

VISTA GROUP INTERNATIONAL LIMITED
ANNUAL REPORT 2015



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This report is dated 18 March 2016 and is signed on behalf of the Board of Vista Group International Limited by Kirk Senior, Chairman, and Murray Holdaway, Chief Executive.



K Senior
CHAIRMAN
18 March 2016



M Holdaway
CHIEF EXECUTIVE
18 March 2016



CHAIRMAN AND CEO'S LETTER

Dear Shareholder,

We are delighted to present you with the second annual report of Vista Group International Limited (**Vista Group**).

Vista Group delivered strong growth in 2015, exceeding the revenue and EBITDA of 2014 as well as the Prospective Financial Information (PFI) forecasts set out as part of our initial public offering in August 2014.

Vista Group revenue of \$65.4m was \$3.9m or 6% up on the PFI forecast and 39% up on 2014. EBITDA of \$15.1m was ahead of PFI forecast by 14% and ahead of the prior year by 60%.

We expect to maintain annual revenue growth in the 20-30% range per year.

We achieved another very strong performance by Vista Entertainment, installing Vista Cinema, our enterprise management software in 461 new cinema sites and significantly growing our recurring annual maintenance revenue. Regal Entertainment Group, the world's largest cinema operator, strengthened their product and financial commitment to the Vista Group and we also acquired a strong competitor, Ticketsoft, in the USA. We continue to grow our market share in existing major markets as well as establish key partners in new major markets where we had no presence, including France, Japan, and Russia.

Veezi exceeded PFI targets for installed sites and revenue, reaching 350 installed sites by the end of the financial year and with very strong momentum coming into 2016. Sales in the key markets of USA and UK continue to build. We are continuing to add new functionality to the Veezi product and are pleased that our monthly average revenue per site has increased to \$443, from \$260 in the prior year. The appointment of a distributor in France (one of the world's largest independent cinema markets), recent certification in China and opportunities in India, provide us with great expectations for Veezi.

Movio's performance in FY15 has been strategically impressive for both its Movio Cinema and Movio Media products. 17 new circuits signed to the Movio Cinema platform, including AMC in the USA, and member profiles in the Movio database increased 212% to 81m (from 26m in May 2014). It is likely that this database is now the largest database of cinema going habits in the world. The Movio Media product has been fully released to the market and the signing of NCM to the full platform was an early success. Major US based studios have continued to contract for use of the product on a campaign basis, and Sony Pictures has now signed for a 6 month, 5 film deployment. The future growth prospects of Movio Media are very positive and should have a significant impact on future Vista Group revenue.

MACCS achieved its major goal for 2015 and signed Warner Bros. in the USA in July. Warner Bros. have used the software internationally in 22 territories, and the addition of the USA business was an important milestone for MACCS. It will also provide a platform for growth in to the epicentre of the film industry, Hollywood. MACCS international business continues to grow, now operating in 45 countries around the world, an increase of 12 countries in the last 18 months.

Numero Limited's technology is leading edge and continues to receive great reviews from both distributors and exhibitors, in a tightly competitive niche business. 2015 was a milestone year, with revenue commencing for this start-up company as the first major studios signed for the product. The technology has great application within its defined business, but potentially also across our other Vista Group businesses.

The Board has reviewed its dividend policy and intends to commence paying dividends from the FY16 year based on 30% to 50% of net profit after tax; of course, this is subject to immediate and future growth opportunities and identified capital expenditure requirements. The dividends will be provided with the maximum value of imputation (franking) credits available to the company to apply to the dividend.

We continue to recruit, retain and incentivise people of the highest calibre, right across Vista Group. Staff numbers across the group grew by more than 100 staff and Vista Group now employs over 350 staff in 7 countries. The continued efforts and innovation of our management and staff is of the highest order and coming to work each day is exciting and rewarding.

We have commenced 2016 very strongly and with great confidence in the outlook. We have a terrific group of businesses, all with tremendous growth to come. Our absolute focus is on maximising the potential of each business, individually and collectively. That will come from organic growth as well as select acquisitions where appropriate.

Thank you, our investors, for your continued support - our story still has many exciting chapters to go.

Yours sincerely,

Kirk Senior
CHAIRMAN

Murray Holdaway
CEO AND FOUNDER

VISTA GROUP COMPANIES



VISTA
ENTERTAINMENT
SOLUTIONS (VES)
100%

MOVIO

MOVIO
100%

MACCS
INTERNATIONAL

MACCS
INTERNATIONAL B.V.
50.1%

numero 

NUMERO
50%



SHARE
DIMENSION®

SHARE
DIMENSION
50%





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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

CORPORATE INFORMATION

DIRECTORS

Kirk Senior
Murray Holdaway
Brian Cadzow
Susan Peterson
James Ogden

REGISTERED OFFICE

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NATURE OF BUSINESS

Provision of management solutions for the film industry

COMPANY NUMBER

1353402

ARBN

600 417 203

AUDITOR

PricewaterhouseCoopers,
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SOLICITORS

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SHARE REGISTRY

New Zealand

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

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Shanghai 200020
People's Republic of China

Australia**Commonwealth Bank of Australia**

Level 10, 101 George Street
Parramatta
NSW 2150
Australia

DIRECTORS' REPORT

The Board of Directors present the financial statements of the Group for the year ended 31 December 2015 and the independent auditor's report thereon.

For and on behalf of the Board of Directors who approved these financial statements for issue on 26 February 2016.



Kirk Senior
CHAIRMAN
26 February 2016



M Holdaway
DIRECTOR
26 February 2016



Independent Auditors' Report

to the shareholders of Vista Group International Limited

Report on the Financial Statements

We have audited the Group financial statements of Vista Group International Limited (“the Company”) on pages 11 to 53, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 December 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of related assurance services and executive remuneration advice. The provision of these other services has not impaired our independence.

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Independent Auditors' Report

Vista Group International Limited

Opinion

In our opinion, the financial statements on pages 11 to 53 present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
26 February 2016

Auckland, New Zealand

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
			RESTATED
	NOTES	NZ\$'000	NZ\$'000
Revenue	10	65,431	47,158
Total revenue		65,431	47,158
Sales and marketing expenses		4,567	3,374
Operating expenses	11	31,727	22,552
Administration expenses	11	17,995	14,638
Acquisition expenses	7	2,722	933
Foreign currency (gains) / losses		(1,742)	81
Total expenses		55,269	41,578
Operating profit		10,162	5,580
Finance costs		(503)	(150)
Finance income		462	706
Share of profit / (loss) from associate	25	-	(537)
Gain resulting on revaluing the previously held equity accounted 57% share of VCL when it became a subsidiary	7	-	8,500
Impairment of VCL goodwill	7	-	(3,554)
Profit before tax		10,121	10,545
Tax expense	11	(3,981)	(2,599)
Profit for the year		6,140	7,946
Profit for the year is attributable to:			
Owners of the parent		5,753	8,122
Non-controlling interests		387	(176)
		6,140	7,946
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		510	81
Total comprehensive income for the year		6,650	8,027
Total comprehensive income for the year is attributable to:			
Owners of the parent		6,346	8,203
Non-controlling interests		304	(176)
		6,650	8,027
Earnings per share for profit attributable to the equity holders of the parent			
Basic (cents per share)	23	\$0.07	\$0.12
Diluted (cents per share)	23	\$0.07	\$0.12

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	ATTRIBUTABLE TO THE OWNERS OF THE PARENT							TOTAL EQUITY
		CONTRIBUTED EQUITY	RETAINED EARNINGS	FOREIGN CURRENCY RESERVE	SHARE-BASED PAYMENT RESERVE	TOTAL	NON-CONTROLLING INTERESTS	
	NOTES	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	
Balance at 1 January 2015 (RESTATED)		45,952	15,895	(429)	1,666	63,084	7,675	70,759
Profit for the year		-	5,753	-	-	5,753	387	6,140
Other comprehensive income		-	-	593	-	593	(83)	510
Total comprehensive income		-	5,753	593	-	6,346	304	6,650
Share-based payments	12	-	-	-	1,643	1,643	-	1,643
2014 Employee share-based payment transactions - closed in 2015	12	-	1,013	-	(1,013)	-	-	-
Balance at 31 December 2015		45,952	22,661	164	2,296	71,073	7,979	79,052
Balance at 1 January 2014		1,100	11,273	(40)	-	12,333	-	12,333
Profit/(loss) for the period		-	8,122	-	-	8,122	(176)	7,946
Other comprehensive income		-	-	81	-	81	-	81
Total comprehensive income for the year		-	8,122	81	-	8,203	(176)	8,027
Issue of share capital		44,852	-	-	-	44,852	7,851	52,703
Share-based payments	12	-	-	-	1,666	1,666	-	1,666
Dividends	23	-	(3,500)	-	-	(3,500)	-	(3,500)
Acquisition of non-controlling interests		-	-	(470)	-	(470)	-	(470)
Balance at 31 December 2014 (RESTATED)		45,952	15,895	(429)	1,666	63,084	7,675	70,759

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 2015

		2015	2014
			RESTATED
	NOTES	NZ\$'000	NZ\$'000
CURRENT ASSETS			
Cash	14	16,863	10,519
Short term deposits	14	10,437	20,227
Trade and other receivables	15	30,069	21,898
Income tax receivable		517	155
Total current assets		57,886	52,799
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,380	2,047
Goodwill	18	41,109	33,716
Intangible assets	17	9,152	6,345
Deferred tax asset	22	220	-
Total non-current assets		52,861	42,108
Total assets		110,747	94,907
CURRENT LIABILITIES			
Trade and other payables	19	6,637	4,725
Deferred revenue		14,476	12,210
Contingent consideration		1,253	-
Income tax payable		1,788	735
Total current liabilities		24,154	17,670
NON-CURRENT LIABILITIES			
Borrowings	20	4,792	4,671
Employee benefits – VCL acquisition		468	280
Deferred tax liability	22	2,281	1,527
Total non-current liabilities		7,541	6,478
Total liabilities		31,695	24,148
Net assets		79,052	70,759
EQUITY			
Contributed equity	24	45,952	45,952
Retained earnings		22,661	15,895
Foreign currency revaluation reserve		164	(429)
Share based payment reserve		2,296	1,666
Total equity attributable to owners of the parent		71,073	63,084
Non-controlling interests	9	7,979	7,675
Total equity		79,052	70,759

The accompanying notes form part of these financial statements.

For and on behalf of the Board who authorised these financial statements for issue on 26 February 2016.



Kirk Senior Chairman



Susan Peterson Chair Audit and Risk Committee

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
	NOTES	NZ\$'000	NZ\$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		60,113	47,694
Interest received		462	459
Operating expenses		(50,527)	(39,265)
Taxes paid		(3,114)	(2,028)
Interest paid		(339)	(177)
Net cash inflow from operating activities	27	6,595	6,683
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,059)	(903)
Purchase of intangible assets		(2,672)	(184)
Acquisition of a business, net of cash acquired		(6,680)	(1,500)
Purchase of investments		-	(12,408)
Net cash (applied to) investing activities		(10,411)	(14,995)
CASHFLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		-	37,978
Drawdown of bank loans		-	4,839
Repayment of bank loans		-	(1,869)
Dividends paid to owners of the parent		-	(3,500)
Listing costs		-	(1,826)
Net cash inflow from financing activities		-	35,622
Net increase in cash and short term deposits		(3,816)	27,310
Cash and short term deposits at the beginning of the year		30,746	3,436
Foreign exchange differences		370	-
Cash and short term deposits at end of year	14	27,300	30,746

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Vista Group International Limited (the 'Company' and its subsidiaries, collectively the Group) 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). Vista Group International Limited completed an IPO in August 2014.

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

2. STATEMENT OF COMPLIANCE

Vista Group International Limited is a company 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 the 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 group financial statements are prepared and presented for Vista Group International Limited and its subsidiaries, separate financial statements for Vista Group International Limited are no longer required to be prepared and presented.

