13,201**	**1,059**	**3,497**	**3,427**
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**

The following table illustrates the sensitivity of profit or loss and equity in regard 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 the AUD/NZD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the NZD to currency exchange rate for the year ended 31 December 2018 (2017: 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 2018					
10% strengthening in NZD	(3,587)	(1,200)	(96)	(318)	(312)
10% weakening in NZD	4,384	1,467	118	388	381
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

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.

9.2 INTEREST RATE RISK

Vista Group's interest rate risk primarily arises from long-term borrowing, cash 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 2018	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	6.0%	-	-	-	8,386	8,386
Cash	-	34,353	-	-	-	34,353
		34,353	-	-	8,386	42,739
Liabilities						
Borrowings	4.4%	-	-	-	(11,076)	(11,076)
Borrowings related party	5.0%	-	-	-	(868)	(868)
		-	-	-	(11,944)	(11,944)
Total exposure		**34,353**	**-**	**-**	**(3,558)**	**30,795**

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

AS AT 31 DECEMBER 2018	EFFECTIVE INTEREST RATE +1% NZ$'000	EFFECTIVE INTEREST RATE -1% NZ$'000
Cash	344	(344)
Related party loan – Numero	84	(84)
Borrowings	(111)	111
Borrowings related party	(9)	9
Total exposure	**308**	**(308)**

9.3 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 10.3.

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:

	2018 NZ$'000	2017 NZ$'000
Not more than 3 months	13,528	6,664
Between 3 months and 4 months	1,585	8,202
Over 4 months	12,267	16,150
	27,380	**31,016**

As at 31 December 2018, Vista Group holds a receivable from its associate company, Vista China, amounting to $6.8m (2017: $12.8m) which is over 4 months past due. Subsequent to year end Vista Group and Vista China have settled all outstanding related party amounts. Refer to section 3.1 for further details.

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 trade receivables, with management confirming that all amounts are deemed recoverable and are not impaired.

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

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.

9.4 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 the use of bank overdrafts and bank loans (see section 4.2). 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 $0.9m (2017: $0.6m) will mature in greater than one year at 31 December 2018. 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 $34.4m. 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.

	SECTION	ON DEMAND NZ$'000	LESS THAN 3 MONTHS NZ$'000	3 TO 12 MONTHS NZ$'000	1 TO 5 YEARS NZ$'000	> 5 YEARS NZ$'000	TOTAL NZ$'000
2018							
Trade payables	5.6	-	5,824	-	-	-	5,824
Sundry accruals		-	3,978	-	-	-	3,978
Borrowings	4.2	-	-	-	11,944	-	11,944
Interest on borrowings		-	122	366	711	-	1,199
Contingent consideration		-	-	-	-	-	-
		-	**9,924**	**366**	**12,655**	**-**	**22,945**
2017							
Trade payables	5.6	-	4,413	-	-	-	4,413
Sundry accruals		-	2,856	-	-	-	2,856
Borrowings	4.2	-	-	614	10,709	-	11,323
Interest on borrowings		-	77	232	824	-	1,133
Contingent consideration		-	-	-	908	-	908
		-	**7,346**	**846**	**12,441**	**-**	**20,633**

10. OTHER INFORMATION

10.1 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. Government grants are recognised within the statement of comprehensive income as an offset to operating expenses.

During the year, Vista Group recognised a total of $3.2m (2017: $3.6m) 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 2018 grants of $0.3m yet to be paid and subject to independent auditor review.

Auditor's remuneration included in administration expenses

	2018 NZ$'000	2017 NZ$'000
Audit of financial statements		
Audit and review of financial statements – PwC	430	314
Audit and review of financial statements – Scrutton Bland	62	30
Other services		
Performed by PwC:		
Review of R&D growth grant	15	7
Advice on long-term employee incentive scheme	24	8
Due diligence agreed upon procedures	-	13
Total other services	**39**	**28**
Total fees paid to auditor(s)	**531**	**372**

Other expenses

	SECTION	2018 NZ$'000	2017 NZ$'000
Included in administration expenses:			
Depreciation	5.5	1,676	1,279
Amortisation of intangible assets	5.2	2,480	2,349
Lease payments recognised as an operating lease expense		3,593	2,880

Vista Group has expensed $22.4m of aggregated research and development expenditure associated with software research and development for 2018 (2017: $19.0m) within operating expenses in the statement of comprehensive income.

10.2 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:

	2018 NZ$'000	2017 NZ$'000
Less than one year	4,554	2,923
Between one and five years	15,987	3,758
More than five years	3,829	-
	24,370	**6,681**

10.3 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 are measured at amortised cost.

