Market Announcement

28 February 2018, Vista Group International Limited, Auckland, New Zealand

Vista Group Continues Its Stellar Run with FY2017 Result

Vista Group International (VGL: NZX/ASX), has released its FY2017 result reporting impressive growth and profitability stats across its businesses. Implementing a vertical integration strategy across the film industry since listing in August 2014, Vista Group growth has shown significant success in its drive toward achieving majority global market share across its movie industry sectors.

Financial Highlights

- 20% Revenue growth over FY2016 of $106.6m - The 4th consecutive year of 20%+ revenue growth
- 42% EBITDA[1] growth to $25.0m
- 104% Increase in operating cashflow to $11.0m
- 37% Revenue growth in Movio to $15.5m. 150% Revenue growth in Movio Media was exceptional
- 71% Revenue growth in China business over FY2016
- 21% growth in Group annuity/recurring revenue to $64.3m - representing 60% of total revenue
- 28% increase in FY2017 dividend with a final dividend of 1.74 cents per share representing a total pay-out at the top end of the policy range at 50% NPAT

Operational Highlights

- Further advanced the Vista global leadership position in the cinema industry
- 793 new Vista Cinema sites - another very strong year of site growth to a cumulative 6,350 sites
- 112 new Veezi sites to a cumulative 643 sites
- 10% increase in average license revenue per site for Vista Cinema & Veezi
- Strong growth in Movio from the closure of several long-term agreements (Epsilon, Fox, Viacom)
- 44% Growth in Movio total revenue per 1,000 active moviegoers in the US market to $449
- Strategy to increase investments to achieve control to enable consolidation into Vista Group results
    - Completion of strategic acquisition of Senda, our long-term business partner in Mexico
    - Increase in Vista Group's shareholding in Vista China to enable consolidation from the date the transaction closes (post balance date event)
- Entry into new countries such as Brazil, Italy, Austria providing new growth opportunities for FY18 onwards
- Powster continuing to build momentum as 87 of the top 100 grossing films in 2017 used the Powster platform
- Further development and innovation on core platform and new emerging technologies

Please refer to the following attachments for full details of the result.

- Media Release
- FY2017 Financial Statements and Management Commentary
- Investor Presentation
- Appendix 1 - FY2017
- Appendix 7 - FY2017

Brian Cadzow
Director – Commercial and Legal
Vista Group International Ltd
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Media Release

Vista Group Continues Its Stellar Run

Annual result reflects 20% revenue growth for the 4th consecutive year, achieves a revenue milestone of NZ$106m and delivers a 42% increase in EBITDA earnings to NZ$25m

[Auckland, NZ, 28 February 2018]: Vista Group International (VGL: NZX/ASX), announces its 2017 result today, reporting impressive growth and profitability stats across its businesses, and matching the performance record the business and investor market has come to expect from this New Zealand tech sector company. Implementing a vertical integration strategy across the film industry since listing in August 2014, Vista Group growth has shown significant success in its drive toward achieving majority global market share across its movie industry sectors.

Vista Entertainment Solutions (‘Vista Entertainment’), Vista’s founding and largest business, continued the journey with 793 new cinema sites installed with its Vista Cinema software in 2017 to achieve a cumulative total of 6,350 sites. The achievement took Vista Cinema’s share of the world’s large cinema circuit market to over 43% and equates to revenue growth of 22% (excluding the China consolidated revenue in FY2016 of $6.7m), resulting in an increase in EBITDA of 5.5 percentage points to 29%. Geographically, the company secured business in 11 new countries during 2017, notable being Brazil, Italy, Austria and Sweden.

Movio, the Group’s business that delivers data-driven marketing solutions for the film industry, delivered a 111% increase in EBITDA on a revenue acceleration of 37% to NZ$15.5m. The Movio result included 150% growth of Movio Media due to closure of agreements with film industry leaders Epsilon, 20th Century Fox, Viacom and STX Entertainment.

Additional businesses in the Group punched above their weight with the speed of their growth; Powster, providing creative services to the film industry to engage users with entertainment content, created more than 1,300 online ‘movie destinations’ representing growth of 46% on 2016 and attracting an estimated 422m visitors to its sites – an increase of 290% on the previous year. Powster works globally with more than 90 movie distributors.

Strategic and new business developments in the Group in 2017 supported the Vista Group journey: the acquisition of Vista Entertainment’s long-time business partner in Mexico, Senda; increased shareholding in

Vista China (Beijing and Shanghai) and establishing a Vista Group subsidiary company in South Africa were important developments.

As part of Vista's strategy to create efficiencies in the film industry, particularly significant was the start of trading for movieXchange – a new online platform developed by Vista that delivers, from the cloud, movie promotional media directly from distributor to cinema exhibitor, enables online listing globally of movie showtimes information and, via third party partners, enables the sale of movie tickets; movieXchange transactions have exceeded initial projections.

On the product front, the transition to a fully cloud-based Vista Cinema product gathered momentum with the release of re-imagined products in the key areas of Film Programming and Cinema Management.

Vista Group Chief Executive, Murray Holdaway remarked that he, the Board and all at Vista are absolutely delighted with the 2017 result. "Our consistent growth, including our less mature businesses, and increased income and profitability can be credited to our 600+ globally-located staff. Their hard work, engagement with our customers and unflinching determination to deliver unprecedented technology solutions and services is our biggest strength. As a business we have a shared vision to be the leader in software solutions across the film industry; our 2017 result is evidence that we have a highly committed and connected team delivering on that vision."

Vista will deliver a final dividend to its shareholders of 1.74 cents/share resulting in a total pay-out at the top end of the policy range of 2.94 cents/share for 2017 and an increase of 28% on the previous year.

[ENDS]

About Vista Group International:
Vista Group International (Vista Group) is a public company, listed on both the New Zealand and Australian stock exchanges (NZX & ASX: VGL). The Group provides software and additional technology solutions across the global film industry. Cinema management software is provided by Vista Entertainment Solutions (Vista Entertainment), the core business of the Group. Movio (authority in moviegoer data analytics), Veezi (cloud-based SaaS software for the Independent Cinema Market), movieXchange (connecting the movie industry to simplify the promotion and sale of movie tickets), Maccs (film distribution software), Numero (box office reporting software for film distributors and cinemas), Cinema Intelligence (business intelligence solutions), Powster (creative studio and marketing platform for movie studios) and Flicks (moviegoer 'go to' portal for movie information) provide an innovative range of complementary products across additional film industry sectors, from production and distribution, to cinema exhibition through to the moviegoer experience. Vista Group has offices located in New Zealand (Auckland HQ), Sydney, Los Angeles, London, Shanghai, Beijing, Mexico City, South Africa, the Netherlands and Romania.