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The 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).

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting period and have not been early adopted by the Group. The key items applicable to the 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. The Group intends to adopt NZ IFRS 15 on its effective date and has yet to assess its full impact.

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

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. The Group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

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

IFRS 16, 'Leases', which replaces the current guidance in IAS 17, was published by the International Accounting Standards Board (IASB) in January 2016. The standard is yet to be issued by the External Reporting Board in New Zealand. Under 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 IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). 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'. The Group intends to adopt 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 the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the basis of historical cost.

The statement of comprehensive income and the statement of changes in equity for the year ended 31 December 2014 and the statement of financial position as at 31 December 2014 have been restated, refer to Note 7.

4.2 BASIS OF CONSOLIDATION

The Group's financial statements consolidate those of the company, Vista Group International Limited, and its subsidiaries as at 31 December 2015. A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the activities of the investee.

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

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

The 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.

4.3 INVESTMENT IN ASSOCIATE

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate 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 the 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, the 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 the Group and its associates are eliminated to the extent of the 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 investment is tested for impairment in accordance with the policy described in Note 4.10.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.4 FOREIGN CURRENCY

Functional and presentation currency

Items included in the financial statements of each of the 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 the 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.

Group companies

The results and financial position of all the 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); and
- (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 income or other expenses.

4.5 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 the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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. The 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

4.6 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the 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 sale of computer software licenses and is recognised when the significant risks and rewards of ownership have been transferred by making the software usable to the licensee. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible non implementation and return of the software.

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

Interest income

Interest income is recognised using the effective interest method.

4.7 GOVERNMENT GRANTS

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.8 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 the Group's financial assets and liabilities at initial recognition.

The Group has only had loans and receivables in the periods covered by these financial statements.

The Group has only financial liabilities measured at amortised cost in the periods covered by these financial statements.

(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.

The 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, 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 the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Measurement

At initial recognition, the 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

The 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.

4.9 INTANGIBLE ASSETS

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

Intangible assets with finite lives are amortised over the useful economic life. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Development costs

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 the 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 these 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.

Intellectual property has been acquired through business combination. 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 as described above.

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

- Intellectual property 10 to 15 years;
- Customer relationships 10 years;
- Software licenses 2.5 years;
- Internally generated software 3 to 5 years based on their estimated useful life

Refer to Notes 4.5 and 4.10 for policies on goodwill measurement and impairment testing.

4.10 IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of the Group's definite life, intangible assets and property plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

Goodwill and other indefinite life intangible assets are not amortised and are tested for impairment annually irrespective of whether there is any indication of impairment. After initial recognition goodwill is measured at cost less any accumulated impairment losses

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 costs 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 (see Note 6 for key assumptions).

4.11 PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the 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

4.12 LEASED ASSETS

All leases are operating leases. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the 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 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.

4.13 CASH

Cash comprises cash at bank and on hand.

4.14 SHORT-TERM DEPOSITS

Short term deposits with a maturity of more than three months, which are subject to an insignificant risk of changes in value are presented on the statement of financial position. Short term deposits are highly liquid and available on demand.

4.15 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.

The Group has pension obligations in respect of various defined contribution plans. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The 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.

4.16 SHARE BASED PAYMENTS

Gift, offer and reward plans 2014 – now closed and all options exercised

In 2014 there were three share-based payment plans which comprised of gifted shares and shares that had been sold to eligible employees for consideration less than fair value. No service or performance conditions were attached to these plans. That cost was recognised within the statement of comprehensive income, together with a corresponding increase in the share based payment reserve within equity. The amount recognised within share based payment reserve in 2014 has been reclassified to retained earnings.

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. The cost is recognised within acquisition expenses, refer to Note 6.2 for more details of the scheme. The amount recognised within share based payment reserve in 2014 has been reclassified to retained earnings.

Equity settled long-term incentive scheme

During the year the Directors approved and implemented an equity settled long-term incentive scheme for selected key management personnel. This plan is intended to focus performance on achievement of key long term performance metrics, refer to Note 12.2 for more details of the scheme.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4.17 INCOME TAXES

The 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 charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the 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.

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 the 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.

4.18 EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Retained earnings include all current and prior period retained profits. Dividend distributions payable to equity shareholders are included in Trade and other payables when the dividends have been approved 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.

Foreign Currency Translation Reserve (FCTR)

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

Share Based Payment Reserve

The share based payment reserve is used to record any equity share based incentives. 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.

4.19 EARNINGS PER SHARE

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

Diluted EPS reflects any commitments the Group has to issue shares in the future that would decrease EPS. In 2015, 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 FY15 earning targets are achieved and all the performance rights are taken, therefore adjusting the weighted average number of shares.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION (PFI)

On 3 July 2014 the Group issued a prospectus and investment statement which included PFI. The tables below show the Groups performance against PFI. The result reflects positive trading and on a like for like comparison with the PFI for revenue and a solid improvement in EBITDA.

5.1 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015			
	ACTUAL AUDITED ^[1]	PFI UNAUDITED	VARIANCE	VARIANCE
	NZ\$'000	NZ\$'000	NZ\$'000	%
Revenue	65,431	61,547	3,884	6%
Total revenue	65,431	61,547	3,884	6%
Sales and marketing expenses	4,567	3,786	781	21%
Operating expenses	31,727	29,163	2,564	9%
Administration expenses	15,790	15,402	388	3%
Acquisition expenses	-	-	-	n/a
Foreign currency (gains) / losses	(1,742)	-	(1,742)	n/a
Total expenses	50,342	48,351	1,991	4%
EBITDA*	15,089	13,196	1,893	14%
Depreciation and amortisation	1,997	1,355	642	47%
EBIT*	13,092	11,841	1,251	11%
Acquisition costs	(2,722)	-	(2,722)	n/a
LTI costs – previously in administration expenses	(208)	-	(208)	n/a
Finance costs	(503)	(682)	179	-26%
Finance income	462	1,269	(807)	-64%
Share of profit / (loss) from associate	-	18	(18)	-100%
Profit before tax	10,121	12,446	(2,325)	-19%
Tax expense	(3,981)	(3,309)	(672)	20%
Profit for the year	6,140	9,137	(2,997)	-33%
Profit for the year attributable to:				
Owners of the parent	5,753	8,106	(2,353)	-29%
Non-controlling interests	387	1,031	(644)	-62%
	6,140	9,137	(2,997)	-33%
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	510	-	510	n/a
Total comprehensive income for the year	6,650	9,137	(2,487)	-27%
Total comprehensive income for the year attributable to:				
Owners of the parent	6,346	8,106	(1,760)	-22%
Non-controlling interests	304	1,031	(727)	-71%
	6,650	9,137	(2,487)	-27%

[1] Actual results have been reclassified to be consistent with the statement of comprehensive income reporting format used in the PFI within the prospectus and investment statement. Directors believe this is more relevant to the readers of the statutory accounts and prospectus and investment statement in making a like for like comparison. The table below provides a reconciliation from the statutory statement of comprehensive income to the format used in the PFI as shown in the comparison above.

*EBITDA and EBIT are non-GAAP measures. These were defined for the PFI on page 55 of the prospectus and investment statement. See Note 5.2 for a reconciliation between actual statutory results and the comparatives used in the PFI presentation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- Revenue was boosted by a strong finish to the year, in particular from VESL along with an improvement in the foreign currency profile over the year. The FX gain was partly offset by the year end lift in the NZD/USD cross in particular.
- Increases in operating expenses were below the rate of revenue increase against PFI and as a result EBITDA, a key measure of operating performance, showed an increase against PFI.
- Depreciation and amortisation includes \$530k of intangible amortisation on 2015 acquisitions not included in PFI.
- Acquisition costs (VCL deferred consideration and transactional costs associated with acquisitions) and LTI costs not in the PFI, result in a reduction in reported NPBT. These expenses and the amortisation of intangibles are not deductible for tax, resulting in a higher tax expense against PFI.
- The lower return from MACCS in the 2015 year due to delays in the invoicing and subsequent recognition of US project revenues, resulted in the lower non-controlling interest adjustment.

5.2 RECONCILIATION OF 2015 ACTUAL INCOME STATEMENT FORMAT TO PFI FORMAT

	2015		2015
	ACTUAL STATUTORY FORMAT	RECLASSIFICATION	ACTUAL PFI FORMAT
	NZ\$'000	NZ\$'000	NZ\$'000
Revenue	65,431	-	65,431
Total revenue	65,431	-	65,431
Sales and marketing expenses	4,567	-	4,567
Operating expenses	31,727	-	31,727
Administration expenses [1]	17,995	(2,205)	15,790
Acquisition expenses [2]	2,722	(2,722)	-
Foreign currency (gains) / losses	(1,742)	-	(1,742)
Total expenses	55,269	(4,927)	50,342
EBITDA*	10,162	4,927	15,089
Depreciation and amortisation [1]	-	1,997	1,997
EBIT*	10,162	2,930	13,092
Acquisition costs [2]	-	(2,722)	(2,722)
LTI costs - previously in administration expenses [1]	-	(208)	(208)
Finance costs	(503)	-	(503)
Finance income	462	-	462
Share of profit / (loss) from associate	-	-	-
Profit before tax	10,121	-	10,121
Tax expense	(3,981)	-	(3,981)
Profit for the year	6,140	-	6,140

The key changes are:

[1] Administrative costs in the statement of comprehensive income contains depreciation, amortisation and employee benefits costs related to the long-term incentive scheme implemented in 2015. These costs were not included within the PFI assumptions and are removed for comparison purposes.

[2] Acquisition costs include contingent consideration expenses related to the restated acquisition of VCL (\$2,050k). Also included in this category are other expenses directly attributable to acquisition activity during 2015 (\$672k). These costs were not included within the PFI assumptions and are removed for comparison purposes.

*EBITDA and EBIT are non-GAAP measures. These were defined for the PFI on page 55 of the prospectus and investment statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.3 STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 2015

	2015			
	ACTUAL AUDITED	PFI UNAUDITED	VARIANCE	VARIANCE
	NZ\$'000	NZ\$'000	NZ\$'000	%
CURRENT ASSETS				
Cash	16,863	25,068	(8,205)	-33%
Short term deposits	10,437	18,462	(8,025)	-43%
Trade and other receivables	30,069	19,534	10,535	54%
Income tax receivable	517	-	517	n/a
Total current assets	57,886	63,064	(5,178)	-8%
NON-CURRENT ASSETS				
Property, plant and equipment	2,380	3,091	(711)	-23%
Investment in associate	-	216	(216)	-100%
Goodwill	41,109	33,972	7,137	21%
Intangible assets	9,152	6,050	3,102	51%
Deferred tax asset	220	-	220	n/a
Total non-current assets	52,861	43,329	9,532	22%
Total assets	110,747	106,393	4,354	4%
CURRENT LIABILITIES				
Trade and other payables (incl. deferred revenue)	21,113	20,106	1,007	5%
Contingent consideration	1,253	5,647	(4,394)	-78%
Income tax payable	1,788	481	1,307	272%
Total current liabilities	24,154	26,234	(2,080)	-8%
NON-CURRENT LIABILITIES				
Borrowings	4,792	4,823	(31)	-1%
Employee benefits – VCL acquisition	468	-	468	n/a
Deferred tax liability	2,281	1,694	587	35%
Total non-current liabilities	7,541	6,517	1,024	16%
Total liabilities	31,695	32,751	(1,056)	-3%
Net assets	79,052	73,642	5,410	7%
EQUITY				
Contributed equity	45,952	45,985	(33)	0%
Retained earnings	22,661	18,551	4,110	22%
Foreign currency revaluation reserve	164	-	164	n/a
Share based payment reserve	2,296	-	2,296	n/a
Total equity attributable to owners of the parent	71,073	64,536	6,537	10%
Non-controlling interests	7,979	9,106	(1,127)	-12%
Total equity	79,052	73,642	5,410	7%

- Trade and other receivables have increased due to the strong finish to the sales year by VESL and the higher level of December maintenance renewals. This is seen as a timing difference.
- Cash and short term deposits are lower due to the investment activity (see cash flow statement) and the timing effect of the higher receivables balance at balance date.
- Goodwill and intangibles reflect the increases from the acquisition of Ticketsoft (\$7,933k refer Note 7) and CCG (\$1,929k refer Note 17) less amortisation in the 2015 year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- The restated acquisition accounting method for VCL, as first disclosed in the FY15 half year results (refer Note 7) accounts for the majority of the differences in the contingent consideration, retained earnings and share based payment reserve.