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, 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 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 cash flows, 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

Cash comprises cash at bank and on hand and its carrying value is equivalent to 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 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 2018 Vista Group has no level 3 financial instruments related to contingent consideration (2017: $0.9m).

Financial instruments by category

	2018 NZ$'000	2017 NZ$'000
Financial assets measured at amortised cost		
Cash	34,353	20,954
Trade receivables	44,293	45,618
Sundry receivables	3,343	10,611
Related party loan – Numero	5,413	2,621
Related party advance – Numero	-	2,792
	87,402	**82,596**
Financial liabilities measured at amortised cost		
Trade payables	5,824	4,413
Sundry accruals	3,978	2,856
Borrowings	11,944	11,323
Financial liabilities measured at fair value		
Contingent consideration	-	908
	21,746	**19,500**

10.4 OTHER DISCLOSURES

Contingent liabilities

There were no contingent liabilities for Vista Group at 31 December 2018 (2017: $Nil).

Capital commitments

There were no capital commitments for Vista Group at 31 December 2018 (2017: $Nil).

Events after balance date

On 26 February 2019, the Board approved a fully imputed final dividend of 2.1 cents per share. The dividend record date is 11 March 2019 with a payment date of 22 March 2019.

There have been no other events subsequent to 31 December 2018 which materially impact on the results reported (2017: nil).

Independent auditor's report

To the shareholders of Vista Group International Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 31 December 2018;
- 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 accompanying 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 2018, 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 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.

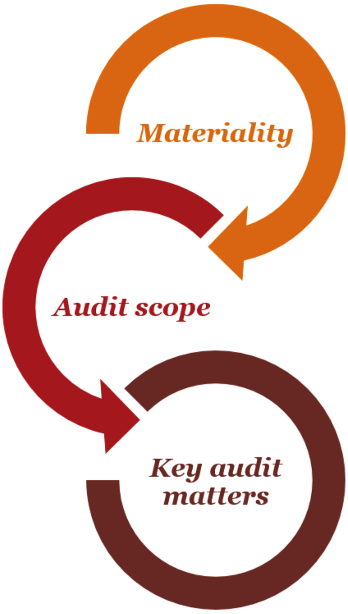
We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional 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 (R&D growth grant schedule review) and advisory services in relation to the long term employee incentive schemes. The provision of these other services has not impaired our independence as auditor of the Group.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Our audit approach

Overview



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

Overall Group materiality: $1.1 million, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there are three key audit matters:

- Carrying value of the investment in Vista Entertainment Solutions Shanghai Limited ("Vista China")
- Impairment testing of goodwill
- Recoverability of loan to Numero Limited ("Numero")

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. In addition, we also performed specific audit procedures over certain balances and transactions of the holding company, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Carrying value of the investment in Vista Entertainment Solutions Shanghai Limited ("Vista China")

As disclosed in Note 3.1, the carrying value of the Group's investment in Vista China amounts to $31.8 million, including goodwill of $20.2 million. The Group uses the equity method of accounting for its investment.

Management undertook an assessment of the fair value of goodwill and of its investment in Vista China to assess whether there had been any impairment. This assessment involved significant management judgement in determining key assumptions and estimates and included consideration of:

- The recent trading performance of Vista China and the 2019 budget;
- The forecast revenue growth rates and cash flows for the following 4 years of the overall 5 year forecast period;
- An indicative valuation conducted by an independent expert based on management's budget and forecasts; and
- Assumptions relating to a minority discount.

The assessment concluded that there was no impairment of the investment.

</td><td>

Our audit procedures in relation to the carrying value of the investment in Vista China included the following:

- We held discussions with management, including those outside of the Vista finance function, to gain an understanding of the strategy and performance to date of Vista China;
- We reviewed Board meeting minutes to identify any events or conditions that indicate potential impairment of the investment;
- We considered the report prepared by management's independent expert on their indicative valuation assessment undertaken as at 31 December 2018. We also compared this current assessment to the valuation undertaken by the same independent expert in 2016 and 2017;
- We engaged our own expert to consider the valuation methodology utilised by management's independent expert and the key assumptions made, in particular the revenue growth rate, discount rate and minority discount. Our expert's assessment included comparing the indicative valuation determined by management's independent expert with the valuation indicated by an external share broker.

We have no matters to report as a result of our procedures.

</td></tr>
</table>

Impairment testing of goodwill

Note 5.3 of the financial statements provides details of the goodwill balance of $63.9 million as at 31 December 2018.

Management perform an annual assessment to determine whether there is any impairment of goodwill, as disclosed in Note 5.4.