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VISTA GROUP INTERNATIONAL LIMITED

ANNUAL FINANCIAL STATEMENTS 2017

vistagroup.co

TABLE OF

CONTENTS

01 Management Commentary

04 Statement of Comprehensive Income

05 Statement of Changes in Equity

06 Statement of Financial Position

07 Statement of Cashflows

08 Notes to the Financial Statements

MANAGEMENT COMMENTARY

The Executive and Management are pleased to present the following highlights and full year financial statements, for Vista Group International Limited (the 'Company' and its subsidiaries, collectively the 'Vista Group'), for the year ended 31 December 2017.

FINANCIAL HIGHLIGHTS

- 20% Revenue growth over FY2016 of $106.6m – The 4th consecutive year of 20%+ revenue growth
- 42% EBITDA[1] growth to $25.0m
- 104% Increase in operating cashflow to $11.0m
- 37% Revenue growth in Movio to $15.5m. 150% Revenue growth in Movio Media was exceptional
- 71% Revenue growth in China business over FY2016
- 21% growth in Group annuity/recurring revenue to $64.3m – representing 60% of total revenue
- 28% increase in FY2017 dividend with a final dividend of 1.74 cents per share representing a total pay-out at the top end of the policy range at 50% NPAT

OPERATIONAL HIGHLIGHTS

- Further advanced the Vista global leadership position in the cinema industry
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- 10% increase in average license revenue per site for Vista Cinema & Veezi
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- 44% Growth in Movio total revenue per 1,000 active moviegoers in the US market to $449
- Strategy to increase investments to achieve control to enable consolidation into Vista Group results
    - Completion of strategic acquisition of Senda, our long-term business partner in Mexico
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- Further development and innovation on core platform and new emerging technologies

SEGMENT OVERVIEW

Vista Group is pleased to provide greater transparency into the key business elements through new segment reporting.

Cinema Segment

Vista Cinema delivered another impressive performance in 2017 with 793 new cinema sites added. Revenue growth of 22% (excluding the China consolidated revenue in FY2016 of $6.7m) and a 34% improvement in EBITDA[1] performance to $19.8m. Most pleasingly was the quality improvement in EBITDA[1], up 5.5 percentage points to 29.3% of revenue.

The growth momentum continued in FY2017 through the entry to 11 new countries, most notable being Brazil (first live site up and running), Italy (first live site up and running) and Austria (largest circuit converted to Vista). These countries together with China, Japan and Saudi Arabia represent some of the largest markets for Vista in FY18 and beyond. This together with the increase in average customer spend provides confidence in the ongoing growth aspirations of Vista Cinema in the future.

Key strategic initiatives came to fruition in 2017 with the completion of the migration of Ticketsoft customers, the acquisition of a majority stake in our Latin American business partner Senda which accelerated our presence in Brazil (the 5th largest cinema market globally), and the establishment of Vista South Africa to address the developing African market.

On the product side, the transition to a fully cloud Vista Cinema product continued to gather momentum with the release of re-imagined products in key areas of Film Programming and Cinema Management. In addition, we were delighted with the development of our advanced Food & Beverage offerings.

Veezi continues to build momentum with 112 additional sites added (including 10 in China, our key Asia Pacific focus for 2018), and 20 in each of France and Sweden – key European growth markets in 2018. Revenue growth remained solid at 34% with an increase in average revenue per site driven by a substantial increase in other revenue streams, primarily 3rd party fee revenue and revenue from additional module uptake.

Movio Segment

Movio delivered a terrific result with revenue up 37% to $15.5m in total and EBITDA[1] up 111% to $3.6m.

Movio Cinema revenue grew 18% over FY2016. LATAM and EMEA regions provided growth with new customers from Argentina, Brazil, Germany, France, Estonia and Russia. Email and connection volumes increased by 28% to 1.8 billion from 1.4 billion in FY16.

Movio Media revenue increased 150% in FY2017, driven by the successful launch of the digital media campaign offerings. Long-term agreements were secured with Twentieth Century Fox, Epsilon, Viacom and STX. This revenue in 2017 is derived exclusively from the US market.

Movio continues to be one of the key growth engines for Vista Group. With the recent success in signing new long term agreements, confidence remains strong that Movio will continue to capture strong market share of the increasing "digital" marketing spend.

Additional Group Companies Segment

The Additional Group Companies segment comprises the businesses of Powster, MACCS, and Flicks, none of which individually make up the more than 10% of revenue or profit threshold required for separate disclosure.

Powster continued its strong performance in terms of both revenue growth and EBITDA[1]. During 2017 Powster created over 1,300 movie destinations representing growth of 46% on FY2016, attracting 422m total visitors to its sites, an increase of 290% from FY2016. During 2017 Powster opened a LA studio office to facilitate market entry into the US. Powster now works globally with 91 movie distributors.

MACCS has had a challenging year based on delivering a significant project which is both large and complex. We have been fully committed to deploying our Warner Bros. contract in the USA, however we have had to apply additional resources to this project with a negative impact on the FY2017 result.

Flicks has had a pleasing result with significant growth in its Australian site and it is now the largest independent movie review site in Australasia.

Early Stage Investments

This segment comprises the businesses of Cinema Intelligence, Stardust and MovieXchange, all of which are characterised as being in start-up phase. This segment represents businesses that are yet to generate positive EBITDA[1] as Vista Group invests to bring them to market.

This segment generated revenues of $1.2m and negative EBITDA[1] of $1.7m reflecting the early stage nature of the businesses in this segment.

In FY2017 Vista Group continued to innovate and invest in new opportunities that we believe present strong potential for the future. The cost of the investment in this segment in FY2017 for internally generated software development was $2.2m.

Cinema Intelligence has seen strong momentum in 2017. Cinema Intelligence achieved close to a 200% increase in new active cinema sites to 283 with customers onboarded in Europe, North America, South Africa and Indonesia. Two significant new European customers have contracted for a 2018 rollout which will provide further uplift in revenues and increase the pressure on other customers to take advantage of the value being created within this solution.

Stardust (www.stardust.co) is an exciting entry into the world of social media for the film industry. While it is not expected to generate revenue for some time, we are well advanced in our initial target of attracting 50,000 monthly active members, with 24,000 already using the Stardust platform. This has been achieved in just 6 months since the product was released to the Apple and Google application stores.

The MovieXchange platform presently has 2 product lines; MovieXchange Films (MXF) and MovieXchange Tickets (MXT).

MXF is a platform for exchanging the digital media assets (posters, stills, trailers etc) relating to a film between the IP owners (typically film distributors) and the users of these – at present cinema exhibitors. MovieXchange Films (MXF) has 10 customers in the USA and Australia and commercial returns are now being achieved. Vista and Veezi customers are the first targets for this service but the potential customer set is very broad.

MXT is a Software as a Service product that enables cinema owners to connect to a wide range of 3rd party ticket selling channels. The service assists clients with online and mobile ticket processing for which Vista receives a payment based on a per ticket rate from the 3rd party sellers. The platform generated $0.2m of revenue for FY2017. This exceeded expectations due to higher volumes of transactions processed than expected. Currently MXT operates only in the USA, however it is planned to launch in additional markets in 2018.