5.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015			
	ACTUAL AUDITED	PFI UNAUDITED	VARIANCE	VARIANCE
	NZ\$'000	NZ\$'000	NZ\$'000	%
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	60,113	59,275	838	1%
Interest received	462	1,269	(807)	-64%
Operating expenses	(50,527)	(44,032)	(6,495)	15%
Taxes paid	(3,114)	(2,912)	(202)	7%
Interest paid	(339)	(207)	(132)	64%
Net cash inflow from operating activities	6,595	13,393	(6,798)	-51%
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,059)	(1,127)	68	-6%
Purchase of intangible assets	(2,672)	-	(2,672)	n/a
Acquisition of a business, net of cash acquired	(6,680)	-	(6,680)	n/a
Purchase of investments	-	-	-	n/a
Net cash (applied to) investing activities	(10,411)	(1,127)	(9,284)	824%
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of ordinary shares	-	-	-	n/a
Drawdown of bank loans	-	-	-	n/a
Repayment of bank loans	-	(584)	584	-100%
Dividends paid to owners of the parent	-	(250)	250	-100%
Net cash inflow from financing activities	-	(834)	834	-100%
Net increase in cash	(3,816)	11,432	(15,248)	-133%
Cash and short term deposits at the beginning of the year	30,746	32,098	(1,352)	-4%
Foreign exchange differences	370	-	370	n/a
Cash and short term deposits at end of year	27,300	43,530	(16,230)	-37%

- Cash receipts have not grown at the same rate as revenue due to the increase in trade receivables. We see this as a timing difference to PFI.
- The cash applied to the acquisitions of Ticketsoft (refer Note 7) and CCG (refer Note 17) explain the variance in investment activities.
- The cash balance at balance date reflects the investment activity and the lower operating cash flow due to the timing differences described above, but still reflects a strong cash position for the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5.5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	2015			
	ACTUAL	PFI	VARIANCE	VARIANCE
	NZ\$'000	NZ\$'000	NZ\$'000	%
Balance at 1 January	70,759	64,662	6,097	9%
Profit for the period	6,140	9,137	(2,997)	-33%
Other comprehensive income	510	34	476	1399%
Total comprehensive income for the year	6,650	9,171	(2,521)	-27%
Share-based payments	1,643	-	1,643	n/a
Equity attributable to non-controlling interests	-	(191)	191	-100%
Balance at 31 December	79,052	73,642	5,410	7%

- The increase in share based payments in the 2015 year represents the accrual for the VCL deferred consideration that is estimated will be settled by way of equity in VGIL.
- The other significant change between PFI and actual is due to the FY15 half year restatement of the 2014 VCL acquisition methodology (refer Note 7) which resulted in an additional profit being reported in the 2014 year and a subsequent increase in retained earnings.

6. 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 assets, liabilities, income and expenses are provided below. Actual results may be substantially different.

6.1 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. Goodwill is subject to annual impairment testing.

Judgement is applied specifically to the following:

1. Assumptions in the Value in Use calculation for impairment testing purposes.
2. Assumptions in fair value calculation on acquisition.

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

- Virtual Concepts Limited
- MACCS International BV
- Vista Entertainment Solutions Limited

This is the lowest level at which goodwill is monitored for internal management reporting purposes. In determining the recoverable amount of each CGU the value in use calculation is based on cash flows for subsequent years which are extrapolated using estimated growth rates. Management has projected the cash flows for each CGU over a four year period based on approved budgets for the first year. Determination of appropriate cash flows and discount rates for the calculation of value in use is subjective and requires a number of assumptions and estimates to be made, including growth in net profit, timing and quantum of future capital expenditure, long term growth rates and the selection of discount rates to reflect the risks involved. Changing the assumptions selected by management, in particular the discount rate and growth rate used in the cash flow projections, could significantly affect the Group's impairment evaluation and, hence, results.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	2015	2014
Terminal growth rate	2.5%	2.5%
CGU post-tax WACC rate – MACCS and Vista	12.0%	12.0%
CGU post-tax WACC rate – VCL	16.0%	16.0%

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

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

The calculations confirmed that there was no impairment of goodwill during the year (2014: \$3.6m refer Note 7 and 18). The Board believes that any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed the recoverable amount.

The Group acquired the Ticketsoft business during the year. As part of the acquisition accounting for the new business the Group was required to determine the fair value of the assets and liabilities acquired. The fair value of intellectual property and customer relationships acquired were determined using net present value calculations similar to those described above, which require the use of judgement (refer to Note 7).

6.2 FAIR VALUE OF THE CONTINGENT CONSIDERATION ON THE ACQUISITION OF VIRTUAL CONCEPTS LIMITED (VCL) AND TICKETSOFT

Virtual Concepts Limited (VCL)

Part of the consideration payable to acquire the remaining 43% of the share capital of VCL was deferred contingent consideration payable based on a several performance based criteria of Virtual Concepts for subsequent financial periods. Consideration payable is also contingent upon the recipients remaining employees of the company during the specified performance periods and therefore is recorded as an employee benefit.

The fair value of the contingent consideration on acquisition was assessed by using a probability weighted average of all possible outcomes. To reflect the time value of money the consideration has been discounted at a discount rate of 8%. At the date of acquisition the fair value of the contingent consideration was determined to be \$5.9m, discounted to \$5.0m.

Further details of the deferred contingent consideration are disclosed in Note 7.

Ticketsoft

Part of the consideration payable to acquire Ticketsoft included \$1.76m contingent upon certain performance obligations being met (see Note 7). During the year the first tranche of contingent consideration of \$508,000 was paid subsequent to performance of the first set of agreed migration milestones. The Group's current assessment is that subsequent milestones will be achieved and targets will be met in full.

6.3 ASSESSMENT OF THE DOUBTFUL DEBT PROVISION

The assessment of providing for doubtful debts involves judgement. The collectability of trade receivables is reviewed on an on-going basis. A provision for impairment is established when there is objective evidence that the Group will not be able to collect an amount due according to the original terms of the receivable (see Note 15 and Note 29.3).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. BUSINESS COMBINATIONS

RESTATEMENT RELATING TO ACQUISITION OF REMAINING 43% OF SHARE CAPITAL OF VIRTUAL CONCEPTS LIMITED (VCL) IN 2014:

Following the appointment of PwC as auditors, a review of the accounting treatment adopted in relation to the acquisition of VCL during the year ended 31 December 2014 was undertaken. This review indicated that the accounting treatment of contingent consideration payable under the sale and purchase agreement was not in accordance with NZ IFRS 2, *Share Based Payments* and NZ IFRS 3, *Business Combinations*. The most significant impact of this is that the liability for contingent consideration previously recognised on acquisition has been derecognised resulting in an equivalent reduction in the goodwill arising from the acquisition and the associated impairment charge recognised for the year ended 31 December 2014.

As the contingent consideration is conditional on the vendors remaining employed by the Group, the contingent consideration under NZ IFRS 3 needs to be recognised as an employee cost over the earn out period with a liability recognised for the cash component and an amount recognised in the share based payment reserve for the share based payment component.

The impact of the above restatement is as follows:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	AS PREVIOUSLY STATED	ADJUSTMENT	AS RESTATED
	NZ\$'000	NZ\$'000	NZ\$'000
Acquisition expenses – employee costs	-	(933)	(933)
Finance costs	(422)	272	(150)
Impairment of goodwill	(8,500)	4,946	(3,554)
Profit before tax	6,260	4,285	10,545
Less tax expense	(2,523)	(76)	(2,599)
Profit for the year	3,737	4,209	7,946

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	AS PREVIOUSLY STATED	ADJUSTMENT	AS RESTATED
	NZ\$'000	NZ\$'000	NZ\$'000
Contingent consideration	5,218	(5,218)	-
Employee benefits – VCL acquisition	-	280	280
Tax receivable	231	(76)	155
Net assets	65,897	4,862	70,759
Share based payment reserve	1,013	653	1,666
Retained earnings	11,686	4,209	15,895
Total equity	65,897	4,862	70,759
Earnings per share			
Basic and diluted (cents per share)	\$0.06	\$0.06	\$0.12

The restatement has no impact on periods prior to the year ended 31 December 2014 and no impact on the statement of cashflows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The value of contingent consideration recognised as an employee cost for the year ended 31 December 2015, is as follows:

	31 DECEMBER 2015	31 DECEMBER 2014
	NZ\$'000	NZ\$'000
Share based payment (Note 12)	1,435	653
Payable in cash	615	280
Total included within acquisition expenses	2,050	933

CONTINGENT CONSIDERATION VCL

2014

Part of the consideration payable to acquire the remaining 43% of the share capital of VCL was deferred contingent consideration, originally payable in two tranches for the performance periods ended 1 April 2016 and 1 April 2017. The value of contingent consideration payable was based upon several performance based criteria being achieved for VCL for the financial years ended 31 December 2015 and 2016. Contingent consideration is payable as a minimum 30% in cash with the remainder in Group shares for each tranche.

The fair value of the consideration on acquisition was assessed by using a probability weighted average of all possible outcomes. To reflect the time value of money the consideration has been discounted at a discount rate of 8%. At the date of acquisition the fair value of the contingent consideration was determined to be \$5.9m, discounted to \$5.0m.

2015

During the year the contingent consideration arrangement was renegotiated. The performance period was extended by a year to cover the financial period ended 31 December 2017. The total fair value of contingent consideration remains the same as previous, however it is now payable over 3 tranches on 1 April 2016, 1 April 2017 and 1 April 2018. New operating performance criteria have been established upon which the contingent consideration will be paid. The consideration payable is contingent upon the recipients remaining employees of the company during the performance period.

At the current reporting date the fair value of the contingent consideration related to the specified performance criteria was reassessed and a portion of the discounting relating only to the cash component reversed. The gross amount of the contingent consideration related to operating performance criteria at 31 December 2015 was \$5.9m. Also as part of the renegotiation a specific strategic goal achievement was identified to be achieved within the 2016 financial year. The achievement of this goal has the potential to increase the contingent consideration to \$6.7m.

Costs related to contingent consideration are recognised under Acquisition costs in the statement of comprehensive income for the discounted amounts of contingent consideration, with a finance charge recognised under finance costs for the interest unwind component. In the statement of financial position, the cash component is recognised under employee benefits - VCL contingent consideration, with this amount split into current and non-current liabilities based on the expected timing of payments. Share based components are recognised under the share based payment reserve.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

TICKETSOFT ACQUISITION

On 1 April 2015 Vista Group International acquired the assets of US-based cinema software company, TicketSoft Inc, including customer licenses, an existing customer revenue stream, intellectual property and employees. Consideration was paid in cash of \$6.2m with additional contingent consideration payable, up to a maximum of \$1.76m, based on certain performance obligations being met, primarily being the number of sites transitioned to Vista software over defined periods. Management expect these performance obligations to be met.