A value in use methodology was utilised to determine the recoverable amount of each cash generating unit (CGU) using discounted cash flows (DCF) and then compare this amount with the carrying amount of the associated net assets, including goodwill, of each CGU as at 31 December 2018. The estimated cash flows used in the DCF model were based on the 2019 budget and forecast cash flows for the following four years.

The valuations involve the application of significant judgment in forecasting future business performance and determining certain key assumptions and estimates, in particular:

- Revenue growth rates for the 5 year forecast period;
- The long term growth rates for cash flows beyond the 5 year forecast period; and
- The appropriate discount rate for each CGU.

Changes in these assumptions might lead to changes in the carrying value of goodwill. The risk is greater for the goodwill attributed to the Share Dimension BV ("Cinema Intelligence") and MACCS International BV ("MACCS") CGUs where the headroom compared to carrying amount is lower than the for the other CGUs.

Management concluded that goodwill was not impaired as at 31 December 2018. However, the valuation of the Cinema Intelligence and MACCS CGUs were both sensitive to reasonably possible changes in revenue growth assumptions and the MACCS CGU was also sensitive to reasonably possible changes in the discount rate and such changes could result in an impairment, as disclosed in Note 5.4 of the financial statements.

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 Vista finance function, about the performance of each CGU and whether there were any events or circumstances that indicated the carrying amount of the CGU, including goodwill, was impaired.
- We tested the calculation of the DCF model, including the inputs and the mathematical accuracy and compared the resulting balances to the relevant net assets of each CGU.
- We assessed the key estimates and assumptions made by management in the CGUs' DCF models, by performing the following procedures:
  - Obtained an understanding of how management prepared its budget and forecasts and the associated review and approval processes;
  - Assessed management's ability to accurately forecast by comparing historical forecasts to actual results;
  - Compared growth rates used over the 5 year forecast period to historical growth rates and board approved budgets as well as challenging whether the historical growth rates are sustainable as the businesses mature; and
  - Obtained and evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes. We also performed our own sensitivity analysis on the impact of changing key assumptions to consider whether any reasonably possible changes could result in impairment of goodwill.

	• For the Cinema Intelligence and MACCS CGUs we also performed the following procedures: ○ Considered the performance of those CGUs and gained an understanding of strategic and operational initiatives being undertaken through discussions with management, including those outside of the Vista finance function; ○ Assessed the extent to which revenue in the 2019 budget is contracted and agreed a sample of forecast amounts to signed customer contracts; and ○ Engaged our own expert to evaluate the discount rates and terminal growth rates used in the CGUs' DCF model by comparing with those of similar market participants. We reviewed the disclosures in note 5.4 to the financial statements to ensure they are compliant with the requirements of the accounting standards. We have no matters to report as a result of our procedures.
Recoverability of loan to Numero Limited ("Numero") The Group has $5.4 million of related party loans receivable from its associate, Numero at 31 December 2018, as disclosed in note 3.2. This balance is net of a provision of $3.0 million. Management assessed the recoverability of the loan receivable from Numero by estimating the present value of Numero's future cash flows based on the 2019 budget and forecasts for the following four years. Judgement has been applied in determining the inputs for future cash flows, and the discount rate applied. Management concluded that it was appropriate to recognise an incremental impairment provision of $1.3 million at 31 December 2018, bringing the total amount provided against the loan receivable to $3.0 million, as disclosed in Note 7.7.	Our audit procedures in relation to the recoverability of the loan to Numero included the following: • We gained an understanding of the business processes and controls applied by management in assessing the recoverability of the loan receivable. • We held discussions with Vista Group and Numero management about Numero's performance and whether there were any events or circumstances that indicated that the carrying value of the loan was impaired. • We tested the calculation of the discounted cash flow model, including the inputs and the mathematical accuracy. • We assessed the key estimates and assumptions made by management in the discounted cash flow model, by performing the following procedures:

- Obtained an understanding of how Numero management prepared its 2019 budget and forecasts and the associated review and approval processes, including approval of the budget by the Vista Board;
- Assessed Numero management's ability to accurately forecast by comparing historical forecasts to actual results;
- Considered the extent to which revenue in the 2019 budget is contracted and agreed a sample to signed customer contracts;
- Compared the growth rates used over the 5 year forecast 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 business matures;
- Evaluated the discount rate used in the model by comparing it with the implied effective interest rate in the loan; and
- Performed our own sensitivity analysis on the impact of changing key assumptions to consider whether any reasonably possible changes could result in impairment of the loan receivable.

We have no matters to report as a result of our procedures.

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. At the time of our audit, there was no other information available to us.

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.