FINANCIAL OVERVIEW

With the achievements in FY2017, Vista Group has achieved four consecutive years of 20% plus revenue growth.

Trading performance for FY2017 represents that continuation of growth with a 20% increase in revenue over FY2016 and EBITDA(1) 42%showing strength across the business and improvements in operating leverage.

Annuity revenue continued to grow with annual maintenance, annual license income and 3rd party transaction fees all showing good increases

Administrative and operational expenses were well constrained and managed by the executive team.

Based on the increasing diversity of countries in which Vista Group does business, and upcoming changes to accounting standards, management have decided to take a more conservative approach to providing for doubtful debts. Vista has a very strong history of customer commitment to paying invoices and this is not expected to change however, in light of our increased diversity in markets an increase in the provision is seen as prudent at this stage.

The new segment reporting provides additional insight in to the performance of key segments of Vista Group's operations. This highlights the continued improvement of the major business contributors in the Cinema and Movio segments through exceptional new customer wins, an increase in average customer annual spend, and the opening of new markets.

Improvements are required in the MACCS business which impacted on the result of the Additional Group Businesses segment.

The ongoing innovation and investment in core products and our early stage investments continue to be at the cornerstone of building a stronger future for Vista Group.

Vista Group continues to maintain a very strong balance sheet. Receivables and current liabilities have been held at FY2016 levels despite the 20% lift in revenue. This shows increased focus and improvement in receivables management. Intangibles have increased through the acquisition of the controlling stake in Senda and the continued investment in internal software projects which have been capitalised ($4.9m). Borrowings have increased by $6.5m to $10.7m due to the USD loan taken to help fund, and act as a partial FX hedge, on the Senda investment.

Vista Group continues to produce positive cash flow from operating activities with operating cash flow up 104% to $11.0m. Cash reserves finished the year largely at the same level as FY2016 at $21.0m primarily due to acquisition and investment activity and the payment of the FY2016 final and FY2017 interim dividends.

With the positive operating result, balance sheet and cash position Vista Group will pay a final dividend of 1.74 cents per share ($2.9m) bringing the full FY2017 dividend to 2.94 cents per share ($4.8m) which is up 28% on the FY2016 dividend.

(1) EBITDA is defined earnings before net finance expense, income tax, depreciation, amortisation and offer costs. The expense accrual related to the VCL deferred consideration is also excluded. This is consistent with the measure used in the Prospectus date 3 July 2014.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

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

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

Kirk Senior Chairman

Susan Peterson Chair Audit and Risk Committee

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

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

NOTES TO THE FINANCIAL STATEMENTS

General information

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

Accounting policies

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

Accounting policies are identified by the symbol above.

Critical judgements and estimates in applying the accounting policies

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

1. GENERAL INFORMATION

These consolidated financial statements are for Vista Group International Limited (the 'Company' and its subsidiaries, collectively 'Vista Group') which is a company incorporated and domiciled in New Zealand, and whose shares are publicly traded on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX).

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

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

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

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

2. BASIS OF PREPARATION

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

2.1 KEY LEGISLATION AND ACCOUNTING STANDARDS

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

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

2.2 ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

2.3 BASIS OF CONSOLIDATION

Vista Group's financial statements consolidate those of the Company, and its subsidiaries as at 31 December 2017. A subsidiary is an entity over which Vista Group has control. Control is achieved when Vista Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the activities of the investee.

Consolidation of a subsidiary begins when Vista Group obtains control over the subsidiary and ceases when Vista Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included within the statement of comprehensive income from the date Vista Group gains control until the date Vista Group ceases to control the subsidiary. All subsidiaries have a reporting date of 31 December. In preparing the consolidated financial statements, all inter entity balances and transactions and unrealised profits and losses arising within the consolidated entity have been eliminated in full. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

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

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

2.4 FOREIGN CURRENCY

Functional and presentation currency

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

Transactions and balances

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

Foreign Currency Translation Reserve (FCTR)

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

Group companies

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

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

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

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

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

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

2.5 INVESTMENT IN ASSOCIATE

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

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

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

2.6 GROUP INFORMATION

The financial statements include the following subsidiaries:

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

3. FINANCIAL PERFORMANCE

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

3.1 REVENUE

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

Products

Product revenue comprises the fees for the license to use software or packaged created content. Revenue is recognised when the significant risks and rewards of ownership have been transferred by making the software usable to the licensee. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible non-implementation and return of the software.

Maintenance

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

Services

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

Development

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

Other revenue

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

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

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

Critical judgements used in applying accounting policies and estimation uncertainty

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

3.2 OPERATING SEGMENTS

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

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

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

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

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

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

Revenue by domicile of entity

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

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

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

Non-current assets by domicile of entity

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

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

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

4. BUSINESS COMBINATIONS

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

Business combinations

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

4.1 SENDA DIRECCION TECHNOLOGICA, SA DE CV

Transaction description

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

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

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

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

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

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

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

Contingent consideration

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

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

Provisional goodwill

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

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

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

(1) EBITDA is defined as earnings before net finance expenses, income tax, depreciation and amortisation

4.2 CONTINGENT CONSIDERATION ON ACQUISITIONS

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

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

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

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

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

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

Previous acquisitions

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

4.3 GOODWILL

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

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

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

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

4.4 OTHER RELATED PARTIES

ASSOCIATE COMPANIES

Vista China

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Numero Limited

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

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

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

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

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

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

The related party transactions incurred during the year include:

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

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

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

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

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

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

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

5. CASH AND CASHFLOWS

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

5.1 CASH AND SHORT TERM DEPOSITS

Cash

Cash comprises cash at bank and on hand.

Short term deposits

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

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

5.2 RECONCILIATION OF NET SURPLUS TO CASH FLOWS

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

5.3 BORROWINGS

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

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

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

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

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

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

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

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

5.4 FINANCIAL RISK MANAGEMENT

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

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

Foreign currency risk

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

To mitigate exposure to foreign currency risk, non-NZD cash flows are monitored in accordance with the Vista Group's risk management policies. Vista Group's risk management policies include treasury management and foreign exchange policies, the implementation of which is set and reviewed regularly by the Board. Vista Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The foreign exchange policy allows for the use of hedging activity however no financial instruments were in use at balance date.

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

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

The following table illustrates the sensitivity of profit or loss and equity in regards to Vista Group's financial assets and liabilities affected by USD/NZD exchange rate, the GBP/NZD exchange rate, the EUR/NZD exchange rate, the CNY/NZD exchange rate and AUD/NZD exchange rate 'all other things being equal'. It assumes a +/ – 10% change of the NZD/USD exchange rate for the year ended at 31 December 2017 (2016: 10%). A +/ – 10% change is considered for the NZD/GBP exchange rate (2016: 10%). A +/ – 10% change is considered for the NZD/AUD exchange rate (2016: 10%). A +/ – 10% change is considered for the NZD/EUR exchange rate (2016: 10%). A +/ – 10% change is considered for the CNY/NZD exchange rate (2016: 10%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Vista Group's foreign currency financial instruments held at each reporting date.