The following table summarises the consideration transferred to acquire the assets of TicketSoft Inc and the carrying values of the assets acquired:

	1 APRIL 2015
	NZ\$'000
Cash	6,174
Contingent consideration	1,759
Total consideration	7,933
Intangible assets – intellectual property (Note 17)	193
Intangible assets – customer relationships (Note 17)	1,083
Goodwill (Note 18)	7,015
Deferred tax liability	(358)
Net assets acquired	7,933

Revenue included in the statement of comprehensive income from 1 April 2015 to 31 December 2015 contributed by Ticketsoft was \$1,567,000. Ticketsoft also contributed profit before tax of \$803,000 over the same period.

Had Ticketsoft been consolidated from 1 January 2015, the impact on the statement of comprehensive income for the year ended 31 December 2015 would be a further increase in revenue of \$525,000 and an increase in pro-forma profit before tax of \$220,000.

Goodwill is attributable to both synergies with Vista, together with growth opportunities available in the US market, being the primary reasons for the acquisition.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SHARE DIMENSION ACQUISITION - SUBSEQUENT EVENT

On 4 January 2016 the Group acquired 50% of Share Dimension, a Dutch software development company specialising in predictive analytics business intelligence solutions for cinema exhibitors. This investment continues Vista's strategy of investing in high quality and high growth global film industry software solutions since listing on the New Zealand and Australian stock exchanges in August 2014.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable assets.

The fair value of assets and liabilities of Share Dimension as at the date of acquisition were estimated to be as follows:

	4 JANUARY 2016
	PROVISIONAL
	NZ\$'000
Assets	
Total non-current assets	50
Inventory	4
Cash in hand and bank accounts	55
Trade and other receivables	654
Total current assets	713
Total assets	763
Trade and other payables	(325)
Total liabilities	(325)
Total identifiable net assets at fair value	438
Non-controlling interest (50% of net assets)	219
Goodwill arising on acquisition	2,016
Purchase consideration transferred	2,235

The net assets acquired as at settlement date of 4 January 2016 were based upon a provisional assessment of their fair value from consolidated financials dated 30 September 2015. These financials were independently reviewed by PwC Netherlands. Purchase consideration was \$2,235k. The sale and purchase agreement includes an earn out which will potentially increase the total consideration, this has yet to be estimated. The final positions will be reassessed once completion accounts are received.

At balance date of 31 December 2015, Share Dimension was not part of the Vista Group and hence was not consolidated.

PREVIOUS ACQUISITIONS

Details of acquisitions during the year ended 31 December 2014 are included in the 2014 Annual Report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. SEGMENT REPORTING

The Group operates in a single vertical film/cinema market and is structured through operating subsidiaries that report monthly to the Chief Executive. The Chief Executive and the Board are considered to be the chief operating decision maker in terms of NZ IFRS 8 Operating Segments.

Revenue is reported via three main sources – Product, Maintenance and Services and there is no material indirect revenue source. No allocation of costs or assets is made against these revenue groups that would enable disclosure of segmented information in this way.

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

GEOGRAPHIC INFORMATION REVENUE

	2015	2014
	NZ\$'000	NZ\$'000
Oceania	18,653	15,540
Asia	4,174	5,117
Americas	22,832	11,800
Europe/Africa	19,772	14,701
Total external revenue (Note 10)	65,431	47,158

No individual customer exceeded 10% of revenue in 2015 or 2014.

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

GEOGRAPHIC INFORMATION NON-CURRENT OPERATING ASSETS

	2015	2014
		RESTATED
	NZ\$'000	NZ\$'000
Oceania	26,981	24,886
Asia	127	64
Americas	9,028	259
Europe/Africa	16,725	16,899
Total non-current operating assets	52,861	42,108

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. GROUP INFORMATION

INVESTMENT IN SUBSIDIARIES

The financial statements of the group include the following significant subsidiaries:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	SHAREHOLDING 2015	SHAREHOLDING 2014
Vista Entertainment Solutions Limited	Software development and licensing	New Zealand	100%	100%
Virtual Concepts Limited	Provision of online loyalty data analytics and marketing	New Zealand	100%	100%
Movio Limited	Provision of online loyalty data analytics and marketing	New Zealand	100%	100%
Movio (USA) Inc	Provision of online loyalty data analytics and marketing	USA	100%	100%
MACCS International BV	Software development and licensing	Netherlands	50.1%	50.1%
Vista Entertainment Solutions (UK) Limited	Software licensing	England	100.0%	100.0%
Vista Entertainment Solutions (USA) Inc	Software licensing	USA	100.0%	100.0%
Vista Entertainment Solutions Shanghai Limited	Software licensing	China	100.0%	100.0%
Book My Show Limited	Online cinema ticketing website	New Zealand	74.0%	74.0%
Book My Show (NZ) Limited	Online cinema ticketing website	New Zealand	74.0%	74.0%
Vista Group Limited	Dormant	New Zealand	100.0%	100.0%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NON-CONTROLLING INTERESTS (NCI)

The Group's ownership in MACCS International BV is 50.1%, however this only comes with two out of four Board directorships. Effective control is achieved via the shareholder agreement. The shareholder's agreement permits the Company to make certain operating and strategic decisions, where there is a deadlock, for fixed consideration to the remaining shareholders.

The MACCS International BV figures are consolidated with the inclusion of the subsidiary VpF Hub GmbH, a German registered company, in which it has a 90% investment.

MACCS had no contingent liabilities or capital commitments at 31 December 2015 and 31 December 2014.

Set out below is summarised financial information of subsidiaries that have non-controlling interests that are material to the Group.

SUMMARISED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	MACCS INTERNATIONAL BV	
	2015	2014
	NZ\$'000	NZ\$'000
Current assets	3,833	2,026
Current liabilities	2,106	1,137
Current net assets	1,727	889
Non-current assets	280	365
Non-current liabilities	-	-
Non-current net assets	280	365
Net assets	2,007	1,254
Attributable to:		
Equity holders of the parent	1,715	1,320
Non-controlling interest	292	(66)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	MACCS INTERNATIONAL BV	
	2015	2014
	NZ\$'000	NZ\$'000
Revenue	6,752	4,234
Cost of sales	(4,049)	(3,305)
Administrative expenses	(1,850)	(1,079)
Finance costs	-	(5)
Profit / (loss) before tax	853	(155)
Income tax	(141)	23
Other comprehensive income	-	4
Total comprehensive income	712	(128)
Profit / (loss) allocated to NCI	355	(66)
Dividends paid to NCI	-	-

SUMMARISED CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	MACCS INTERNATIONAL BV	
	2015	2014
	NZ\$'000	NZ\$'000
Cash flows from operating activities	1,168	(133)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase / (decrease) in cash	1,168	(133)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. REVENUE

	2015	2014
	NZ\$'000	NZ\$'000
Product	21,750	16,790
Maintenance	31,427	21,085
Services	12,070	9,283
Other	184	-
Total revenue	65,431	47,158

11. EXPENSES

11.1 AUDITOR'S REMUNERATION INCLUDED IN ADMINISTRATION EXPENSES

	2015	2014
	NZ\$'000	NZ\$'000
Audit of financial statements		
Audit and review of financial statements – PwC	157	-
Audit and review of financial statements – Grant Thornton	40	137
Other services		
Performed by PwC:		
IFRS accounting advice	51	-
Advice on the long term employee incentive scheme	137	-
Performed by Grant Thornton:		
Tax advisory services	98	35
IFRS accounting and compliance advice	2	130
Total other services	288	165
Total fees paid to auditor(s)	485	302

11.2 EMPLOYEE BENEFITS EXPENSE INCLUDED IN OPERATING, ADMINISTRATION AND ACQUISITION EXPENSES

	2015	2014
	NZ\$'000	NZ\$'000
Wages and salaries	29,679	24,860
Share-based payment expense	208	1,013
Defined contribution plans	2,815	326
Total employee benefits	32,702	26,199

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11.3 OTHER EXPENSES

	2015	2014
	NZ\$'000	NZ\$'000
Included in administration expenses:		
Depreciation (Note 16)	781	537
Amortisation of intangible assets (Note 17)	1,216	469
Lease payments recognised as an operating lease expense	1,854	1,040

The Group has expensed \$7,075,000 of aggregated research and development expenditure associated with software research and development for 2015 (2014: \$4,649,000) within operating expenses in the statement of comprehensive income.

11.4 INCOME TAX

	2015	2014
	NZ\$'000	NZ\$'000
INCOME TAX EXPENSE		
Income tax expense comprises:		
Current tax expense	4,001	2,584
Deferred tax expense (Note 22)	(20)	15
Tax expense	3,981	2,599

RECONCILIATION OF INCOME TAX EXPENSE

The relationship between the expected tax expense based on the domestic effective tax rate of Vista Group International Limited at 28% (2014: 28%) and the reported tax expense in the statement of comprehensive Income can be reconciled as follows:

	2015	2014
	NZ\$'000	NZ\$'000
Profit before tax	10,121	10,545
Impairment of VCL goodwill and acquisition expense	-	(4,013)
Taxable income	10,121	6,532
Domestic tax rate for Vista Group International Limited	28%	28%
Expected tax expense / (benefit)	2,834	1,829
Foreign subsidiary company tax	(110)	47
Non-assessable income/non-deductible expenses	1,179	878
Prior period adjustment	(103)	(54)
Deferred taxation not previously recognised	10	(101)
Impairment of foreign tax credits	133	-
Other	38	-
Actual tax expense / (benefit)	3,981	2,599

As at 31 December 2015, the group has \$3,680,502 (2014: \$1,030,170) of imputation credits available for use in subsequent reporting periods.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. SHARE BASED PAYMENTS

12.1 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:

		2015	2014
			AUDITED / RESTATED
	NOTES	NZ\$'000	NZ\$'000
Expenses arising from employee share based payment transactions	4.16	-	1,013
Expenses arising from VCL acquisition	7	1,435	653
Equity settled LTI scheme		208	-
Total expense		1,643	1,666

The amount of \$1,013,000 relates to the gift, offer and reward plans 2014, refer to Note 4.16.

12.2 EQUITY SETTLED LONG-TERM INCENTIVE SCHEME

During the year the Directors approved an equity settled long-term incentive scheme 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 scheme is at the board's discretion and participants in the scheme are not guaranteed a place from year to year.

The amount of performance rights that will vest depends on Vista's relative Total Shareholder Return ("TSR") to shareholders. Vesting of performance rights is dependent upon the Group achieving relative TSR targets over a two and three year performance period, against all other NZX50 companies (excluding Vista), 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 75% 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 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. The Group has recognised \$208,000 of employee expenses during the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The fair value of the rights granted is measured using the Vista Group International Limited share price as at the grant date less the present value of the dividends forecast to be paid prior to the 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 VESTED PERFORMANCE RIGHTS	PERFORMANCE RIGHTS AT 31 DECEMBER 2015
		NZ\$'000	NZ\$'000
1 January 2015	1 April 2017	251	125
1 January 2015	1 April 2018	251	83
		502	208

13. GOVERNMENT GRANTS

During the year the Group recognised \$1,997,000 (2014: \$1,087,000) of grants from the New Zealand Government to assist with Research and Development and new market entry. At balance date there is a 10% retention amount related to 2015 grants of \$136,000 yet to be paid and subject to independent auditor review. Government grants are recognised within the statement of comprehensive income as a reduction to administrative expenses.

14. CASH AND SHORT TERM DEPOSITS

	2015	2014
	NZ\$'000	NZ\$'000
Cash	16,863	10,519
Short term deposits (more than 3 months)	10,437	20,227
Total cash and short term deposits	27,300	30,746

15. TRADE AND OTHER RECEIVABLES

	2015	2014
	NZ\$'000	NZ\$'000
Trade receivables	23,653	18,778
Sundry receivables	2,163	819
Prepayments	843	696
Related party receivables – trading (see Note 25)	3,410	1,605
Total trade and other receivables	30,069	21,898

The Group has recognised a loss of \$36,000 (2014: \$261,000) in respect of bad and doubtful trade receivables during the year ended 31 December 2015. The loss has been included in administration expenses. The impairment allowance included in trade receivables as at 31 December 2015 was \$160,000 (2014: \$444,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. PROPERTY, PLANT AND EQUIPMENT

	FIXTURES & FITTINGS	COMPUTER EQUIPMENT	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000
2015			
Gross carrying amount			
Balance 1 January 2015	1,927	2,095	4,022
Additions	453	606	1,059
Exchange differences	61	60	121
Balance 31 December 2015	2,441	2,761	5,202
Accumulated depreciation			
Balance 1 January 2015	(584)	(1,391)	(1,975)
Current year depreciation	(222)	(559)	(781)
Exchange differences	(18)	(48)	(66)
Balance 31 December 2015	(824)	(1,998)	(2,822)
Carrying amount 31 December 2015	1,617	763	2,380
	FIXTURES & FITTINGS	COMPUTER EQUIPMENT	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000
2014			
Gross carrying amount			
Balance 1 January 2014	1,098	1,451	2,549
Additions	473	430	903
Acquisition through business combinations	363	225	588
Exchange differences	(7)	(11)	(18)
Balance 31 December 2014	1,927	2,095	4,022
Accumulated depreciation			
Balance 1 January 2014	(447)	(1,000)	(1,447)
Current year depreciation	(142)	(395)	(537)
Exchange differences	5	4	9
Balance 31 December 2014	(584)	(1,391)	(1,975)
Carrying amount 31 December 2014	1,343	704	2,047

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. INTANGIBLE ASSETS

	INTERNALLY GENERATED SOFTWARE	SOFTWARE LICENCES	INTELLECTUAL PROPERTY	CUSTOMER RELATIONSHIPS	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
2015					
Gross carrying amount					
Balance 1 January 2015 (restated)	-	2,136	1,408	3,413	6,957
Additions - acquired	-	100	-	1,929	2,029
Internally generated software	643	-	-	-	643
Acquisition through business combinations (see Note 7)	-	-	193	1,083	1,276
Exchange differences	-	24	7	44	75
Balance 31 December 2015	643	2,260	1,608	6,469	10,980
Accumulated amortisation					
Balance 1 January 2015 (restated)	-	(281)	(63)	(268)	(612)
Amortisation	-	(242)	(148)	(826)	(1,216)
Balance 31 December 2015	-	(523)	(211)	(1,094)	(1,828)
Carrying amount 31 December 2015	643	1,737	1,397	5,375	9,152

	INTERNALLY GENERATED SOFTWARE	SOFTWARE LICENCES	INTELLECTUAL PROPERTY	CUSTOMER RELATIONSHIPS	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
2014					
Gross carrying amount					
Balance 1 January 2014	-	229	-	-	229
Additions - internally developed	-	184	-	-	184
Acquisition through business combinations	-	1,803	1,461	3,543	6,807
Exchange differences	-	(80)	(53)	(130)	(263)
Balance 31 December 2014 (RESTATED)	-	2,136	1,408	3,413	6,957
Accumulated amortisation					
Balance 1 January 2014	-	(143)	-	-	(143)
Amortisation	-	(138)	(63)	(268)	(469)
Balance 31 December 2014 (RESTATED)	-	(281)	(63)	(268)	(612)
Carrying amount 31 December 2014 (RESTATED)	-	1,855	1,345	3,145	6,345

In May 2015 Vista Entertainment Systems Ltd entered into an agreement with Cote Cine Group (CCG) to distribute Vista and Veezi software. The consideration paid to CCG for this arrangement was 1.35m Euros and this is included in the additions noted above under additions to customer relationships. The distribution agreement includes an on-going revenue stream with a duration of 4 years.

Internally generated software relates to capitalisation of development costs in line with the policy stated in Note 4.9.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. GOODWILL

	2015	2014
		RESTATED
2015	NZ\$'000	NZ\$'000
Gross carrying amount		
Balance 1 January	37,270	5,446
Acquisition through business combinations (see Note 7)	7,015	32,430
Disposals	-	-
Exchange differences	378	(606)
Balance 31 December	44,663	37,270
Accumulated impairment		
Balance 1 January	(3,554)	
Impairment loss recognised on VCL (see Note 7)	-	(3,554)
Balance 31 December	(3,554)	(3,554)
Carrying amount 31 December	41,109	33,716

Goodwill can be analysed at a divisional level as follows:

	2015	2014
ENTITY	NZ\$'000	NZ\$'000
Vista Entertainment Solutions Limited (VESL)	12,461	5,446
Virtual Concepts Limited (VCL)	16,965	16,965
MACCS International BV (MACCS)	11,683	11,305
Goodwill allocation at 31 December	41,109	33,716

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 Note 6 for key assumptions and sensitivity analysis).

19. TRADE AND OTHER PAYABLES

		2015	2014
			RESTATED
	NOTES	NZ\$'000	NZ\$'000
Trade payables		762	912
Sundry accruals		3,325	2,218
Constructive obligations - associates	25	50	50
Employee benefits		1,909	1,545
Employee benefits - VCL contingent consideration		591	-
Total trade and other payables		6,637	4,725

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. BORROWINGS

In November 2013, the Group established a \$2.0m commercial credit facility with ASB Bank Limited to fund working capital requirements. The interest rate is floating at 6.4% per annum with no set expiry date. At balance date there was no drawdown against this facility.

In March 2014, the Group established a EUR 3.0 million facility with ASB Bank Limited to acquire 25.1% of the share capital of MACCS International BV. The loan matures on 12 March 2017 and the current interest rate is 2.66% per annum.

Security for both the commercial credit facility and the Euro loan with ASB Bank Limited is secured by a general security agreement under which the Bank has a security interest in all the Group's tangible assets.

	2015	2014
	NZ\$'000	NZ\$'000
Current	-	-
Non-current	4,792	4,671
Total borrowings	4,792	4,671

The facility is subject to a number of external bank covenants. These covenants are calculated and reported quarterly and annually. The Group has complied with all tested covenants during the current and prior years.

21. OPERATING LEASE COMMITMENTS

The 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:

	2015	2014
	TOTAL FUTURE MINIMUM PAYMENTS	TOTAL FUTURE MINIMUM PAYMENTS
	NZ\$'000	NZ\$'000
Less than one year	1,937	1,073
Between one and five years	4,039	3,901
More than five years	-	70
	5,976	5,044

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. DEFERRED TAX ASSETS AND LIABILITIES

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

	OPENING BALANCE	ACQUIRED AS PART OF A BUSINESS COMBINATION	RECOGNISED IN INCOME STATEMENT	CLOSING BALANCE
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
2015				
Trade and sundry receivables	33	-	(18)	15
Employee benefits	160	-	164	324
Property, plant and equipment	-	-	(185)	(185)
Other	(371)	-	(142)	(513)
Intangible assets	(1,553)	(554)	223	(1,884)
Unused tax losses	204	-	(22)	182
Deferred tax temporary asset / (liability)	(1,527)	(554)	20	(2,061)

	OPENING BALANCE	ACQUIRED AS PART OF A BUSINESS COMBINATION	RECOGNISED IN INCOME STATEMENT	CLOSING BALANCE
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
2014				
Trade and sundry receivables	17	-	16	33
Employee benefits	87	-	73	160
Other	(2)	-	(369)	(371)
Intangible assets	-	(1,657)	104	(1,553)
Unused tax losses	43	-	161	204
Deferred tax temporary asset / (liability)	145	(1,657)	(15)	(1,527)

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

	2015	2014
	NZ\$'000	NZ\$'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	220	-
Deferred tax assets to be recovered within 12 months	-	-
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(1,948)	(1,349)
Deferred tax liability to be recovered within 12 months	(333)	(178)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. EARNINGS PER SHARE AND DIVIDENDS

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

	2015	2014
		RESTATED
	000'S	000'S
Profit attributable to ordinary shareholders of the Parent for basic earnings	\$5,753	\$8,122
Profit attributable to ordinary shareholders of the Parent adjusted for the effect of dilution	\$5,753	\$8,122
Weighted average number of shares in basic earnings per share	79,973	68,123
Shares deemed to be issued for no consideration in respect of share-based payments	490	-
Weighted average number of shares used in diluted earnings per share	80,463	68,123
EPS	\$0.07	\$0.12
Diluted EPS	\$0.07	\$0.12

No shares were issued during the 2015 financial year. Shares deemed to be issued for no consideration in respect to share-based payments relate to VCL contingent consideration (refer Note 7) and equity settled long-term incentive scheme (refer Note 12.2).

DIVIDENDS

Total dividends of \$3,500,000 were declared and paid by the Company, prior to the IPO in August 2014, in the year ended 31 December 2014. Dividend per share at the time of payment was \$350 per share. No dividend was payable in 2015.

24. CONTRIBUTED EQUITY

	2015	2014	2015	2014
	NO. OF SHARES 000'S	NO. OF SHARES 000'S	NZ\$'000	NZ\$'000
Shares issued and fully paid:				
Beginning of the year	79,973	10	45,952	1,100
Ordinary shares issued during the year	-	79,963	-	44,852
Total shares authorised at 31 December	79,973	79,973	45,952	45,952

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. Refer to the 2014 Annual Report for details of the 2014 shares issued as part of the IPO.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. RELATED PARTIES

INDIVIDUALLY IMMATERIAL ASSOCIATES

The Group has a 50% interest in Numero Limited, an individually immaterial associate that is accounted for using the equity method in the consolidated financial statements. The Group has ceased to recognise further losses during the year related to Numero as accumulated losses would exceed the Group's equity interest. The carrying amount of the investment in associate is set out below:

	2015	2014
	NZ\$'000	NZ\$'000
Opening carrying value	(50)	-
Investment in associate	-	440
Share of loss from associate	(747)	(490)
Losses not recognised	747	-
Constructive obligation	(50)	(50)

The Group's related parties include its associate company, Numero Limited. 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 (2014: \$Nil).

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

ENTITY	NATURE OF TRANSACTIONS	2015	2014
		RECEIVABLE / (PAYABLE)	RECEIVABLE / (PAYABLE)
		NZ\$'000	NZ\$'000
Numero Limited	Related party loan	1,500	1,500
Numero Limited	Constructive obligation	(50)	(50)
Numero Limited	Related party receivable	1,910	105

The related party transactions incurred during the year include:

	NZ\$'000
Recharges - license fees	390
Recharges - development fees	515
Recharges - other advances	900
	1,805

The amounts receivable are unsecured and no guarantees are in place. The 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. The Company has not recorded any impairment of the balance receivable as at 31 December 2015 (2014: \$Nil) due to the Board's confidence in future performance of Numero, based on the budget for the coming year and forecasts beyond 2016.

During the year the Group ceased to recognise further losses related to the associate company Numero. Losses were previously recognised to the extent of the value held in equity for Numero, however this has now been offset by the Group's share of losses. During the year Numero made a loss of \$1.5m, the Group's share being \$747,000 (2014: \$490,000).

At balance date the Group has continued to recognise a constructive obligation of \$50,000 that was carried over from 2014.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel include the Group's board of directors and senior management.

Key management personnel remuneration includes the following expenses:

	2015	2014
	NZ\$'000	NZ\$'000
Salaries including bonuses	1,762	1,787
Share based payments	36	586
Directors fees	305	363

26. CAPITAL COMMITMENTS

There were no capital commitments for the Group at 31 December 2015 (2014: \$Nil).

27. RECONCILIATION OF NET SURPLUS TO CASH FLOWS

		2015	2014
			RESTATED
	NOTES	NZ\$'000	NZ\$'000
Net profit / (loss) after tax		6,140	7,946
Non-cash items:			
Amortisation	17	1,216	469
Depreciation	16	781	537
Share based payment expense		2,259	1,013
Unwinding of discount on contingent consideration		164	209
Share of loss from associate		-	537
Fair value gain on VCL acquisition		-	(8,500)
Impairment of goodwill		-	3,554
Foreign exchange movements		(872)	-
Allowance for bad debts		36	261
		3,584	(1,920)
Movements in working capital			
Increase / (decrease) in trade and other payables		1,322	7,719
(Increase) / decrease in trade and other receivables, net of deferred revenue		(5,318)	(7,822)
Increase / (decrease) in taxation receivable and payable		867	760
Net change in working capital		(3,129)	657
Net cash flows from operating activities		6,595	6,683

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

The Group monitors capital requirements to ensure that it meets its lending covenant obligations and to maintain an efficient overall financing structure. At balance date the Group maintains high cash balances as a result of IPO proceeds and low levels of debt. Return on surplus cash is maximised via term deposits across a diversified banking portfolio.

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

	2015	2014
		RESTATED
	NZ\$'000	NZ\$'000
Consolidated shareholders' funds	79,052	70,759
Consolidated assets	110,747	94,907
Capital ratio	71%	75%

29. FINANCIAL INSTRUMENTS

29.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The 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; the carrying value approximates their fair value.

Loan and advances

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

Borrowings

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

Fair values

The 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.

The fair value of the contingent consideration on Ticketsoft was assessed as level 3, using a discount rate of 8% to reflect the time value of money. 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. Sensitivities to reasonably possible changes in non-market observable valuation inputs would not have a material impact on the Group's financial results.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29.2 FINANCIAL INSTRUMENTS BY CATEGORY

	NOTES	2015	2014
		NZ\$'000	NZ\$'000
Loans and receivables			
Cash	14	16,863	10,519
Short term deposits	14	10,437	20,227
Trade receivables	15	23,653	18,778
Sundry receivables	15	2,163	819
Related party receivables - trading	15	3,410	1,605
		56,526	51,948
Financial liabilities measured at amortised cost			
Trade payables	19	762	912
Sundry accruals		2,918	-
Borrowings	20	4,792	4,671
Financial liabilities measured at fair value			
Contingent consideration		1,253	-
		9,725	5,583

29.3 FINANCIAL RISK MANAGEMENT

The 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.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively monitoring and securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. The most significant financial risks to which the Group is exposed are described below.

Foreign currency risk

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

To mitigate the Group's exposure to foreign currency risk, non-NZD cash flows are monitored in accordance with the Group's risk management policies. The Group's risk management policies include Treasury management and Foreign exchange policies the implementation of which is reviewed regularly by the Board. The Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The Foreign exchange policy does allow for the use of hedging activity, however to date these instruments have not been utilised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	USD	GBP	EUR	AUD
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
31 DECEMBER 2015				
Financial assets				
Cash	5,050	8	324	137
Short term deposits	-	-	-	-
Trade receivables	7,460	77	1,437	942
Sundry receivables	-	-	-	-
Related party receivables	-	-	-	-
Financial liabilities				
Trade payables	(62)	-	(30)	(2)
Sundry accruals	-	-	-	-
Borrowings	-	-	(4,792)	-
Contingent consideration	(1,253)	-	-	-
Total exposure	11,195	85	(3,061)	1,077
31 DECEMBER 2014				
Financial assets (restated)				
Cash	2,745	294	244	399
Short term deposits	-	-	-	-
Trade receivables	7,164	-	2,225	578
Sundry receivables	-	-	-	-
Related party receivables	-	-	-	-
Financial liabilities (restated)				
Trade payables	-	(7)	(12)	-
Sundry accruals	-	-	-	-
Borrowings	-	-	(4,671)	-
Contingent consideration	-	-	-	-
Total exposure	9,909	287	(2,214)	977

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The following table illustrates the sensitivity of profit or loss and equity in regards to the Group's financial assets and financial liabilities affected by USD/NZD exchange rate the GBP/NZD exchange rate, the EUR/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 2015 (2014: 10%). A +/- 10% change is considered for the NZD/GBP exchange rate (2014: 10%). A +/- 10% change is considered for the NZD/AUD exchange rate (2014: 10%). A +/- 10% change is considered for the NZD/EUR exchange rate (2014: 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 the Group's foreign currency financial instruments held at each reporting date.

	PROFIT / EQUITY			
	USD	GBP	EUR	AUD
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
31 DECEMBER 2015				
10% strengthening in NZD	(1,018)	(8)	278	(98)
10% weakening in NZD	1,244	9	(340)	120
31 DECEMBER 2014 (RESTATED)				
10% strengthening in NZD	(901)	(26)	201	(89)
10% weakening in NZD	1,101	32	(246)	109

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

Interest rate risk

The 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 the Group to cash flow interest rate risk. Borrowings and deposits at fixed rates expose the 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 2015	EFFECTIVE INTEREST RATE	FLOATING	FIXED UP TO 3 MONTHS	FIXED UP TO 6 MONTHS	FIXED UP TO 5 YEARS	TOTAL
		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Assets						
Advance to Numero	10%	-	-	-	1,500	1,500
Short term deposits	3.54%	-	-	10,437	-	10,437
Cash		16,863	-	-	-	16,863
		16,863	-	10,437	1,500	28,800
Liabilities						
Bank borrowings	2.66%	-	(4,792)	-	-	(4,792)
Total exposure		16,863	(4,792)	10,437	1,500	24,008

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AS AT 31 DECEMBER 2015	EFFECTIVE INTEREST RATE +1%	EFFECTIVE INTEREST RATE -1%
	NZ\$'000	NZ\$'000
Assets		
Advance to Numero	15	(15)
Short term deposits	104	(104)
Cash	169	(169)
	288	(288)
Liabilities		
Bank borrowings	(48)	48
Total exposure	240	(240)

Credit risk

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

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

At 31 December the 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 longevity of ongoing customer relationships. The amounts at 31 December, analysed by the length of time past due, are:

	2015	2014
	NZ\$'000	NZ\$'000
Not more than 3 months	8,450	6,571
Between 3 months and 4 months	1,267	720
Over 4 months	3,988	1,843
	13,705	9,134

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

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through monitoring of cash and term deposits and the use of bank overdrafts and bank loans (see Note 20). The Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. None of the Group's debt will mature in less than one year at 31 December 2015 (2014: 10%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Group has significant cash balances held as cash on hand and in short term deposits of \$27.3m (refer Note 14). During the PFI period the Group stated that it did not intend to pay a dividend. The dividend policy will be reviewed by the Board in the coming financial year. At balance date the Group has a \$2m on call credit facility with the ASB, against which there has been no draw down.

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

	ON DEMAND	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
2015						
Trade payables	-	762	-	-	-	762
Sundry accruals	-	2,918	-	-	-	2,918
Borrowings	-	-	-	4,941	-	4,941
Contingent consideration	-	-	1,253	-	-	1,253
	-	3,680	1,253	4,941	-	9,874
2014						
Trade payables	-	912	-	-	-	912
Sundry accruals	-	-	-	-	-	-
Borrowings	-	-	-	4,981	-	4,981
Contingent consideration	-	-	-	-	-	-
	-	912	-	4,981	-	5,893

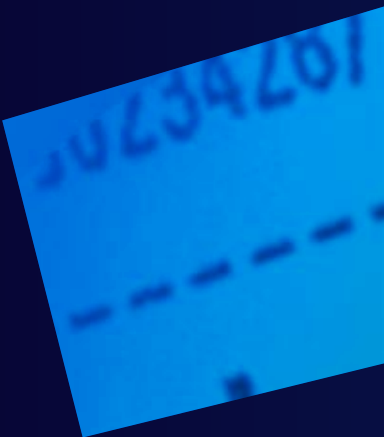
30. CONTINGENT LIABILITIES

There were no contingent liabilities for the Group at 31 December 2015 (2014: \$Nil).

31. SUBSEQUENT EVENTS

On 4 January 2016 the Group acquired 50% of Share Dimension, a Dutch software development company specialising in predictive analytics business intelligence solutions for cinema exhibitors. This investment continues Vista's strategy of investing in high quality and high growth global film industry software solutions since listing on the New Zealand and Australian stock exchanges in August 2014. Refer to Note 7 for more information.

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





CORPORATE
GOVERNANCE

CORPORATE GOVERNANCE INFORMATION

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

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

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

The Board is responsible for establishing and implementing the Company's corporate governance frameworks, and is committed to fulfilling this role in accordance with best practice while observing applicable laws, the NZX Corporate Governance Best Practice Code (**NZX Code**), the New Zealand Financial Markets Authority Corporate Governance in New Zealand – Principles and Guidelines handbook and the Corporate Governance Principles and Recommendations (3rd Edition) issued by the ASX Corporate Governance Council (**ASX Recommendations**).

For the reporting period to 31 December 2015, the Company believes that it has complied in all material respects with the NZX Code.

The Company changed its listing category on the ASX to that of an ASX Foreign Exempt Listing on 27 October 2015 and, as a result, it is exempt from complying with the majority of the listing rules of the ASX. Instead the Company is required to primarily comply with the listing rules of the NZX as its home exchange, including in relation to corporate governance. The Company has, however continued to report its approach to governance against the 8 fundamental principles of the ASX Recommendations as set out in this section.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of the Board and management and how their performance is monitored and evaluated.

Recommendation 1.1 – Companies should disclose (a) the respective roles and responsibilities of the Board and management and (b) those matters expressly reserved to the Board and those delegated to management.

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

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

The Board

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

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

The Board reserves certain functions to itself. These include:

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

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

Indemnities and insurance

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

Board meetings

In the period from 1 January 2015 until 31 December 2015 the Board has met formally 9 times. At each scheduled meeting the Board considers key financial and operational information as well as matters of strategic importance. Directors who are not members of the Committees may attend the Committee meetings.

Company subsidiaries

The Company has two wholly owned subsidiaries, Vista Entertainment Solutions Limited (**VESL**) and Virtual Concepts Limited (**VCL**). VESL has four wholly owned subsidiaries consisting of Vista Entertainment Solutions (Shanghai), Vista Entertainment Solutions (USA) Inc., Vista Entertainment Solutions (UK) Limited and Vista Entertainment Solutions (Canada) Limited. VCL has two wholly owned subsidiaries consisting of Movio Ltd and Movio Inc. Board meetings were held for each of these subsidiaries during the year ended 31 December 2015, with material matters raised in these meetings reported to the Company's Board, as appropriate.

Delegation

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

The CEO is responsible for:

- formulating the vision for the Company;
- recommending policy and the strategic direction of the Company for approval by the Board;
- providing management of the day to day operations of the Company; and
- acting as the spokesperson of the Company.

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

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

Board Committees

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

The membership of each Committee at 31 December 2015 was:

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

Other Committees may be established from time to time.

The Nominations and Remuneration Committee held two formal meetings during the financial year ended 31 December 2015 with other matters, particularly the establishment and approval of a Long Term Incentive scheme for employees dealt with by the full Board in this period. The Audit and Risk Committee met 6 times during the year. The newly appointed auditors, PricewaterhouseCoopers, attended the meeting in May to review the engagement and the matters required by the Audit and Risk Committee Charter. The meetings of both committees were attended by all members.

Recommendation 1.2 – Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Nomination and appointment

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

The Nominations and Remuneration Committee does this by:

- making recommendations to the Board as to its size;
- reviewing the composition of the Board to ensure the most appropriate balance of skills, qualifications and experience;
- reviewing Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board;
- reviewing criteria for determining suitability of potential Directors in terms of balance of the Board;
- identifying and maintaining a list of suitably qualified people who could be approached for future Board positions;
- ensuring there is an appropriate induction programme in place for all new Directors; and
- making recommendations to the Board about the appointment and re-election of Directors.

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

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

Kirk Senior (Chair), Susan Peterson and James Ogden are the current members of the Nominations and Remuneration Committee. The majority of this Committee are independent Directors. The Nomination and Remuneration Committee is chaired by Kirk Senior who is not an independent Director. The Board is confident

that Mr Senior is capable of exercising independent views and judgement in exercising his role as chair of the Nominations and Remuneration Committee.

Retirement and re-election

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

Two Directors (Brian Cadzow and James Ogden) retired by rotation and were re-elected at the Annual Shareholders Meeting in May 2015.

Recommendation 1.3 – Companies should have a written agreement with each Director and senior executive setting out the terms of their appointment.

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

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

Recommendation 1.4 – The company secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company is not required to have and has not appointed a company secretary.

Recommendation 1.5 – Companies should have a policy concerning diversity and disclose that policy together with measurable objectives for achieving gender diversity and its progress towards achieving those objectives.

Diversity Policy

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

In compliance with the Diversity Policy the Board has reviewed the Company's performance against the previous year's objectives.

The Company's recruitment policies continue to support recruitment across a range of backgrounds, ethnicities and gender. The shortage in skilled staff in the technology industry in general makes recruitment difficult, and as a result this can have an effect on

diversity statistics when you are looking to hire significant numbers of people. Due to a structural change in the management of the company and a change in those people that report direct to the Vista Group CEO the Senior Executive group did reduce its gender diversity from 2014.

Gender Diversity Statistics

AS AT 31 DECEMBER 2014	MALE		FEMALE		TOTAL
	NO.	%	NO.	%	
Board	4	80.0%	1	20.0%	5
Senior Executive*	8	88.9%	1	11.1%	9
Total Staff	233	75.2%	77	24.8%	310

AS AT 31 DECEMBER 2015	MALE		FEMALE		TOTAL
	NO.	%	NO.	%	
Board	4	80.0%	1	20.0%	5
Senior Executive*	5	100.0%	0	0.0%	5
Total Staff	280	75.7%	90	24.3%	370

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

Recommendation 1.6 – Companies should have and disclose the process for evaluating the performance of the Board, its committees and individual directors and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Performance evaluation of the Board, its Committees and individual Directors

The Chair of the Board must ensure that rigorous, formal processes for evaluating the performance of the Board, Board Committees and individual Directors are in place and the Chair must lead such processes. Further, as part of that evaluation process the Board must establish performance criteria for itself and review its performance against those criteria (at least) annually. The Board must also review its relationship with management annually. As part of the review process, the Board will use, evaluate, and where necessary action, the results of a board performance questionnaire. Further, the Committee undertakes an annual self-review of its objectives and responsibilities. In addition, those objectives and responsibilities are also reviewed (as against the Nominations and Remuneration Committee Charter) by the Board and CEO.

A review was undertaken during September 2015 and the results reported to the Board at a November strategy and review meeting. Recommendations from the results of the review have been considered and will be implemented by the Board in the future.

Recommendation 1.7 – Companies should have and disclose a process for periodically evaluating the performance of its senior executives and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in accordance with that process.

Performance evaluation of senior executives

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

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

For the financial year ended 31 December 2015, a formal performance evaluation of senior management was not undertaken. The Company proposes to undertake the first of these evaluations referred to below in the third quarter of 2016, to enable a full year of performance to be reviewed. The performance evaluation of the CEO and senior management will be based on criteria set by the Nominations and Remuneration Committee which will include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives agreed at the beginning of each financial year. Performance evaluations of the CEO and senior management team will be completed in accordance with the process established by the Company's Nominations and Remuneration Committee and the terms of the Code (as applicable).

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Companies should have a Board of an appropriate size, composition, skills and commitment to adequately discharge its duties effectively.

Composition of the Board

At 31 December 2015, the Board comprised five Directors, as follows:

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

The Board has a broad range of IT, film industry, financial, sales, business and other skills and expertise necessary to meet its objectives. The roles of the Board members has not changed in 2015, as a result, Kirk Senior is non-executive Chairman, and James Ogden and Susan Peterson are non-executive independent Directors. The Company's Constitution currently requires a minimum of three Directors and a maximum of eight.

Recommendation 2.1 – The Board should have an appropriately structured nomination committee.

The Company has established a Nominations and Remuneration Committee governed by the Nomination and Remuneration Committee Charter, a copy of which is available on the Company's website. Further information as to the primary objectives, processes and composition of the Nomination and Remuneration Committee are contained on page 58 in relation to Recommendation 1.2.

Recommendation 2.2 – Companies should have and disclose a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

In determining the composition of the Board, the Nominations and Remuneration Committee ensures that the Board has an optimal size and mix of skills to facilitate efficient and appropriate decision making.

The Board has considered the composition of the Board and is satisfied that it has an appropriate mix of skills and diversity for strategic decision-making and effective oversight in relation to the Company's affairs as at the date of this report. The skills and experience of each Director are set out on page 66 in the 'Disclosures' section.

Recommendation 2.3 – Companies should disclose whether its directors are independent.

Director independence

The Board Charter requires that a minimum of two Directors be "independent". The Board takes into account the guidance provided under the NZX Main Board Listing Rules and the ASX Recommendations, in determining the independence of Directors. Under those rules and recommendations, Directors are considered to be independent if they are non-executive and do not have an interest or relationship that could or could be perceived to unreasonably influence their decisions relating to the Company or interfere with their ability to act in the Company's best interests. The Board will review any determination it makes as to a Director's independence on becoming aware of any information that may have an impact on the independence of the Director. For this purpose, Directors are required to ensure that they immediately advise the Board of any relevant new or changed

relationships to enable the Board to consider and determine the materiality of the relationships.

As at 31 December 2015, the Board considered that James Ogden and Susan Peterson are Independent Directors. As at 31 December 2015, the Board has determined that Murray Holdaway and Brian Cadzow are not Independent Directors because of their executive responsibilities and substantial shareholding. Kirk Senior provides consulting services to the Company, in addition to his role as Chairman, and therefore the Board does not consider that he is an Independent Director.

Length of service of Directors

DIRECTOR	APPOINTED	LENGTH OF SERVICE TO 31 DEC 2015
Murray Holdaway	6 August 2003	12 years, 5 months
Brian Cadzow	6 August 2003	12 years, 5 months
Kirk Senior	3 June 2014	1 year, 7 months
Susan Peterson	3 June 2014	1 year, 7 months
James Ogden	3 June 2014	1 year, 7 months

Conflicts of interest

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

Recommendation 2.4 – A majority of the Board should be independent directors.

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

Recommendation 2.5 – The Chairman should be an independent director and, in particular, should not be the same person as the CEO.

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

that Mr Senior is capable of exercising independent views and judgement in exercising his role as Chairman.

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

Recommendation 2.6 – Companies should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

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

Board access to information and advice

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

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

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Companies should act ethically and responsibly.

Recommendation 3.1 – Companies should have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it.

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

Code of Ethics

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

The Code of Ethics will guide the Company and its employees to:

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

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Companies should have formal and rigorous processes that independently verify and safeguard the integrity of their corporate reporting.

Recommendation 4.1 – The Board should establish an appropriately structured audit committee.

Audit and Risk Management Committee

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

- ensuring the quality and independence of the Company's external audit process;
- overseeing (among other things):
- the integrity of external financial reporting,
- application of accounting policies,
- financial management, and
- the risk management framework and monitoring compliance with that framework;
- providing a formal forum for communication between the Board and senior financial management;
- regularly reviewing the Company's internal controls and systems;

- undertaking an annual self-review of the Committee's objectives;
- regularly reporting to the Board on the operation of the Company's risk management and internal control processes; and
- provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company.

The current members of the Audit and Risk Management Committee are Susan Peterson (Chair), Kirk Senior, and James Ogden. All three Committee members are non-executive Directors, a majority of whom are independent Directors. The Audit and Risk Management Committee is chaired by Susan Peterson who is an independent Director and not Chair of the Board.

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

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

Recommendation 4.2 – CEO and CFO certification of financial statements.

The provisions of Chapter 2M of the Corporations Act do not apply to the Company. Accordingly, the Company will not seek or obtain the assurance from management ordinarily required by section 295A of the Corporations Act and will not be complying with Recommendation 4.2 (or any other related recommendations) on an ongoing basis.

Recommendation 4.3 – External auditor's attendance and availability at the AGM.

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

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Companies should make timely and balanced disclosure of all matters concerning the company that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1 – The Company should have a written policy for complying with its continuous disclosure obligations and disclose that policy or a summary of it.

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

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

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

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

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

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of its shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1 – The Company should provide information about itself and its governance to shareholders on its website.

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

Recommendation 6.2 – The Company should design and implement an investor relations program to facilitate effective two-way communication with investors.

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

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

Recommendation 6.3 - The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders.

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

Recommendation 6.4 - The Company should give shareholders the option to receive communications from, and send communications to, the Company and its security registry electronically.

Shareholders have the option of electing to receive all shareholder communications, including dividend statements, by e-mail. The Company provides a printed copy of the Annual Report to only those shareholders who have specifically elected to receive a printed copy. Other shareholders are advised that the Annual Report is available on the Company's website.

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

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

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

Companies should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1 - The Company should establish an appropriately structured risk management committee for the oversight of material business risks.

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

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

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

As discussed above, the Board has established an Audit and Risk Management Committee whose primary objective is to assist the Board in fulfilling its responsibilities by, amongst other things:

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

Recommendation 7.2 – The Board or a committee of the Board should review the Company's risk framework at least annually to satisfy itself that it continues to be sound.

In addition to the Risk Framework, the Code provides that the Audit and Risk Management Committee will regularly report to the Board on the operation of the Company's risk management and internal control processes and provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the company. During the financial year ended 31 December 2015, the Board received and considered a report on the Company's management of material security risks. In addition, the Company's senior management reports at each meeting on the established Risk Register for the Company.

Recommendation 7.3 – The Company should disclose the structure and role of its internal audit function.

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

The Chief Executive is accountable for all operational and compliance risks across all of the Company's operations and businesses. The Chief Financial Officer has management accountability for the effective implementation of the Risk Framework across all of the Company's businesses.

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

Recommendation 7.4 – The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Board considers that a number of risks across various risk categories have the potential to impact on the economic, environmental and social sustainability of the Company in one way or another. Details of these types of risks and the way in which they are managed are set out in the Company's prospectus at pages 44 to 48, a copy of which is available on the Company's website.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Companies should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1 – The Board should establish an appropriately structured remuneration committee.

Nominations and Remuneration Committee

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

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

Recommendation 8.2 – The Company should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Director remuneration

Directors' fees are currently set at a maximum of \$500,000 per annum for the non-executive Directors. The actual amount of fees paid in the past year was \$305,000.

Full disclosure of Directors' remuneration is set out at page 68.

The Chairman receives \$150,000 per annum. The independent Directors receive \$75,000 per annum each. The CEO and other executive Directors receive remuneration from the Company and its subsidiaries (the Vista Group) and do not receive Directors' fees. Shareholders have approved the Directors' fees in aggregate for all Directors at \$500,000 per annum.

This fee pool includes headroom for a possible additional Director, should an appropriate candidate be identified in the future. Directors are also entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings, or otherwise in connection with Vista Group's business.

Following the adoption of a long term incentive plan in 2015, Executive and senior management remuneration currently comprises three components: fixed remuneration, short term performance incentives and a long term incentive plan. This is to ensure appropriate weighting of incentives between short and longer-term performance and to align executive packages with longer-term shareholder value.

Fixed remuneration

Fixed remuneration consists of base salary and benefits.

Short term performance incentives

The short term performance incentive will be an annual risk performance bonus which is either a specific percentage of each executive's base salary or a set value. The executives' and senior managers' right to short term performance incentives will be conditional on the performance of the individual and the company and will be assessed annually by the Board.