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 Leopino Foliaki.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 February 2019

Auckland

CORPORATE
GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The Investor Centre section of the Company's website (www.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 and Guidelines
  - Shareholder Participation
  - Audit and Risk Management Committee Charter (ARC Charter)
  - Nominations and Remuneration Committee Charter (NRC Charter)
- Diversity and Inclusion 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 Financial Markets Authority Corporate Governance in New Zealand – Principles and Guidelines handbook and the Corporate Governance Principles and Recommendations (4th 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, as the NZX is the home exchange of the Company, it is required to primarily comply with the NZX Main Board Listing Rules (Listing Rules), 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 2018, 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:

a. acts honestly and with personal integrity in all actions;

b. declares conflicts of interest and proactively advises of any potential conflicts;

c. undertakes proper receipt and use of corporate information, assets and property;

d. in the case of directors, gives proper attention to the matters before them;

e. acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;

f. 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);

g. 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

h. 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 Interests

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

Board meetings

In the period from 1 January 2018 to 31 December 2018 the Board has met formally 12 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 two wholly owned subsidiaries, Vista International Entertainment Solutions South Africa (Pty) Limited and Vista Entertainment Solutions (Spain), S.L.. MX has one wholly owned subsidiary movieXchange Limited. Board meetings were held for each of these subsidiaries during the year ended 31 December 2018, 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 Management Committee and the Nominations and Remuneration Committee.

The membership of each Committee at 31 December 2018 was:

- Audit and Risk Management Committee – 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 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.

Retirement and re-election

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

Two Directors (Murray Holdaway and Susan Peterson) retired by rotation and were re-elected at the Annual Shareholders Meeting in May 2018.

Composition of the Board

At 31 December 2018, 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 87 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 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 2018, the Board considers that James Ogden, Susan Peterson and Cris Nicolli are Independent Directors. As at 31 December 2018, 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 2018
Murray Holdaway	6 August 2003	15 years, 5 months
Brian Cadzow	6 August 2003	15 years, 5 months
Kirk Senior	3 June 2014	4 years, 7 months
Susan Peterson	3 June 2014	4 years, 7 months
James Ogden	3 June 2014	4 years, 7 months
Cris Nicolli	17 February 2017	1 year, 11 months

Ownership interests

The table of Directors' shareholdings is included in the Disclosures section of this Annual Report set out on page 89.

Recommendation 2.5 – An issuer should have a written Diversity and Inclusion 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 and Inclusion 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 and Inclusion Policy, a copy of which is available on the Company's website. The Diversity and Inclusion 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 2018 financial year, to:

(a) continue to strive to ensure strong female candidates are identified in the recruitment process for all roles;

Progress made: No Board appointments were made in 2018. While female candidates were sourced and reached the shortlist for the Maccs CEO, Vista Cinema CEO and General Counsel roles, it was ultimately decided that the best possible candidate in each case was male. Increasing the diversity of the senior leadership team continues to be an area of focus for the Group CEO and the Board.

(b) review and encourage participation of underrepresented groups in our leadership training programmes;

Progress made: 40% of attendees in management training in 2018 were female. This exceeds the general population percentage and underlines our continued focus on developing female leaders. We do not currently maintain records of identification with other underrepresented groups however we have made every attempt to ensure there is participation from people from a wide range of ethnicities and ages and also representation from the Rainbow community.

(c) complete a review of our gender pay equality across roles, age and salary bands for VESL offices in Auckland, Los Angeles and London;

Progress made: This was completed in April 2018. We were pleased to confirm that there was no material difference in pay for staff in the same role based on gender.

(d) achieve rainbow tick accreditation for VESL – Auckland.

Progress made: Vista Group was proud to achieve the Rainbow Tick status based on the review of 2018. The scope was extended beyond VESL Auckland to include all New Zealand staff of Vista Group, including Movio.

(e) review the Company's recruitment processes and practices to ensure they are free from bias;

Progress made: Analysis was completed of the recruitment lifecycle to ensure that there was no particular step that had a disproportionate elimination of female applicants. Textio assessments were completed on job ad wordings to ensure there was no unconscious bias or wording that would detract from female applicants applying for roles in Vista Group.

Gender Diversity Statistics

AS AT 31 DECEMBER 2018	MALE		FEMALE		
	NO.	%	NO.	%	TOTAL
Board	5	83.3%	1	16.7%	6
Senior Executive*	9	90.0%	1	10.0%	10
Total Company	541	76.2%	169	23.8%	710

AS AT 31 DECEMBER 2017	MALE		FEMALE		
	NO.	%	NO.	%	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

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

The Company has set the following objectives for the 2019 financial year, to:

(a) Review inclusion practices globally to ensure all staff feel safe and have the ability to bring their whole self to work;

(b) Ensure the succession plan for all senior executive roles include at least one qualified female potential successor;

(c) Continue to strive to ensure strong female candidates are identified in the recruitment process for all roles;

(d) Review and encourage participation of underrepresented groups in our leadership training programmes;

(e) Complete a review of our gender pay equality across roles, age and salary bands for Vista Entertainment offices in Auckland, Los Angeles and London.