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

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

Interest rate risk

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

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

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

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

Liquidity risk

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

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

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

	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
2017						
Trade payables	7.5	-	4,413	-	-	-
Sundry accruals	7.5	-	3,988	-	-	-
Borrowings	5.3	-	-	614	10,709	-
Interest on borrowings		-	77	232	824	-
Contingent consideration	4.1	-	-	-	908	-
		-	**8,478**	**846**	**12,441**	**-**
2016						
Trade payables		-	6,229	-	-	-
Sundry accruals		-	4,231	-	-	-
Borrowings		-	-	-	4,848	-
Interest on borrowings		-	32	97	308	-
Contingent consideration		-	-	3,122	-	-
		-	**10,492**	**3,219**	**5,156**	**-**

6. CAPITAL STRUCTURE

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

Equity, reserves and dividend payments

Share capital represents the value of shares that have been issued. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Retained earnings include all current and prior period retained profits and losses. Dividend distributions payable to equity shareholders are included in trade and other payables when the dividends have been approved by the Board on or before the end of the reporting period but not yet distributed. All transactions with owners of the parent are recorded separately within equity.

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

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

6.1 CONTRIBUTED EQUITY

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

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

6.2 EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

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

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

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

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

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

Dividends

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

6.3 SHARE BASED PAYMENTS

Equity settled long term incentive scheme

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

Share based payment reserve

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

6.4 EQUITY SETTLED LONG TERM INCENTIVE SCHEME

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

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

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

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

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

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

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

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

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

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

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

Virtual Concepts Limited (VCL) incentive scheme

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

Expenses arising from share based payment transactions

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

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

6.5 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

7. ASSETS AND LIABILITIES

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

7.1 TRADE AND OTHER RECEIVABLES

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

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

Assessment of the doubtful debt provision

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

7.2 INTANGIBLE ASSETS

Intangible assets

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

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Development costs and internally generated software

Costs associated with maintaining computer software programmes are recognised as an expense within the statement of comprehensive income as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Vista Group are recognised as intangible assets only when all of the following criteria are met:

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

Other development expenditures that do not meet this criteria are recognised as an expense as incurred within operating expenses. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Other intangible assets

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

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

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

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

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

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

7.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the asset will flow to Vista Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised within the statement of comprehensive income as incurred.

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

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

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

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

7.4 IMPAIRMENT TESTING

Impairment testing of goodwill and other assets

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

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

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

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The allocation is made to those cash generating units that are expected to benefit from the business combination in which goodwill arose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Critical judgements used in applying accounting policies and estimation uncertainty

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

Goodwill and other intangible assets

The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities, particularly intangible assets is based, to a considerable extent, on management's judgement.

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

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

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

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

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

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

Other factors considered when testing goodwill for impairment include:

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

Impairment testing results

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

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

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

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

7.5 TRADE AND OTHER PAYABLES

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

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

7.6 EMPLOYEE BENEFIT PAYABLES AND ACCRUALS

Short-term employee benefits

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

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

Employee benefits expense included in total expenses

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

8. TAX

8.1 INCOME TAX EXPENSE

Income tax

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

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

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

Reconciliation of income tax expense

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

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

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

8.2 DEFERRED TAX ASSETS AND LIABILITIES

Deferred income tax

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

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

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

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

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

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

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

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

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

9. OTHER INFORMATION

9.1 EXPENSES

Government grants

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

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

Auditor's remuneration included in administration expenses

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

Other expenses

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

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

9.2 OPERATING LEASES

Leased assets

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

Operating lease commitments

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

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

9.3 FINANCIAL INSTRUMENTS

Financial instruments

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

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

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

(a) Loans and receivables

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

(b) Financial liabilities measured at amortised cost

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

Recognition and derecognition

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

Measurement

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

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

Impairment

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

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

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

Fair value of financial assets and liabilities

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

Cash and short term deposits

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

Trade, related party and other receivables

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

Trade, related party and other payables

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

Related party loans

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

Borrowings

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

Fair values

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

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

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

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

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

Financial instruments by category

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

9.4 OTHER DISCLOSURES

Contingent liabilities

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

Capital commitments

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

Events after balance date

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

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

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

Independent auditor's report

To the shareholders of Vista Group International Limited

The financial statements comprise:

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

Our opinion

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

Basis for opinion

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

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

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

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

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Our audit approach

Overview

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

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

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

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

We have determined that there are three key audit matters:

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

Materiality

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

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

Audit scope

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

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

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

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

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

Key audit matters

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

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

1. Investment in Vista Entertainment Solutions Shanghai Limited (“Vista China”) and receivables due from Vista China and Bejing Weying Technology Co. (“WePaio”).

The Group has a number of balances relating to its investment in Vista China.

As disclosed in Note 4.4, the carrying value of the Group’s investment in Vista China amounts to $26.1 million. The Group uses the equity method of accounting for its investment.

Management undertook an assessment of the fair value of its investment in Vista China which included using an independent expert to assess whether there had been any impairment of its investment. This assessment involved judgement and included consideration of:

- a valuation conducted in the previous year by the same independent expert;
- the subsequent trading performance of Vista China and the draft 2018 budget;
- the price at which Vista and WePaio agreed to sell and purchase shares in Vista China subsequent to the year end; and
- assumptions relating to a minority discount.

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

As disclosed in Note 7.1 and Note 9.4 at year end a receivable of $8.7 million is owed from WePaio related to the sale of shares in Vista China in 2016. Subsequent to balance date, the

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In relation to the investment in Vista China and the receivable due from WePaio, we reviewed the assessment of the fair value undertaken by management and their independent expert with the assistance of our internal valuation expert. Our procedures included:

- Discussions with management, including those outside of finance, to gain an understanding of the strategy and performance to date of Vista China;
- Comparison of the assessment of fair value undertaken by managements expert to the independent valuation undertaken by the same management expert in 2016;
- Agreeing the transaction price of Vista China shares purchased by the Group subsequent to year end to the sale and purchase agreement;
- Gaining an understanding of how the fair value of the transaction price had been determined between the Group and WePaio through discussions with key management and the Board;
- Assessing whether the minority discount assumed was within an acceptable range based on our own knowledge of similar past transactions; and
- Reviewing Board meeting to identify any events or conditions that indicate potential impairment of the investment or receivable that have arisen since the initial sale and purchase in 2016.

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Group entered into a conditional agreement to purchase 7.9% of the shares in Vista China from WePiao for $8.7 million. This is to be settled through the extinguishment of the receivable owed by WePiao together with cash.

As disclosed in Note 4.4 at year end the Group is owed $5.4 million from Vista China relating to receivables owing prior to the sale of shares in Vista China in 2016 and $7.3 million owing under the terms of the Reseller Agreement.

Management has applied judgement in determining the recoverability of these receivables and have determined that no doubtful debt provision is required.