Executive Long-Term Incentive Plan

Vista Group has established a long term incentive plan (the LTI Plan) for executives, senior managers and staff. The LTI Plan aims to align executives', senior managers' and staff interests with those of shareholders, by providing a proportion of remuneration on an "at-risk" basis aligned to the achievement of defined performance targets. The structure of the LTI Plan was finalised in August 2015 and the first grants made with a commencement date of 1 January 2015.

Recommendation 8.3 – If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.

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

DISCLOSURES

DIRECTORS

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

K Senior, BCom, CA (Chairman)

M Holdaway, BSc, BCom (Executive Director)

B Cadzow, BCom, (Executive Director), re-elected May 2015

S Peterson, BCom, LLB (Independent Director)

J Ogden, BCA Hons, FCA, CFInstD (Independent Director), re-elected May 2015.

Stock exchange listings

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

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

Entries recorded in the interests register

The Company maintains an Interests Register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013. The following are particulars of entries made in the Interests Register for the period 1 January 2015 to 31 December 2015.

Directors' interests, Directors' disclosed interests, or cessations of interest, in the following entities pursuant to section 140 of the Companies Act 1993 during the year ended 31 December 2015.

NAME OF DIRECTOR	ENTITY	NATURE OF GENERAL DISCLOSURE
Murray Holdaway	Invista Share Nominee Limited	Director and shareholder
	Holdaway and Geary Trust	Trustee
Brian Cadzow	B&J Associates Consulting Limited	Director and shareholder
	Invista Share Nominee Limited	Director and shareholder
	B&J Cadzow Family Trust	Trustee
	Johnson Trust	Trustee
	Titirangi Golf Club Inc.	Board member
	Close Kohu Road Limited	Director and shareholder
Kirk Senior	Kirk Senior Pty Limited	Director and shareholder
	Senior Family Super Fund Pty Limited	Director and shareholder
	Kirk Senior Family Trust	Trustee
James Ogden ¹	The Warehouse Group Limited and group companies	Director
	Summerset Group Holdings Limited	Director
	MTA Group Investments Limited	Director
	Dekra NZ Limited	Director
	Pencarrow Private Equity Fund	Independent member of the Investment Committee
	Crown Forest Rental Trust	Member of the Audit and Risk Committee
	NZ Markets Disciplinary Tribunal	Member
	Alliance Group Limited	Director

¹ James Ogden ceased to be a director of each of MTA Group Investments Limited and Dekra NZ Limited on 31 August 2015.

NAME OF DIRECTOR	ENTITY	NATURE OF GENERAL DISCLOSURE
	Petone Investments Limited	Director and shareholder
	Ogden Consulting Limited	Director and shareholder
Susan Peterson ²	IHC	Board member
	The New Zealand Merino Company Limited	Director and Chairman of Audit and Risk Committee
	Scribe NZ Limited	Director
	Wynyard Group Limited	Shareholder, Director and Chairman of Audit and Risk Committee
	Wynyard Trustee Limited	Director
	National Advisory Council for the Employment of Women	Ministerial Appointee
	NZ Markets Disciplinary Tribunal	Member
	Peterson Mellsop Family Trust	Trustee and beneficiary
	Compac Holdings Limited	Director
	Trustpower Limited	Director
	Organic Initiative Limited	Director and shareholder
	Fantail Network Trust	Trustee

Share dealings of Directors

Directors disclosed, pursuant to section 148 of the Companies Act 1993, acquisitions and disposals of relevant interests in the Company shares during the year ended 31 December 2015.

DATE OF ACQUISITION OR DISPOSAL	NAME OF DIRECTOR	NO & CLASS OF SHARES ACQUIRED OR (DISPOSED)	NATURE OF RELEVANT INTEREST	CONSIDERATION PAID OR RECEIVED
There were no acquisitions or disposals in the period to 31 December 2015				

Shareholdings of Directors at 31 December 2015

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

² Susan Peterson ceased to be a director of Scribe NZ Limited on 11 November 2015 and ceased to be a board member of IHC on 23 February 2016.

Remuneration of Directors

Details of the total remuneration of, and the value of other benefits received by, each Director of the Company during the financial year ended 31 December 2015 are as follows:

DIRECTOR	FEES	REMUNERATION
Murray Holdaway	-	291,830
Brian Cadzow	-	242,000
Kirk Senior	228,369	
James Ogden	75,000	
Susan Peterson	75,000	

Employee remuneration

The following table shows the number of employees (including employees holding office as Directors of subsidiaries) whose remuneration and benefits for the year ended 31 December 2015 were within the specified bands above \$100,000. The remuneration figures shown in the table include all monetary payments actually paid during the course of the year ended 31 December 2015. The table does not include amounts paid post 31 December 2015 that related to the year ended 31 December 2015, such as short-term incentive scheme bonuses. The table below includes the remuneration of Murray Holdaway and Brian Cadzow. No Director of a subsidiary receives or retains any remuneration or other benefits from the Company for acting as such.

SALARY RANGE		STAFF NUMBERS
FROM	TO	
100,000	- 110,000	13
110,001	- 120,000	13
120,001	- 130,000	10
130,001	- 140,000	8
140,001	- 150,000	9
150,001	- 160,000	5
160,001	- 170,000	1
170,001	- 180,000	4
180,001	- 190,000	2
190,001	- 200,000	3
230,001	- 240,000	1
240,001	- 250,000	1
250,001	- 260,000	1
270,001	- 280,000	3
280,001	- 290,000	2
360,001	- 370,000	2
Total		78

Analysis of shareholding at 29 February 2015

CAPITAL IN RANGE	NUMBER OF HOLDERS	NUMBER OF SHARES	% OF SHARES ISSUED
1 - 1,000	202	121,993	0.15%
1,001 - 5,000	344	977,209	1.22%
5,001 - 10,000	103	791,136	0.99%
10,001 - 50,000	88	1,892,978	2.37%
50,001 - 100,000	4	250,868	0.31%
Greater than 100,000	35	75,938,905	94.96%
	776	79,973,089	100%

Twenty largest shareholders at 29 February 2016

	INVESTOR NAME	NUMBER OF SHARES	PERCENTAGE HOLDING
1	New Zealand Central Securities Depository Limited	18,311,934	22.90%
2	Murray Lawrence Holdaway & Helen Rachel Geary & Stephen John McDonald	9,353,862	11.70%
3	J P Morgan Nominees Australia Limited	7,471,780	9.34%
4	Brian John Cadzow & Julie Ann Cadzow & Peter Allen Lewis	6,482,875	8.11%
5	Bruce Alexander Wighton & Marianne Bachler & Peter John Clark	5,415,979	6.77%
6	Gregory James Trounson & Donald Mackenzie Gibson & Kathryn Mary Lee Trounson	4,352,787	5.44%
7	Bnp Paribas Nominees Pty Ltd	2,594,530	3.24%
8	Citi corp Nominees Pty Limited	2,062,143	2.58%
9	Kirk Senior Pty Limited	1,844,841	2.31%
10	Bruce Alan Forbes	1,600,000	2.00%
11	Peter Joseph Beguely & Samuel James Beguely	1,438,120	1.80%
12	David Smith & Lara Smith	1,329,915	1.66%
13	Smallco Investment Manager Ltd	1,260,405	1.58%
14	National Nominees Limited	1,196,774	1.50%
15	HSBC Custody Nominees (Australia) Limited	1,163,524	1.45%
16	Waspp Corporation Ltd	1,154,707	1.44%
17	John Trevor Hanson & Bruce Trevor Hanson	1,096,532	1.37%
18	Smith Family Holdings Ltd	1,081,714	1.35%
18	Mark E Pattie & Kelly M Pattie & Northern Trustee Services (No. 74) Limited	1,081,714	1.35%
19	Philip Meredith & Hornbuckle Mitchell Trustees Limited	1,078,009	1.35%
20	Matthew Preen & Richard Galbraith	585,311	0.73%
		71,957,456	89.98%

Substantial Product Holders

According to notices given under the Financial Markets Conduct Act 2013, the following persons were Substantial Product Holders in the Company at 31 December 2015 in respect of the number of voting securities set opposite their names:

NAME OF SUBSTANTIAL PRODUCT HOLDER	NUMBER AND CLASS OF SHARES
Murray Lawrence Holdaway, Helen Rachel Geary and Stephen John McDonald as Trustees of the Holdaway and Geary Trust	9,353,862
Brian John Cadzow, Julie Ann Cadzow and Peter Allen Lewis as Trustees of the B&J Cadzow Family Trust	6,482,875
Bruce Alexander Wighton, Marianne Bachler and Peter John Clarke as Trustees of the Wighton Bachler Holdings Trust	5,415,979
Gregory James Trounson, Donald Mackenzie Gibson and Kathryn Mary Lee Trounson as Trustees of The Trounson Family Trust.	4,352,787
Fidelity	7,580,589
Harbour Asset Management	4,113,558
Devon Funds Management Limited	5,881,075

Options

Nil

Performance rights

The Company issued a total of 205,930 performance rights under the LTI scheme in the 2015 grant to a number of employees and these will vest in two tranches. Tranche one comprises 102,965 performance rights and has a vesting period of two years and three months. Tranche two comprises 102,965 performance rights and has a vesting period of three years and two months. The vesting of each tranche is subject to Vista Group achieving certain performance hurdles contained within the LTI scheme. Upon vesting each performance right will entitle the holder to one ordinary share.

If the 2015 grant vested in full on the date of the issue of those performance rights it would equate to 0.25% of issued capital as at that date and increase the number of securities on issue at that time to 80,179,019

Auditor remuneration

The Company appointed PwC as its new auditor on 17 April 2015, replacing Grant Thornton who resigned from the role. The amount payable to PwC by the Company and its subsidiaries for audit and non-audit services work for the financial year ended 31 December 2015 is disclosed in note 11.1 to the financial statements.

The Board considers that due to the nature of the non-audit services work the auditors independence is not compromised and appropriate safeguards were in place.

Waivers

The Company had no NZX waivers granted or published by NZX within or relied upon in the 12 months ending 31 December 2015.

Subsidiary company Directors

The following people held office as Directors of subsidiary companies at 31 December 2015:

- Kirk Senior: VESL, Vista Entertainment Solutions (USA) Ltd, Virtual Concepts Ltd, Movio Ltd and Movio Inc.
- Murray Lawrence Holdaway: VESL, MACCS International B.V., Vista Entertainment Solutions (UK) Ltd, Vista Entertainment Solutions (Shanghai), Vista Entertainment Solutions (Canada) Ltd, Book My Show Ltd, Book My Show (NZ) Ltd, Numero Ltd, Numero (Aus) Pty Ltd.
- Brian John Cadzow: VESL, Virtual Concepts Ltd, MACCS International B.V., Vista Entertainment Solutions (UK) Ltd, Vista Entertainment Solutions (USA) Ltd, Vista Entertainment Solutions (Canada) Ltd, Book My Show Ltd, Book My Show (NZ) Ltd, Numero Ltd, Numero (Aus) Pty Ltd, Movio Limited.
- William Stanley Palmer: Movio Inc.

- L.H. Huls: MACCS International B.V.
- Mathieu H.W. Van As: MACCS International B.V.
- Rajesh Chandrakant Balpande: Book My Show Ltd & Book My Show (NZ) Ltd
- Simon John Burton: Numero Ltd & Numero (Aus) Pty Ltd
- Sven Andresen: VPF Hub

Annual meeting

The Company's Annual Meeting of shareholders will be held in Auckland on 24 May 2016 at 9:30 am. A notice of Annual Meeting and Proxy Form will be circulated to shareholders in April 2016.

Donations

The Vista Group made donations of \$18,333 (2014 - \$20,036) during the 2015 financial year.

Exercise of NZX disciplinary powers

NZX did not exercise any of its powers under NZX Listing Rule 5.4.2 in relation to the Company during the 2015 financial year.

Credit rating

The Company has no credit rating.



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