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 2018 and the results reported to the Board at the January 2019 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 (Kimbal Riley) 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 to be 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 Management Committee

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

- ensuring the quality and independence of the Company's external audit process;
- overseeing (among other things):
  - the integrity of external financial reporting,
  - application of accounting policies,
  - financial management, 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 Management 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 Management Committee

All of the Committee members are non-executive and Independent Directors. The Audit and Risk Management 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 Management Committee are Susan Peterson (Chair), James Ogden and Cris Nicolli.

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

The ARC Charter provides that employees and Directors who are not members of the Audit and Risk Management Committee can only attend Audit and Risk Management 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 of recommending Director remuneration packages exists, and to assist the Board in the establishment of remuneration policies and practices. This includes setting and reviewing the remuneration of the CEO, senior executives and Directors (both executive and non-executive). 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 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 Nominations and Remuneration Committee in relation to the nomination and appointment of Directors are contained on pages 75 and 76 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 Listing Rules. The Disclosure Committee is made up of the Chair of the Board, the Chair of the Audit and Risk Management Committee and one other Independent Director.

Other Committees may be established from time to time.

The Nominations and Remuneration Committee held six formal meetings during the financial year ended 31 December 2018 with other matters, particularly the approval of grants under the long term incentive plan for employees dealt with by the full Board in this period. The Audit and Risk Management Committee met four times during the year. The auditors, PricewaterhouseCoopers, attended all of the Audit and Risk Management 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 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 the laws in New Zealand and Australia and is required to comply with the 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 and ASX of any material information related to its business that is required to be disclosed by the 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 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 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 74, the Investor Centre section of the Company's website (www.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 and Guidelines
  - Shareholder Participation
  - ARC Charter
  - NRC Charter
- Diversity and Inclusion 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 Management 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 $260,000.

Full disclosure of Directors' remuneration is set out at page 89.

The Chair of the Board is remunerated through the executive remuneration structure. The Independent Directors receive $85,000 per annum each (a Chair of a committee of the Board receives additional fees). The 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 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 will be 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 60%. 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' 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 for executives, senior managers and staff in 2015. The LTI Plan aims to align the interests of key staff 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, in 2017 with a commencement date of 1 January 2017, in 2018 along with the base LTI scheme two additional schemes were established, one for the new Vista Group CEO and one for specific operating segment staff. These all had a commencement date of 1 January 2018. Tranche 1 of the 2015 grants vested on 1 April 2017 and 101,671 shares were issued (equates to 203,342 post share split) representing a 100% vesting rate. Tranche 2 of the 2015 grant vested on 1 April 2018 and 138,436 shares were issued representing a 76% vesting rate. For tranche 1 of the 2016 grant on the vesting date of 1 April 2018 no shares were issued as the vesting hurdle was not met. Under the LTI plan these shares were carried over to the tranche 2 vesting date of 1 April 2019. Under the Vista Group CEO LTI plan 200,000 shares were vested in April 2018. The next vesting date is 1 April 2019 for tranche 2 of the 2016 grants and tranche 1 of the 2017 grants and 30 April 2019 for tranche 2 of the Vista Group CEO grant

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 promoted to this role during 2018 from another role within the Company. The remuneration shown below reflects a combination of his salary from both roles during 2018. The STI incentive payments received in 2018 reflect performance against the incentive scheme in place from his previous role.

The previous Vista Group CEO was one of the founder's of the Company and so the changes in 2018 to the remuneration of the Vista Group CEO reflect a market related package for this position.

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

FOR YEAR ENDED 31 DECEMBER 2018

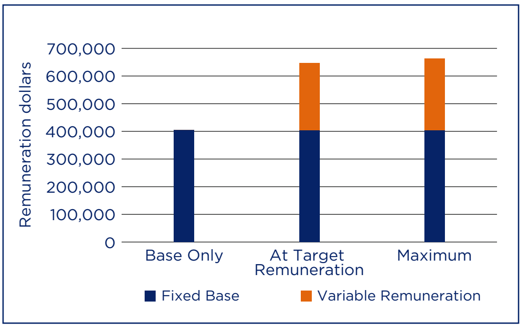
Remuneration	
Salary & fees	370,314
Taxable benefits [1]	21,515
Subtotal	391,829
Pay for performance	
STI [2]	56,038
LTI [3]	632,863
Subtotal	688,901
Total remuneration	**1,080,730**

1. Taxable benefits relate to medical insurance coverage and employer kiwisaver contributions.
2. STI for FY2017 performance paid in FY2018 when the CEO was in his previous role as CEO of Vista Entertainment Solutions Ltd.
3. The CEO received 200,000 shares in April of 2018 as part of the CEO LTI incentive scheme and 11,737 shares from the partial vesting of the second tranche of the 2015 LTI grant.