Our audit procedures in relation to amounts owing from Vista China under the Reseller Agreement and 2016 Sale and Purchase Agreement included:

- Obtaining written confirmations from Vista China of the amounts owing to the Group at balance date and that the performance obligations under the Reseller Agreement had been met;
- Obtaining the Vista China Board of Director meeting minutes where amounts had been approved for payment by the Directors of Vista China; and
- Assessing Vista China's ability to pay amounts owing through reviewing the financial performance and position of Vista China and confirming the cash position to bank statements at year end and at 27 February 2018.

We have no material matters to report.

Impairment testing of goodwill

Note 4.3 provides details of the goodwill balance of $62.8 million as at 31 December 2017.

Management perform an annual assessment to determine whether there is any impairment of goodwill. This is disclosed in Note 7.4.

The value in use methodology was used to value each cash generating unit (CGU) and then these values are compared to the carrying value of the associated net assets, including goodwill, of each CGU, as at 31 December 2017.

The valuations involve the application of significant judgment in determining certain key assumptions and estimates, specifically:

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

Our audit procedures in relation to impairment testing of goodwill included the following.

We gained an understanding of the business processes and controls applied by management in assessing whether there was any impairment of goodwill.

We held discussions with management, including those outside of the finance team, about the performance of each CGU and whether there were any events or circumstances that indicated that the carrying value of the CGU, including goodwill, was impaired.

We assessed the reasonableness of the key estimates and assumptions made by management in the various valuations, by performing the following procedures with the assistance of our internal valuation expert:

- Obtaining an understanding of how management prepared its budgets and forecast and the associated review and approval processes;
- Assessing the reliability of management's ability to budget and forecast;

Management's assessment concluded that goodwill was not impaired as at 31 December 2017. However, the valuations of Share Dimension BV and MACCS International BV were sensitive to reasonably possible changes in revenue growth assumptions, long term growth and the discount rate, and such changes could result in an impairment, as disclosed in Note 7.4 of the financial statements.

- Comparing the growth rates used over the 5 year period to historical growth rates, board approved budgets and other strategic and operational initiatives being undertaken, as well as challenging whether the historical growth rates are sustainable as the businesses mature;
- Comparing the terminal growth rates to industry growth rates for similar market participants;
- Evaluating the discount rates used and comparing these discount rates against similar market participants; and
- Performing our own sensitivity analysis on the impact of changing key assumptions to consider whether any reasonably possible changes could result in impairment of goodwill.

We have no material matters to report.

Recoverability of trade receivables and other receivables

Trade and other receivables are disclosed in Note 7.1. The Group had $18.2 million of trade receivables (excluding Vista China) that are past due but not impaired at 31 December 2017, as disclosed in Note 5.4.

Management assessed the recoverability of trade and other receivables, which involved judgements in relation to assessing the credit risk of the associated customers or counterparty and expected future cash flows based on, payment history, age of the debt and the nature of the customer relationship.

Management concluded that it was appropriate to recognise an impairment provision of $1.0 million at 31 December 2017, as disclosed in Note 7.1 and a provision relating to advances to an associate of $1.7 million, as disclosed in Note 4.4.

Our audit procedures in relation to recoverability of trade receivables and other receivables included the following.

We gained an understanding of the business processes and controls over managing overdue trade and other receivables, and the determination of doubtful debt provisions.

We considered the historical recoverability of the aged debt as well as the Group's experience of bad debts.

We tested on sample basis the aging of receivables back to invoices to assess the accuracy of the aged trade receivable report used in determining doubtful debts.

On a sample basis, we performed the following procedures to assess the recoverability of trade and other receivables:

- gained an understanding of the customer or counterparty terms and conditions;
- validated whether any payments had been received from customers or counterparty subsequent to balance date and confirmed these payments to bank statements and remittance advices;

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

We have no material matters to report.

Information other than the financial statements and auditor's report

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

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

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants
28 February 2018

Auckland

VISTA GROUP INTERNATIONAL LIMITED
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Newton, Auckland 1023

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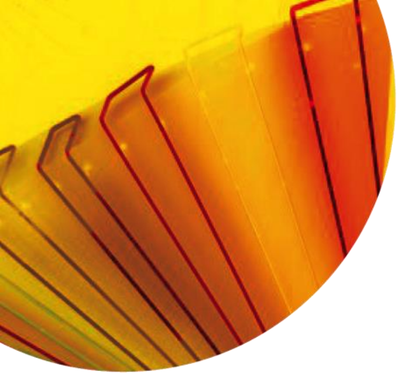


VISTA GROUP 2017 FULL YEAR RESULTS

28 February 2018

AGENDA

- Introduction and 2017 Highlights
- Financial Results
- Operational update
- Vista China – Opportunities and increase in equity
- Outlook
- Questions

VISTA GROUP FY17 SUMMARY

- Another great year of growth advancing global leadership for Vista Group
  - **20%** increase in Revenue – the 4th consecutive year of 20+% growth
  - **57%** increase in Operating Profit
  - **104%** increase in Operating Cash Flow
  - **20%** increase in recurring revenue to $64m – **60%** of total revenue
  - **31%** CAGR for Revenue and **38%** CAGR for EBITDA since IPO
- Maintained very strong balance sheet, low debt and strong cash position
- Advanced our strategy of moving to controlling positions in our investments through transactions in China and Latin America
- Appointment and transition of new CEO
- Outlook remains very strong.

FINANCIAL HIGHLIGHTS

TOTAL REVENUE

$106.6m

(up 20%)

RECURRING REVENUE

$64.3m

(up 20%)

OPERATING PROFIT

$20.4m

(up 57%)

EBITDA[1]

$25.0m

(up 42%)

OPERATING CASHFLOW

$11.0m

(up 104%)

FINAL DIVIDEND

1.74

CENTS P/SHARE

(Total FY17 dividend up 28%)

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

INTRODUCING – KIMBAL RILEY

- As announced on 24 January Kimbal will take over the role of VGL Chief Executive from 3 April 2018
- Kimbal will take part in the investor call and roadshow to meet major stakeholders
- Kimbal has lead Vista Entertainment for the last 4 years, a period of significant growth and development for the business which has seen that business unit as a high growth driver for VGL as a whole
- Prior to his role within VGL Kimbal has had an extensive career in senior executive roles in the IT and services industries in New Zealand and overseas.

MURRAY HOLDAWAY
CHIEF PRODUCT OFFICER

- Focusing on Group Wide product strategy to improve synergies across Vista Group
- Working directly with product managers to assist in product directions
- Ensuring we maximise the commercial value of our products
- Meeting more with customers and industry to better determine market requirements
- Assist with our product marketing initiatives
- Evaluating new development opportunities and possible acquisitions
- Continuing work with the Vista Board.