DESCRIPTION OF CEO REMUNERATION FOR PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2018

PLAN	DESCRIPTION	PERFORMANCE MEASURES	PERFORMANCE AWARDED AGAINST PLAN
STI	Set at 30% for at risk pay.	35% weighting of Vista Group EBITDA vs budget. Threshold to achieve is 90% with pro-rata payment through to 100%. Over-achievement to 120% is possible.	96%
		25% weighting of Vista Group Revenue vs budget. Threshold to achieve is 95% with pro-rata payment through to 100%. Over-achievement to 120% is possible.	112%
		15% weighting of Vista Group Profit Before Tax vs Budget. Threshold to achieve is 90% with pro-rata payment through to 100%. Over-achievement to 120% is possible.	94%
		25% weighting of strategic goals set by the Board.	100%
LTI	The CEO received an allocation of 43,290 shares in the Company under the 2018 grant for Executive LTI Plan.		

COMPONENTS OF CEO REMUNERATION



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 General 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 and Australian laws, 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 Management Committee whose primary objective is to assist the Board in fulfilling its responsibilities. The Audit and Risk Management 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 Management Committee will regularly report to the Board on the operation of the Company's risk management and internal control processes, and provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification, 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 2018, 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 has been ongoing and will be completed by mid 2019 with the new report forming 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 Management 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:

(a) for sustaining communication with the issuer's external auditors;

(b) 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;

(c) 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

(d) 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 Management 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 Management 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 Companies Act 1993, the 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 Companies Act 1993 to obtain shareholder approval under a special resolution for any major transactions. The Company will also comply with 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 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 Companies Act 1993 and the Listing Rules. The notice is sent to shareholders, notified to the market by providing disclosure to the NZX 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), re-elected May 2018

B Cadzow, BCom, (Executive Director)

S Peterson, BCom, LLB (Independent Director), re-elected May 2018

J Ogden, BCA Hons, FCA, CFInstD (Independent Director)

C Nicolli, BMBS, FAICD

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 Companies Act 1993 and the 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 2018.

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 2018.

NAME OF DIRECTOR	ENTITY	NATURE OF GENERAL DISCLOSURE
Murray Holdaway	Invista Share Nominee Limited	Director and Shareholder
	Holdaway and Geary Trust	Trustee
	The Awhero Nui Trust	Beneficial Shareholder
	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
	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
Kirk Senior	Kirk Senior Pty Limited	Director and Shareholder
	Senior Family Super Fund Pty Limited	Director and Shareholder
	Kirk Senior Family Trust	Trustee

NAME OF DIRECTOR	ENTITY	NATURE OF GENERAL DISCLOSURE
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 (appointed 1 October 2017)
	Foundation Life (NZ) Limited	Director (appointed 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	Director – member of the NRC (appointed 22 February 2017)
	ASB Bank Limited	Director (appointed 1 July 2017)
Cris Nicolli	Nicolli Holdings Pty Ltd (Family Investment)	Director
	Nicolli Family Superannuation Fund	Trustee
	Other Levels (ASX OLV)	Director – member of the NRC & ARC
	Kadasig Aid & Development (Not for Profit Charity)	Treasurer
	Empired Limited (ASX APD)	Director (appointed 22 October 2018)

Share dealings of Directors

Directors disclosed, pursuant to section 148 of the Companies Act 1993 and section 304 of the Financial Markets Conduct Act 2013, acquisitions and disposals of relevant interests in the Company shares during the year ended 31 December 2018.

DATE OF ACQUISITION OR DISPOSAL	NAME OF DIRECTOR	NO & CLASS OF SHARES ACQUIRED OR (DISPOSED)	NATURE OF RELEVANT INTEREST	CONSIDERATION PAID OR RECEIVED
1 November 2018	Kirk Senior	(250,000)	Director of Kirk Senior Pty Ltd	($937,500)
1 November 2018	James Ogden	120,000	Legal and beneficial owner	$450,000
1 November 2018	Brian J Cadzow	93,333	Beneficial as trustee of the B & J Cadzow Family Trust	$349,999
1 November 2018	Murray Holdaway	36,667	Beneficial as trustee of the Holdaway and Geary Trust	$137,501

Shareholdings of Directors at 31 December 2018

NAME OF DIRECTOR	DIRECTLY HELD	HELD BY ASSOCIATED PERSONS
Murray Holdaway		6,087,449
Brian Cadzow		6,556,207
Kirk Senior		1,194,840
James Ogden		380,000
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 2018 are as follows:

DIRECTOR	FEES	REMUNERATION
Murray Holdaway	-	$364,479
Brian Cadzow	-	$255,415
Kirk Senior	-	$441,464
James Ogden	$87,500	
Susan Peterson	$87,500	
Cris Nicolli	$85,000	

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 2018 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 2018. The table does not include amounts paid post 31 December 2018 that related to the year ended 31 December 2018, 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	33
$110,001	-	$120,000	36
$120,001	-	$130,000	21
$130,001	-	$140,000	16
$140,001	-	$150,000	10
$150,001	-	$160,000	13
$160,001	-	$170,000	6
$170,000	-	$180,000	4
$180,001	-	$190,000	5
$190,001	-	$200,000	3
$200,001	-	$210,000	3
$210,001	-	$220,000	5
$220,001	-	$230,000	4
$230,001	-	$240,000	1
$240,001	-	$250,000	2
$250,001	-	$260,000	1
$260,001	-	$270,000	1
$270,001	-	$290,000	1
$290,001	-	$310,000	1
$310,001	-	$370,000	2
$370,001	-	$420,000	1
$420,001	-	$430,000	1
$430,001	-	$440,000	1
$440,001	-	$480,000	1
$480,001	-	$500,000	1
$500,001	-	$1,100,000	1
Total			**174**

Analysis of shareholdings at 28 February 2019

RANGE	NUMBER OF HOLDERS	ISSUED CAPITAL	% OF SHARES ISSUED
1 – 1,000	564	342,716	0.21%
1,001 – 5,000	852	2,300,425	1.39%
5,001 – 10,000	333	2,520,362	1.52%
10,001 – 50,000	297	6,010,660	3.63%
50,001 – 100,000	35	2,561,348	1.55%
Greater than 100,000	54	151,800,375	91.70%
	2,135	**165,535,886**	**100.00%**

Twenty largest shareholders at 28 February 2019

RANK	INVESTOR NAME	NUMBER OF SHARES	PERCENTAGE HOLDING
1	New Zealand Central Securities Depository Limited	83,138,824	50.22%
2	J P Morgan Nominees Australia Limited	13,598,711	8.21%
3	Brian John Cadzow & Julie Ann Cadzow & Peter Allen Lewis	6,462,874	3.90%
4	Murray Lawrence Holdaway & Helen Rachel Geary & Stephen John Mcdonald	6,087,449	3.68%
5	HSBC Custody Nominees (Australia) Limited	5,924,340	3.58%
6	Bruce Alexander Wighton & Marianne Bachler & Peter John Clark	3,415,978	2.06%
7	Weying NZ (Bvi) Limited	3,277,610	1.98%
8	Investment Custodial Services Limited	2,958,976	1.79%
9	Gregory James Trounson & Donald Mackenzie Gibson & Kathryn Mary Lee Trounson	2,352,786	1.42%
10	National Nominees Limited	2,066,999	1.25%
11	Citicorp Nominees Pty Limited	1,899,168	1.15%
12	New Zealand Depository Nominee Limited	1,553,593	0.94%
13	David Maxwell Smith & Lara Kelly Smith	1,229,914	0.74%
14	Kirk Senior Pty Limited	1,194,840	0.72%
15	Custodial Services Limited	1,180,431	0.71%
16	FNZ Custodians Limited	1,166,010	0.70%
17	Aust Executor Trustees Ltd	1,085,240	0.66%
18	Custodial Services Limited	964,919	0.58%
19	Bruce Alan Forbes	850,000	0.51%
20	Sylvia Choi & Haohua Wang	777,296	0.47%
		141,185,958	**85.29%**

Substantial Product Holders

According to notices given under the Financial Markets Conduct Act 2013, the following persons were Substantial Product Holders in the Company at 31 December 2018 in respect of the number of voting securities set opposite their names:

NAME OF SUBSTANTIAL PRODUCT HOLDER	NUMBER OF SHARES
Devon Funds Management Limited	16,058,784
Fidelity International	15,998,326
Harbour Asset Management	14,891,713
Fisher Funds Management Ltd	13,479,199

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 203,342 vested and 3,976 lapsed in the first tranche. In April 2018 138,436 vested with 43,718 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 were eligible to vest but with the vesting rate at 0% these have been carried over to 2019 so a total of 461,576 are now eligible in April 2019. The Company issued 418,010 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 Company issued 328,390 performance rights under the LTI Plan in the 2018 grant to a number of employees and these will vest in two equal tranches in April 2020 and April 2021. In addition to the original LTI scheme the Company issued 700,000 rights under the Group CEO retention scheme, with 200,000 vested during 2018 there are 500,000 rights outstanding at period end. There was also an operating segment revenue scheme established during 2018. In this scheme 197,194 performance rights were issued with the rights eligible for vesting from April 2020 to April 2023. The table below shows the grants and outstanding rights at 31 December 2018.