VISTA GROUP

OPERATING SEGMENTS

CINEMA	Vista, Veezi, MovieTeam
MOVIO	MOVIO
ADDITIONAL GROUP COMPANIES	Powster, maccs, Flicks
EARLY STAGE INVESTMENTS	Stardust, Cinema Intelligence, movieXchange
ASSOCIATES	numero, VISTA CHINA

TRADING PERFORMANCE

	For twelve months ended		
NZ$m	**31 Dec 2017**	**31 Dec 2016**	**%**
Revenue	106.6	88.6	20.3%
Expenses	87.0	74.2	17.3%
Foreign exchange losses / (gains)	(0.8)	1.4	
Operating Profit	20.4	13.0	56.9%
Other Revenue / (costs) *excluding capital gain on 2016 China transaction*	(3.6)	(1.1)	
Profit Before Tax *Excluding capital gain on 2016 China transaction*	16.8	11.9	41.2%
Capital Gain – 2016 China transaction	0.0	41.1	
Profit Before Tax	16.8	53.0	-68.3%
Net Profit attributable to Vista Group Shareholders	9.7	48.6	-80.0%
NZ$m	**2017 Actual**	**2016 Actual**	
EBITDA	25.0	17.6	42.0%

- Another year of 20%+ Revenue Growth
- Profit and EBITDA improvements as some operating leverage achieved across the Group.

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

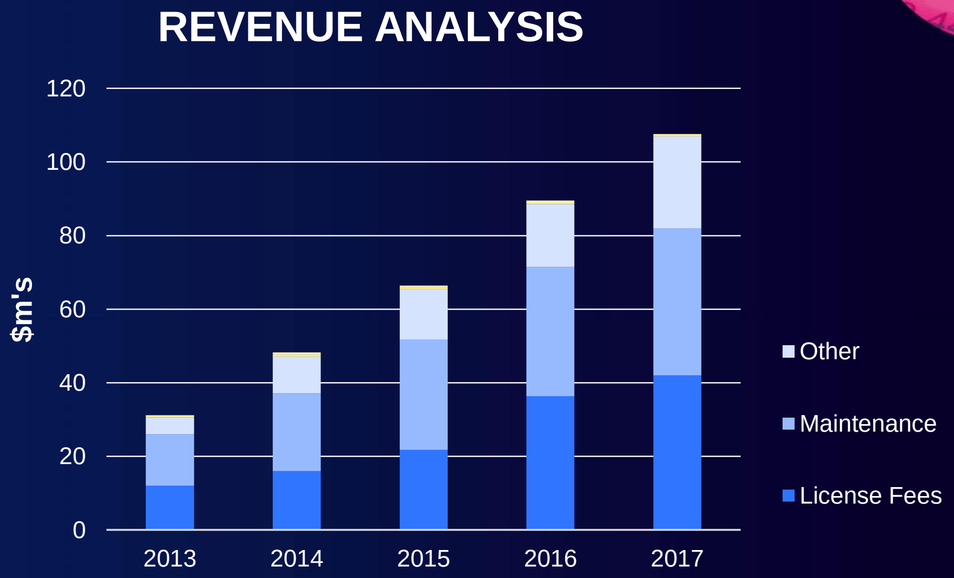
VISTA GROUP – Revenue Analysis

20%

REVENUE GROWTH OVER 2016

21%

INCREASE IN VALUE OF RECURRING REVENUE OVER 2016 TO $64M



OPERATING SEGMENTS

2017

NZ$M	Cinema	Movio	Additional Group Companies	Early Stage Investments	Corporate	Total
Revenue	67.6	15.5	12.3	1.2	10.0	106.6
EBITDA	19.8	3.6	0.6	(1.7)	2.7	25.0

2016

NZ$M	Cinema	Movio	Additional Group Companies	Early Stage Investments	Corporate	Total
Revenue	62.1	11.3	12.1	0.6	2.5	88.6
EBITDA	14.8	1.7	3.6	(1.3)	(1.2)	17.6

- Cinema segment grew 22% on a like for like basis excluding Vista China revenue in 2016 ($6.7m).
- China localisation revenue reported in Corporate but the cost of delivery is embedded within Vista Cinema and Movio.
- Strong growth in core segments. Below par result in Additional Group Companies segment. Significant Opportunity for uplift in future periods in this segment.

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

FINANCIAL POSITION

NZ$m	31 Dec 2017	31 Dec 2016
Current Assets		
Cash & short term deposits	21.0	21.3
Other receivables	71.3	73.9
	92.3	**95.2**
Non Current Assets		
Plant & equipment	4.6	4.1
Investment in associate	26.1	27.7
Intangibles	81.2	64.6
	111.9	**96.4**
Total Assets	**204.2**	**191.6**
Current liabilities	**41.2**	**42.4**
Non current liabilities		
Loans	10.7	4.8
Deferred tax and consideration	4.2	6.0
	14.9	**10.8**
Net Assets	**148.1**	**138.4**
Share capital	57.8	55.7
Retained earnings	75.2	71.3
Reserves	3.9	0.7
Non controlling interests	11.2	10.7
Total Equity	**148.1**	**138.4**

- Strong balance sheet maintained giving capacity to take advantage of new opportunities and development as well as support dividend program
- Cash levels strong as China transaction cash is received from WePiao and Vista China
- Receivables and Current liabilities at 2016 levels despite higher trading levels
- Increase in intangibles reflects Goodwill from Senda acquisition and investment in capitalised software development
- Additional borrowing in relation to Senda acquisition (in USD to provide partial hedge to investment) but still at low levels.

CASH FLOW

NZ$m	For twelve months ended 31 Dec 2017	31 Dec 2016
Receipts from customers	**105.1**	**69.7**
Cash was applied to:		
Payments to suppliers	(87.1)	(58.5)
Tax & interest	(7.0)	(5.8)
	(94.1)	**(64.3)**
Net cash flow from operating	**11.0**	**5.4**
Cash applied to investing activities		
Investments – including business acquisitions	(10.4)	(12.1)
Proceeds from divestments	8.3	0.0
Other investing activities	(8.3)	(5.9)
	(10.4)	(18.0)
Cash from financing activities		
Proceeds from Share Issue	0.0	8.0
Loans and borrowings	6.5	0.0
Dividends paid	(6.4)	-
	0.1	**8.0**
Net movement in cash held	**(0.7)**	**(4.6)**
Foreign exchange differences	**(1.0)**	**(1.4)**
Cash balance	**21.0**	**21.3**

- Strong cash receipts from trading drives increase in operating cash flow
- Investment activity includes investment in Senda, capitalised software development and operating assets offset by cash receipts from WePiao for Vista China share sale
- Loans and borrowings shows the additional USD loan in relation to the Senda acquisition
- 2016 final dividend paid in March and 2017 interim dividend paid in September
- Overall cash outlook remains strong with the business generating cash and some receipts (circa $10m) still due from Vista China.

DIVIDEND PROPOSAL

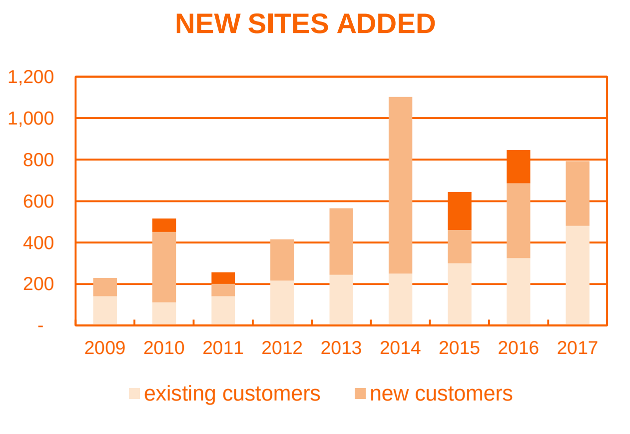
- The directors have resolved to pay a final dividend at the top of the policy range (50%) and that the dividend will carry full imputation credits
- The value of the dividend will be 1.74 cents per share representing a total payment of $2.9m
- The record date for the dividend is 5pm on Monday, 12 March 2018 with the payment date set for Friday, 23 March 2018
- This is in addition to the interim dividend declared and paid in September 2017 of 2.40 cents per share (equivalent to 1.20 cents per share after the 2 for 1 share split undertaken in November 2017)
- Total FY17 dividend 28% increase on FY16.

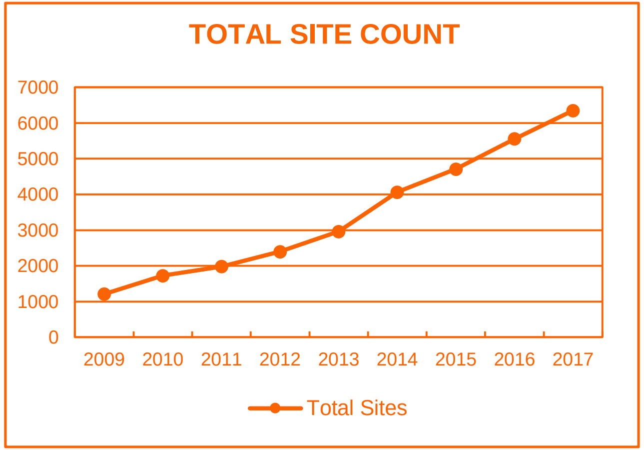
VISTA GROUP OPERATIONAL HIGHLIGHTS

CINEMA SEGMENT

Vista Cinema provides cinema management software to the world's largest cinema exhibitors

- 793 new sites in 2017 bringing total to 6350
- New markets — Brazil and Italy
- 93 installed countries - increase of 11
- 8 out of the 10 largest cinema exhibitors use Vista Cinema within their circuits.





14%
growth in total sites to 6,350

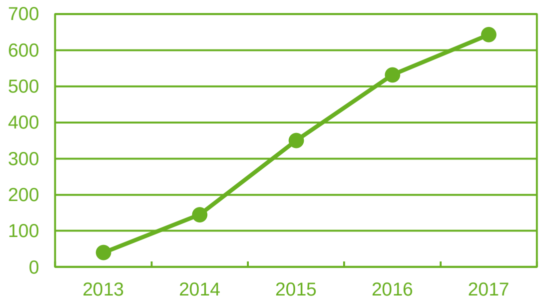
10%
increase in average site license to $30k

CINEMA SEGMENT - continued

Provides cinema management software to the world's independent cinema exhibitors

- 112 sites bring site numbers to 643. 8% increase in revenue per site.
- Release of new chargeable additional modules, including Kiosk and Veezi Voucher & Gift Card Manager
- New business partners signed in EMEA
- Your Cinema by Flicks web sites added as additional service, helping drive online sales and revenue. Over 50 signups in 2017
- Revenue sharing deals signed with payment providers.

VEEZI - TOTAL SITE COUNT



8%
increase in site revenue to $517 p.mth

27
countries with sites using Veezi

30%
increase in ARR to $4.0m

23%
growth in contracted sites to 643

CINEMA SEGMENT - continued

DRIVERS FOR GROWTH

vista

- Cloud version for Vista Cinema on track with first modules delivered Q1 2018. Expectation of new demand for this product
- Continued product innovation meeting new market demands Complex Food & Beverage, Mobile self service
- Competitive wins in USA
- Expansion into new markets – Brazil, Italy, Japan
- Significant demand in Latin America, Eastern Europe and new market of Saudi Arabia
- New direct presence in South Africa to capture expected growth in Africa
- China – refer to separate slide.

VEEZI

- Strong expectation of growth in China
- Legislative changes driving demand in France
- Packaging hardware to address 500+ sites in USA
- Revenue Share deals with partners to drive added revenue per site
- Virtual Reality rooms.

MOVIO SEGMENT

MOVIO

Global leader in data driven marketing to provide products and services to cinema exhibitors, film studios and their media agencies and other specialists in film advertising

Purpose – to connect moviegoers with their ideal movie

- Major customer growth in Latin America and Europe for Movio Cinema
- Email and connection volumes increased by 28% to 1.8B
- Active moviegoers held by Movio increases by 21% to 45M
- Long term agreements for Movio Media with Epsilon, Viacom, STX and Twentieth Century Fox
- Movio Media drives revenue per active movie goer in USA up by 44%.

2017 PERFORMANCE METRICS

37%
growth total revenue to $15.6m

150%
growth in Movio Media revenue

44%
growth in total revenue per active moviegoers in the USA to 45 cents

15%
growth in Global total revenue per active moviegoers to 35 cents

28%
growth in connection messages sent to 1.8bn

MOVIO SEGMENT

GROWTH STRATEGY

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

	Active Moviegoers (millions)		Revenue/Active Moviegoer (US cents)	
	2016	**2017**	**2016**	**2017**
USA	22	24	31	45
Rest of World	16	21	28	23
Global	38	45	30	35

MOVIEGOERS
- Extend reach through Vista Cinema user base
- Extend use of generic API for non Vista Cinema users. In use with Cinemark Brazil.

AUDIENCE
- Productisation of Movio Insights module for advanced targeting of active members
- Employ machine learning to move beyond simple demographic targeting

CONNECT
- Increase the channels to reach moviegoers with targeted campaigns
- Beyond email & SMS to digital targeting via the web, social and mobile applications
- Extend relationships with channel partners (Epsilon, Viacom etc)

MEASURE
- Unique benefit of the ability to track actual transaction activity (via cinema POS partners) driven by a campaign
- Enhance post campaign measurement of campaign effectiveness

ADDITIONAL GROUP COMPANIES SEGMENT

POWSTER

World leading film marketing products

- Strong growth in revenue and EBITDA
- Created 46% more movie destination sites (1,300) in 2017
- 87 of the top 100 grossing movies used the Powster Movie platform with total site visits up 290% to 422m
- Opened LA studio and completed successful entry to the USA.

maccs

Provides world leading theatrical distribution software

- Tough year for MACCS which impacted on this segments overall result
- Heavily focused on completion of Warner Bros. USA implementation - large and complex
- New CEO to be appointed to lead next phase
- 5,500+ cinema sites delivering weekly audited box office results to MACCSBox.