GRANT YEAR	PLAN TYPE	TOTAL ORIGINAL GRANT	VESTING DATES OF OUTSTANDING PERFORMANCE RIGHTS APR-19	APR-20	APR-21	APR-22	APR-23	TOTAL OUTSTANDING
2016	Original	463,376	463,376	-	-	-	-	463,376
2017	Original	418,010	-	418,010	-	-	-	418,010
2018	Original	328,390	-	108,555	109,328	110,507	-	328,390
	CEO Retention	500,000	150,000	150,000	200,000	-	-	500,000
	Segment Revenue	197,194	-	53,250	23,488	59,919	60,537	197,194
		1,025,584	150,000	311,805	332,816	170,426	60,537	1,025,584
Total		**1,906,970**	**613,376**	**729,815**	**332,816**	**170,426**	**60,537**	**1,906,970**

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 2018. 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 2018 is disclosed in note 10.1 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 2018 financial year.

Subsidiary company Directors

The following people held office as Directors of subsidiary companies at 31 December 2018:

- **Kirk Senior:** VESL, Vista Entertainment Solutions (USA), Inc., 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 Entertainment, Inc.
- **Murray Lawrence Holdaway:** Maccs International B.V., Vista Entertainment Solutions (Shanghai) Limited, 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, Vista Entertainment Solutions (Spain), S.L., Stardust Solutions Ltd, Stardust Entertainment, Inc. and Senda Dirección Tecnológica S.A. de C.V.
- **Brian John Cadzow:** VESL, Virtual Concepts Ltd, Vista Entertainment Solutions (UK) Ltd, Vista Entertainment Solutions (USA), Inc., Vista Entertainment Solutions (Canada) Ltd, Book My Show Ltd, Book My Show (NZ) Ltd, Numero Ltd, Numero (Aus) Pty Ltd, Movio Limited, Movio, Inc., Flicks Ltd and Senda Dirección Tecnológica S.A. de C.V.
- **Rodney Hyde:** Vista Entertainment Solutions (Spain), S.L.
- **L.H. Huls:** Maccs International B.V.
- **Mathieu H.W. Van As:** Maccs International B.V.
- **Rajesh Chandrakant Balpande:** Book My Show Ltd and Book My Show (NZ) Ltd
- **Simon John Burton:** Numero Ltd and Numero (Aus) Pty Ltd
- **Sven Andresen:** VPF Hub GmbH
- **Kimbal Riley:** VESL, Vista Entertainment Solutions (Canada) Ltd, Vista Entertainment Solutions (UK) Ltd, Vista Entertainment Solutions (Shanghai) Limited, Vista International Entertainment Solutions South Africa (PTY) Ltd, Vista Entertainment Solutions (Spain), S.L., movieXchange International Ltd, movieXchange Ltd, Numero Ltd, Flicks Ltd, Powster Ltd, Stardust Solutions Ltd, Stardust Entertainment, Inc. and Senda Dirección Tecnológica S.A. de C.V.
- **Derek Geoffrey Forbes:** Stardust Solutions Ltd and Stardust Entertainment, Inc.
- **Steven Thompson:** Powster Ltd, Powster, Inc. and Stardust Solutions Ltd
- **Nick Patsides:** Powster Ltd
- **Armando Mejias:** Senda Dirección Tecnológica S.A. de C.V.
- **Gustavo Ortega:** Senda Dirección Tecnológica S.A. de C.V.

Annual Meeting

The Company's Annual Meeting of shareholders will be held in Auckland on 29 May 2018 at 3:00pm. A notice of Annual Meeting and Proxy Form will be circulated to shareholders in April 2019.

Donations

The Company made donations of $121,251 (2017 – $34,395) during the 2018 financial year. This included a donation of $100,000 to the Vista Foundation.

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 2018 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 CI N
	126 North La Brea Avenue, Los Angeles, California 90036 P
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	Tamric House, The Palms Centre, 145 Sir Lowry Road, Woodstock, Cape Town, 7915, 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	Studio, Level 2, 21 Shepherd Street, Chippendale NSW 2008, Sydney N

VISTA GROUP INTERNATIONAL LIMITED
Level 3, 60 Khyber Pass Road
Newton, Auckland 1023

Phone: +64 9 984 4570
Email: info@vistagroup.co.nz
Website: www.vistagroup.co