FLICKS

Movie and cinema review and showtime guide

- Site visits up 34% to 6.6m and page visits up 42% to 17.9m in Australia
- Now the largest independent movie site in Australasia.

EARLY STAGE INVESTMENTS SEGMENT

CINEMA INTELLIGENCE

Software to optimise film forecasting and scheduling

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

movieXchange

A new platform to share film digital assets & enable new cinema ticketing sales channels to access cinema exhibitors

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

Stardust

Social app to share video reaction to movies and tv shows

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

ASSOCIATE COMPANIES

numero

Box office tracking and reporting product

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

VISTA GROUP

CHINA – A POTENTIAL GROWTH ENGINE

- Revenue of NZ$17m, an increase of 71% over FY16
- Vista Cinema 12% of large competitive market
- Veezi gained first sites in China in 2017
- $21m NZD cash repatriated to New Zealand to date.

GROWTH

- Third Party revenue (Vista share of online ticket sales) – already significant with huge upside
- Mobile and Web opportunities for cinemas
- Site market share – huge opportunity to grow from present market share as China cinema matures
- Movio – huge data opportunity with assistance from JV partner; localisation now complete
- Veezi – almost ‘unlimited’ upside with opportunities to gain sites in large ‘batches’
- Wider sales for Numero China data.

VISTA CHINA TRANSACTION DETAILS

- Execution of strategy to consolidate or achieve control of our investments.
- Vista Group to acquire 7.9% of the equity in Vista China which was held by WePiao – Vista Group and WePiao will each own 47.5% of Vista China.
- Vista China will become a controlled entity and its results will be consolidated from the date regulatory approval is obtained.
- The $NZD7.7m price for this 7.9% stake (based on the original valuation of Vista China in 2016) has been ‘off-set’ against the monies outstanding from WePiao to Vista Group. Final amounts owed by WePiao under the transaction have now been settled.
- This is a very positive result for Vista Group and will enable the growth in Vista China, and the impact of the China market as a whole, to be better reflected within the Vista Group results.
- This will be revenue and earnings accretive to Vista Group from the date of consolidation.

OUTLOOK

- Strong pipeline across the Group supports a 5th consecutive year of 20+% revenue growth
- New CEO and Chief Product Officer brings new focus to each role to benefit the Group overall
- Penetration of new markets and emerging large markets provides significant growth opportunities across all businesses
- Exciting new capabilities in the Movio product suite, and Increased take-up of Movio Media with signed deals and increasing digital spend provides strong driver of revenue per active movie goer
- Vista China is ideally positioned to exploit the size continued growth to now be consolidated in Vista Group results
- The Global cinema market continues to show strength, admissions and box office increasing in many territories, driving a continued growth in sites and screens, which create opportunities for all group companies

QUESTIONS?

IMPORTANT NOTICE

This presentation has been prepared by Vista Group International Limited ("Vista Group").

Information in this presentation:

- is provided for general information purposes only, does not purport to be complete or comprehensive and is not an offer or invitation for subscription, purchase or recommendation of securities in Vista Group. This presentation does not constitute investment advice;
- should be read in conjunction with, and is subject to, Vista Group's financial statements, market releases and information published on Vista Group's website (www.vistagroup.co.nz);
- may include projections or forward looking statements about Vista Group and the environment in which Vista Group operates. Such forward-looking statements are based upon current expectations and involve risks, uncertainties and contingencies outside of Vista Group's control. Vista Group's actual results or performance may differ materially from these statements. Although management may indicate and believe the assumptions underlying the forward looking statements are reasonable, any assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised;
- may include statements relating to past performance, which should not be regarded as a reliable indicator of future performance.

While all reasonable care has been taken in compiling this presentation, Vista Group accepts no responsibility for any errors or omissions.

All information in this presentation is current at the date of this presentation, unless otherwise stated.

All currency amounts are in NZ dollars, unless stated otherwise.

MARKET ANNOUNCEMENT

28 February 2018, Vista Group International Ltd, Auckland, New Zealand

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Vista Group – NZX Appendix 1

Reporting Period	12	months to	31 December 2017
Previous Reporting Period	12	months to	31 December 2016

	Amount $000's NZ$	Percentage change %
Revenue from ordinary activities	$ 106,623	20.4%
Net Profit / (Loss) from ordinary activities after tax attributable to security holders	$ 9,983	32.2%
Net profit / (loss) attributable to security holders	$ 9,676	-80.1%

	2017	2016
Net tangible assets per share *Note: the 2016 value of $1.231 is restated for comparative purposes to adjust for the 2 for 1 share split in November 2017*	$ 0.602	$ 0.615

Final Dividend	Amount per security	Imputed amount per security
	NZ 1.74 cents per share	NZ 0.68 cents per share

Record Date for Dividends 12 March, 2018

Dividend Payment Date 23 March, 2018

Comments Refer also to other documents released (audited financial statements, market announcement, results presentation and Appendix 7)

The 2017 result for Vista Group represents strong growth in revenue and shows the strength of Vista Group in producing consistent revenue growth, sustained profit growth and positive operating cashflow.

The Net profit/(loss) after tax attributable to security holders in the 2016 comparative does include the one-off capital gain ($41.1m) on the sale of a majority stake in Vista China during 2016.

MARKET ANNOUNCEMENT

28 February 2018, Vista Group International Ltd, Auckland, New Zealand

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Vista Group – NZX Appendix 7

The Appendix 7 details required under the NZX listing rules are contained on the following page

Brian J Cadzow, Director Commercial and Legal
Vista Group International
Contact +64 9 984 4570

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Number of pages including this one (Please provide any other relevant details on additional pages)

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Full name of Issuer	Vista Group International Limited
Name of officer authorised to make this notice	Rodney Hyde
Authority for event, e.g. Directors' resolution	Directors Resolution
Contact phone number	(09) 984 4570
Contact fax number	
Date	28 / 02 / 2018

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: Taxable	☐
/ Non Taxable	☐
Conversion	☐
Interest	☐
Rights Issue Renouncable	
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	X
If ticked, state whether: Interim	☐
Full Year	X
Special	☐
DRP Applies	☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Ordinary Shares
ISIN	NZVGLE0003S1

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN	

If unknown, contact NZX

Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date	
Treatment of Fractions	
Tick if pari passu	☐
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Enter N/A if not applicable

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.017365
Source of Payment	Revenue Reserves
Excluded income per security (only applicable to listed PIEs)	Nil
Currency	New Zealand Dollars
Total monies	$2,861,004

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	Nil
Date Payable	

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	
Imputation Credits (Give details)	$0.006753
Foreign Withholding Tax	
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements -	12 March, 2017
Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.	23 March, 2017
Notice Date Entitlement letters, call notices, conversion notices mailed	
Allotment Date For the issue of new securities. Must be within 5 business days of application closing date.	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code: