

VISTA GROUP INTERNATIONAL LIMITED

ANNUAL REPORT

2016



**VISTA
GROUP**



TABLE OF CONTENTS

02 Chairman & CEO's Letter

04 Vista Group Companies

GROUP TRADING OVERVIEW

10 Group Trading Overview

15 Corporate Responsibility

FINANCIAL STATEMENTS

18 Corporate Information

20 Directors' Report

21 Independent Auditor's Report

27 Financial Statements

CORPORATE GOVERNANCE

66 Corporate Governance

This report is dated 24 March 2017 and is signed on behalf of the Board of Vista Group International Limited by Kirk Senior, Executive Chairman, and Murray Holdaway, Chief Executive.



K Senior
EXECUTIVE CHAIRMAN
24 March 2017



M Holdaway
CHIEF EXECUTIVE
24 March 2017



KIRK SENIOR
EXECUTIVE CHAIRMAN

MURRAY HOLDAWAY
GROUP CEO

CHAIRMAN AND CEO'S LETTER

Dear Shareholder,

Welcome to the Annual Report of Vista Group International Limited (Vista Group). 2016 was another very strong year of profit, growth and investment for the future.

We have many strengths across all our businesses, but in particular we'd like to highlight the following:

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

One of the many highlights of 2016 was our major strategic transaction in China. We had a strong and growing business in China and now, with a significant partner in WePiao, we are even more enthusiastic about the future potential for that business in the China market. The transaction resulted in a large capital gain in 2016 (\$41m), but the outlook for Vista China going forward is what we are most excited about.

FINANCIALS

Vista Group delivered strong growth in 2016, exceeding the revenue and EBITDA⁽¹⁾ of 2015.

Vista Group revenue of \$88.6m was \$23.2m or 35% up on 2015. EBITDA⁽¹⁾ of \$17.6m was 17% ahead of the previous year.

We expect to maintain annual revenue growth in the 20-25% range in the coming year.

(1) EBITDA is defined as earnings before depreciation and amortisation (\$3.3m), net finance expense, income tax and the expense accrual related to the VCL deferred consideration.

VISTA CINEMA

Vista Cinema achieved another powerhouse performance with 20%+ revenue growth and 847 new cinema sites, now totalling 5,557 sites globally. New cinema site openings remain strong globally and Vista Cinema's position as the leading software supplier will ensure continued strong growth. The very strong revenue base underpins the Group's high level of over 60% recurring revenue to total revenue.

We continue to invest internally in innovation, both with existing products and new ideas. Opportunities with cloud technologies, social media and global ticketing platforms provide exciting opportunities for 2017 and beyond.

VEEZI

Veezi site numbers grew over 50% with very strong, and higher than anticipated, recurring revenue. Continued momentum in the USA, a recent industry wide agreement in Sweden and market entries in France, China and India should propel Veezi to exciting growth targets in 2017.

MOVIO

Movio is on track with its mission to revolutionise the way the film industry connects with and targets movie goers. Movio Cinema continues to build an impressive resume of cinema circuits, a key driver of success for Movio Media. The media business continues to achieve high engagement with the major film studios, with several multi-year deals in place. In addition, Movio Media has attracted significant interest from large third party digital marketing agencies which should extend campaign offerings and open up new opportunities.

MACCS

The major focus of 2016 was delivering the development work for the Warner Bros. USA implementation, which went live in late February 2017. This is a major milestone, and creates a platform for MACCS to continue to grow in the USA. MACCS also performed well in a number of international territories and continues to be the pre-eminent supplier of theatrical distribution software globally.

NUMERO

Número continues to build its reputation as a cutting edge technology supplier of film box office tracking. The early stage commercial deals in place in Australia and New Zealand have given it a strong platform to expand in 2017. Número has started collecting significant data from China, attracting strong interest from the major film studios, and is executing plans for other market expansions.

POWSTER

We invested in this successful UK based creative marketing business in April 2016 and are delighted with the strong revenue and EBITDA contributions, but also the synergies that this business brings to other aspects of the Group. The recent relocation of the company's Founder and CEO to Los Angeles should see this business go to another level in 2017.

CINEMA INTELLIGENCE

We made an early stage investment in Cinema Intelligence, which uses sophisticated algorithms to provide business intelligence solutions to cinema exhibitors focused predominantly on optimising the forecasting, booking and scheduling of movies. We look forward to exciting results from this business in the medium term.

FLICKS

Whilst still a relatively small business in terms of revenue, this business has achieved strong increased revenue in 2016 and has its own growth plans, as well as providing the Group with valuable innovation and insights that can be utilised globally.

DIVIDEND

In line with the dividend policy established by the Board in 2016, the Directors have resolved to pay our very first dividend at the top end of the range (50%) of NPAT attributable to owners of the parent after adjustment for the capital gain related to the disposal of Vista China. The dividend will carry full imputation credits.

The dividend of 4.61 cents per share represents a total payment of \$3.8m and is payable on 24 March 2017 for shareholders of record on 10 March 2017.

PEOPLE

During the year, the Group made a significant investment in additional talent, increasing the staff numbers in existing businesses by over 100 people. When you add in the acquisitions we made, total staff numbers for the group now exceed 530. Vista Group is focused on attracting a highly talented and diversified workforce and acknowledge all those involved in the recruitment, training and mentoring of all our people – well done, you are doing a great job!

We are also delighted to welcome the appointment of an additional Independent Director, Cris Nicolli, who joined the Board on 17 February 2017. Cris brings significant experience and skills in the IT sector and leadership of large scale technology businesses which have seen significant growth, and strongly complements the skills of the existing Board.

OUTLOOK

The outlook for all our businesses looks very positive. We will continue to leverage our global position as the leading supplier of software to the film industry and the many exciting and innovative opportunities that arise from that.

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

Yours sincerely,



Kirk Senior
EXECUTIVE CHAIRMAN



Murray Holdaway
CEO AND FOUNDER

VISTA GROUP COMPANIES



VISTA ENTERTAINMENT SOLUTIONS (VES) **100%**



MOVIO **100%**



MACCS INTERNATIONAL B.V. **50.1%**



NUMERO **50%**



CINEMA INTELLIGENCE **50%**



POWSTER **50%**



FLICKS **100%**

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

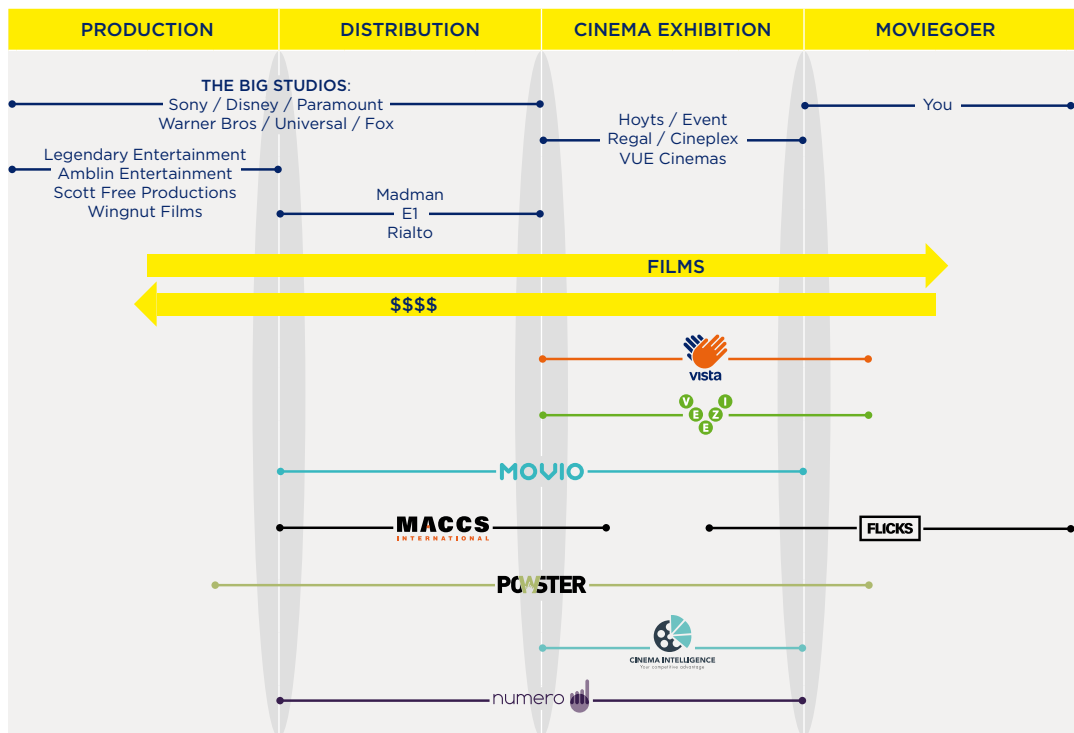
Vista Group operates in a vertical market which in many respects is similar to any other vertical industry. In most industries the sectors are known as manufacturing, supply, retail and consumer. In the film industry our sectors are known as:

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

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

With the integration of the products that Vista Group has created/acquired we are building an ability to follow the business elements of a film from production through to viewing by a moviegoer. We are then able to follow the data and financial results created at the box office back through to the various industry sectors.

The data aggregation and analysis that is required by the film industry is significant. This provides many additional opportunities for Vista Group products (Movio, Numero, Powster) along with the opportunity to pass data between the vertical sectors (highlighted by the grey bands) more efficiently. These activities provide significant current and future market opportunities for Vista Group.



OVERVIEW OF VISTA GROUP BUSINESSES AND PRODUCTS



Vista Cinema delivered another very strong performance in 2016 with positive revenue growth, and a continuation of excellent EBITDA results. Growth was achieved while substantially boosting organisational capability with over 88 people added in key areas of Product Development and Global Operations.

Vista Cinema was implemented in new countries (including Ukraine, Denmark, and Paraguay), and for new customers including Jinyi (China), Ster Kinekor (South Africa), and Nordisk (Denmark). Vista Cinema ended 2016 with 5,557 sites implemented globally – an increase of 847 (18%) from the previous year. This represented 686 new license sites and 161 from the CCG relationship in France. In addition, Vista Cinema implemented its software in 285 non cinema sites for existing customers in related small retail food and beverage operations.

Exciting new developments in both new and existing product areas were well advanced in 2016. In particular, the areas of Staff Management, Media Management, and the management of third party ticket sales channels present increasing opportunities for growth. Additionally, in 2016, Vista Cinema ramped up its investment in the software design area, investing further in a strong design (UI/UX) team, and broadening the technology base of the products created.



Veezi reached the milestone of 500 contracted sites during 2016, and is now installed in over 20 countries. Significant work was undertaken on a country wide agreement in Sweden. This has been completed in 2017 and with over 120 letters of intent signed, it is expected to provide a significant boost to site numbers. First sites went live in the important countries of China and France, while work on the product to make it saleable in India neared completion. Average revenue per contracted cinema continues to grow as product additions were made available and customer transaction volumes exceeded expectations.



Movio Cinema revenue grew 42% in 2016, with notable growth in South Africa, Norway, Denmark, the UAE and the successful implementation of Vue in the United Kingdom. Movio Cinema's Campaign component grew significantly, with email volume increasing 108% to 1.5 billion and the SMS business growing from an initial 500,000 messages in 2015 to 10 million in 2016. Contracted customers increased 47% to 50 from FY2015.

Movio Media continues to evolve the product offering to fill new demand, with a number of product releases attracting new customers, in particular the addition of ethnicity data for the US market. This capability assisted in securing long term agreements with Warner Bros. and Sony. New contracts are expected in early 2017 which will expand the reach of the Media product. Revenue contribution increased more than 100% from FY2015 with further growth projected.



MACCS performed slightly below expectation due to the Warner Bros. implementation being moved from November 2016 to February 2017. Significant services revenue was earned during 2016 as part of the project, however the expected go-live in February 2017 will enable further license revenue to be recognised. MACCS has performed well in international territories outside of the USA, with a number of new territories being added. Significant progress was made in bringing its box office collection service MACCSbox to a number of new markets including Australia and the USA.

NEW ACQUISITIONS

In the first 6 months of 2016 Vista Group completed the strategic acquisition of three companies: Powster Limited ('Powster'), Share Dimension B.V. including its subsidiary S.C. Share Dimension S.R.L. (collectively 'Cinema Intelligence') and Flicks.co.nz Limited ('Flicks').



Powster has performed to plan and has added to the Vista Group result at both revenue and EBITDA lines. Progress has been made towards establishing a creative studio in Los Angeles which should add significant business to Powster in 2017.



Cinema Intelligence is still an early stage business and continues to require investment from Vista Group. A significant new product in Box Office Forecasting was brought to market and has gained interest from a number of existing Vista Group customers.



Flicks is still a relatively small business in terms of revenue, but achieved encouraging revenue growth in New Zealand with all major film distributors advertising on the platform throughout the year. A new Flicks Android app was added to the NZ market, as well as an update of the existing Apple iOS app. The visitation rate to Flicks' websites and mobile apps in Australia continues to grow and 2017 should see further monetisation of this growth.

VISTA CHINA

Vista Group completed one of the largest tech industry transactions in China by a New Zealand company during 2016. This involved a transaction with Beijing Weying Technology Co. Ltd (WePiao) – a Tencent affiliate.

In what is the fastest growing film and cinema market in the world Vista Group is providing the new venture with the distribution rights to all existing Vista Group software including Vista Cinema, Veezi, Movio, MACCS and Numero. This is expected to facilitate the acceleration of Vista Group's growth strategy in China for its core cinema product Vista Cinema and its cloud based product, Veezi, which is ideally suited to the large number of smaller cinemas in China. It will also provide a launch platform for Movio, MACCS and Numero software in China.

The basis of the transaction was:

- Vista Group reduced its equity holding in its Chinese subsidiary from 100% to 39.5%
 - Sale of shares in Vista China
 - Vista China issuing new shares to WePiao to raise capital for growth
- Vista Group providing Vista China with a 10 year exclusive distribution right to its 5 core products – Vista Cinema, Veezi, Movio, MACCS and Numero
- WePiao to subscribe for 2.0% of new shares to be issued in Vista Group

Full explanation of the treatment and values associated with the recognition of the transaction is contained in our market release of 21 February 2017, with further detail in sections 4.1 and 4.4 of the Financial Statements. The key elements of this are:

- One-off capital gain on sale of shares in Vista China of \$41.1m
- Revenue released in 2016 of \$3.4m and \$11.0m held as Deferred Revenue in the Statement of Financial Position
- Ongoing revenue from maintenance fees through the term of the reseller agreement

Operationally the new venture is making significant progress in positioning itself for growth within the China market. The main purpose of the transaction with WePiao was to create an entity in China that had the local presence to represent the Vista Group products across the whole China market and to develop the scale to be able to achieve this. The new venture should become profitable and return positive associate company earnings to Vista Group in future years.

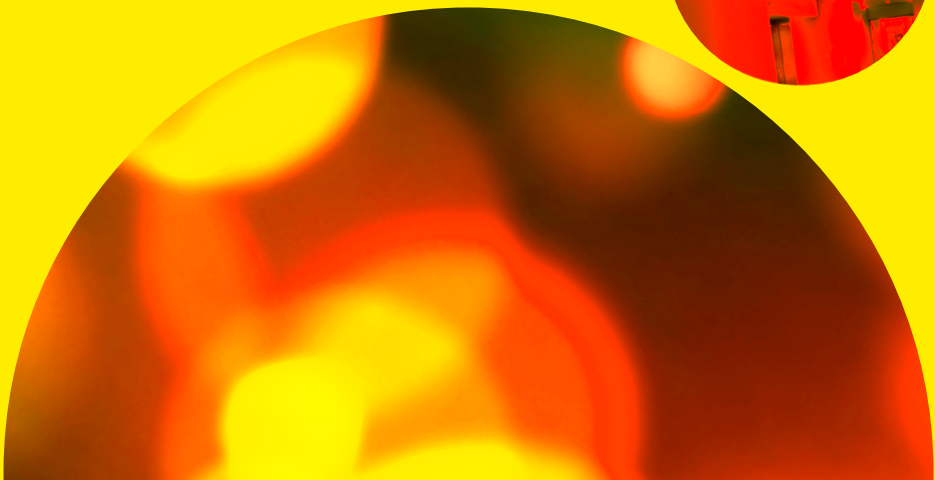
In the four months since the new venture has been established it has already:

- Opened an office in Beijing
- Recruited new staff and welcomed staff transferring from WePiao
- Introduced products beyond Vista Cinema and Veezi – Numero and Movio
- Signed new customers to support the growth of the business

Vista Group is excited by the opportunity that this new venture provides us with, in what is the fastest growing cinema market in the world.

OVERVIEW

GROUP TRADING OVERVIEW



GROUP TRADING OVERVIEW

Vista Group produced strong revenue growth (35%), positive operating cash flow (\$5.4m) and maintained a strong balance sheet to provide a platform for the continued growth of Vista Group. Earnings based on EBITDA⁽¹⁾ have improved 16.6% to \$17.6m, despite the \$3.0m negative foreign exchange movement compared to 2015. Vista Group continued its strong focus on software development, the improvement of its existing products and the creation of new products for the market. In line with previous market advice, Vista Group has capitalised \$4.1m against key projects in Vista Cinema and Movio.

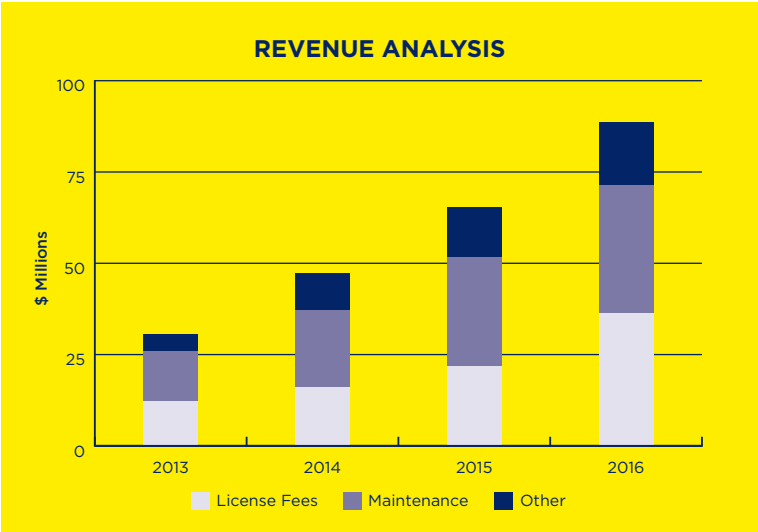
When the EBITDA⁽¹⁾ result is adjusted for abnormal items such as foreign exchange movements and the impact of new acquisitions, underlying EBITDA⁽²⁾ as a percentage of revenue increased to 22%, up 2 percentage points from 2015.

This result does highlight the key strengths of Vista Group:

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

(1) EBITDA is defined as earnings before depreciation and amortisation (\$3.3m), net finance expense, income tax and the expense accrual related to the VCL deferred consideration.

(2) Underlying EBITDA is defined as EBITDA⁽¹⁾ less foreign currency gains and losses and has the impact of the acquisitions in 2016 removed.



↑ **30%**

Average revenue growth per year for the last 3 years

↑ **35%**

Revenue growth over FY2015
*28% excl. acquisitions

↑ **32%**

Increase in value of recurring revenue to \$53.2m

VISTA CINEMA

Largest Group subsidiary outperformed growth forecasts for third year in a row. Revenue growth 20%+ in FY2016.

847 new cinema sites added (includes 161 from CCG) to bring global total to 5,557. In addition 285 installations at customer owned small retail outlets.

Estimate 38% of large circuit market (global). Total Global screen growth still strong.

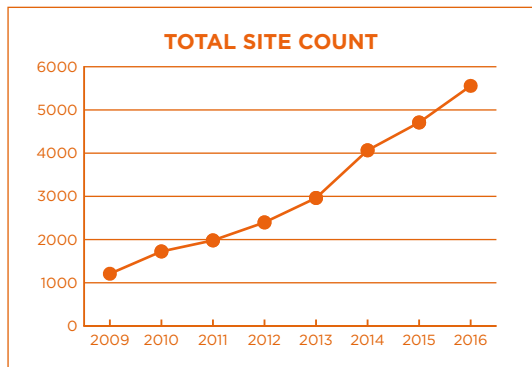
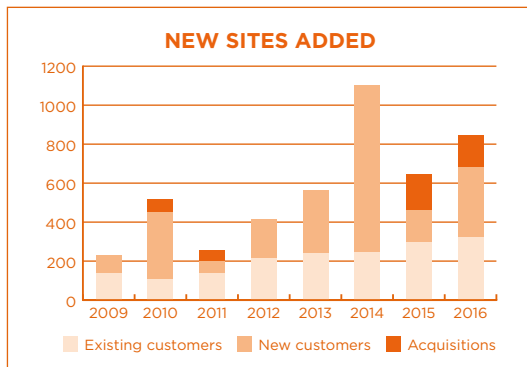
New office in South Africa to support market. With Ster Kinekor we now have 100% of large circuit market. The office will support opportunities in the growing African market.

Advanced developments on existing products and new initiatives for future growth.

Investment in staff to support the business.

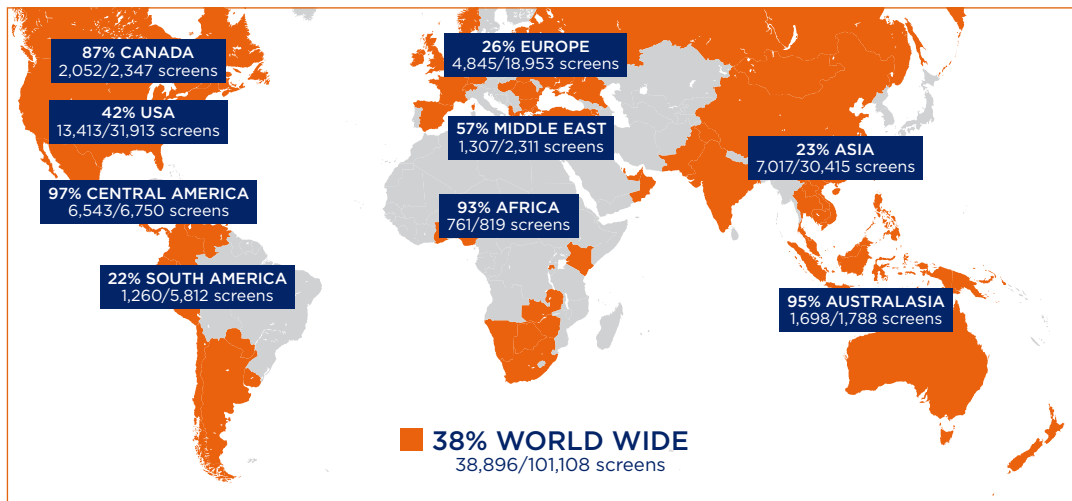


KIMBAL RILEY
Chief Executive,
Vista Entertainment
Solutions



WORLD SHARE

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



VEEZI

Site number growth of 52% to 532 at year end across 20 countries.

Addressable market size approximately 25,000 Cinemas.

ARR strong at \$5,750 per annum per site (\$480 per month).

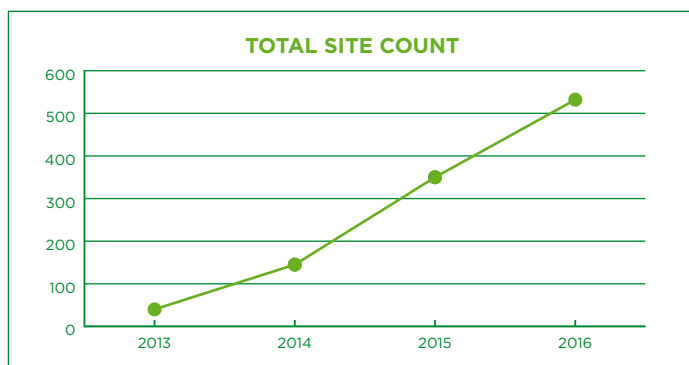
New agreement with Film Industry Organisation in Sweden with significant opportunity in 2017.

French certification achieved and first site live. Wider market entry planned for 2017.

China SARFT approval gained and first site live in late 2016.



MATTHEW PREEN
General Manager



\$3.06m

Annualised Recurring Revenue (ARR)

532

Global total of contracted sites

MACCS & MACCSBOX

MACCS – Movie ACCounting System

Theatrical distribution software providing a logistics and financial solution.

MaccsBox – Theatrical Value Chain

Collects audited box office results (eBor) centrally and provides them to distributors.

2016

Completed the Warner Bros. domestic enhancements and the release of MACCS 9.0.

Commenced development of cloud based application for smaller distributors.

Introduced MaccsBox to the USA.

2017

Warner Bros. go live Q1 2017.

Further country rollouts of MaccsBox.



BURT HULS
Chief Executive
& Founder

MOVIO

On track with their mission: To revolutionise the way film distributors and cinema exhibitors interact with moviegoers.

Movio Cinema

Increased customers from 37 to 50 of the world's largest cinema circuits including AMC (USA), Ster Kinekor (SA) and Vue (UK).

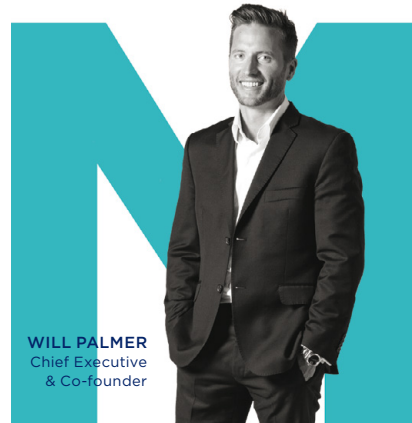
Movio Media

New multi-year deals signed with Sony, Warner Bros., Lionsgate. Significant opportunities opened up in the digital media space.

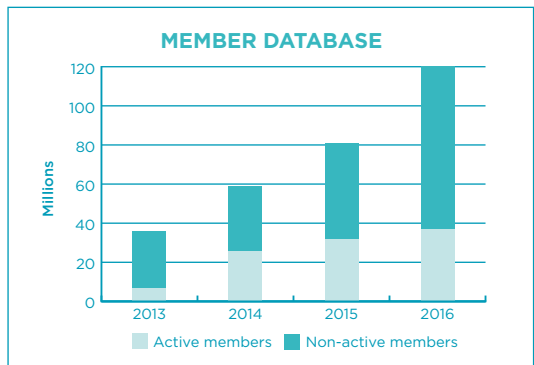
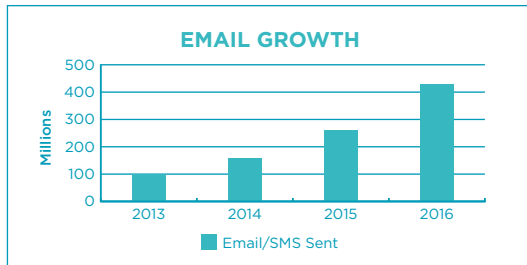
2017

Increasing the volume of active moviegoers via new data sources including online transactions.

Extending the campaign offering to incorporate digital media (web, mobile, social).



WILL PALMER
Chief Executive
& Co-founder



POWSTER

Provides world-leading film marketing products including interactive content to promote films.

Marketing platform for movie studios, powering the world's biggest films. One destination per film with all cinemas and show-times listed.

2016

All six major studios using Powster platforms in the US. Joined Vista Group.

Doubled staff across London and Los Angeles.

2017

Opening of Los Angeles studio.

Launch Trailered, a new web destination that enables moviegoers to consume trailers in a completely new way.

Launch of VR show times.



STE THOMPSON
CEO & Founder

CINEMA INTELLIGENCE

2016

Opened LA office.

Global expansion – running implementations on three continents.

Released new forecasting module.

2017

Build more integration to Vista.

Strong focus on North America.



CLAUDIU
TANASESCU
CEO

FLICKS

Authoritative Australasian movie and cinema guide

Moviegoer access nationally for every movie playing; cinemas, session times, booking links, videos and trailers, reviews (user and critical) plus editorial from Australasia's best industry contributors.

2016

Best year for advertising revenues and best year to date for total website visitors.

2017

Build Australian advertising revenue.

Commence presence in new territories.

Release new SaaS based website product for small cinemas.



PAUL
SCANTLEBURY
CEO

CORPORATE RESPONSIBILITY

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

EMPLOYEES & RECRUITMENT

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

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

DIVERSITY

Vista Group always looks for great talent in the people it employs and that diversity of thought leads to fantastic idea generation. As the tech industry suffers from a shortage of talent in New Zealand, and in other territories in which we operate, we have become approved by immigration authorities to recruit talented people from overseas to help grow the employee base of the business. We have customers in 79 countries around the world and while our staff do not quite cover all those countries we certainly represent a wide range of counties with over 20 languages spoken by staff. This creates an enormous benefit to an outward looking, export oriented New Zealand business.

RELATIONSHIP WITH UNIVERSITIES

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

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

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

INTERNS

Vista Group runs a strong intern program as part of our dedication to developing the tech talent of tomorrow. A testament to our strong employment brand is that we now have over 650 applicants for the program each year. The program involves us bringing up to 15 interns into the business over summer. They are paid to work on projects and spend time in development teams. Part time work is offered through the year where this fits a student's schedule with the goal being that they will move through to be employees once they have graduated.

ROBOTICS

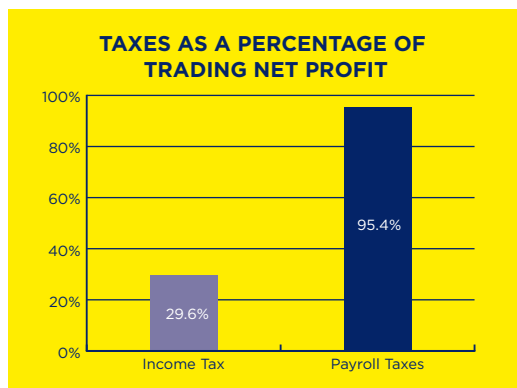
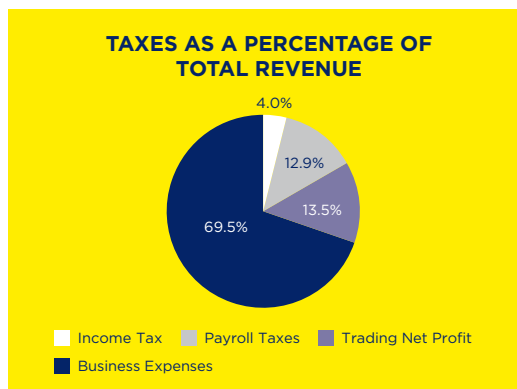
On a smaller scale Vista Group has for many years been a supporter of one of the most successful secondary school VEX robotics teams in New Zealand. The Lynfield College team (a west Auckland school) has won several world titles (held in the USA) and through sponsorship by Vista Group and the Vista Group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

TAXES PAID

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

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

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



VISTA FOUNDATION

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

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

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

With establishment funding from the founding shareholders of Vista Group and the intent of Vista Group to continue funding support in future years the Vista Foundation is positioning itself to meet its principal aims for many years to come.

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





FINANCIAL
STATEMENTS

FINANCIALS

CORPORATE INFORMATION

DIRECTORS

Kirk Senior
Murray Holdaway
Brian Cadzow
Susan Peterson
James Ogden
Cris Nicolli – appointed 17 February 2017

REGISTERED OFFICE

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

NATURE OF BUSINESS

Provision of management solutions for the film industry

COMPANY NUMBER

1353402

ARBN

600 417 203

AUDITOR

PricewaterhouseCoopers
188 Quay St,
Auckland, 1142

SOLICITORS

New Zealand

DLA Piper New Zealand
50-64 Customhouse Quay
PO Box 2791
Wellington, 6140

Hudson Gavin Martin
Level 8
2 Commerce Street
Auckland 1010

UK

DLA Piper UK LLP
1 St Paul's Place
Sheffield S1 2JX
United Kingdom

USA

DLA Piper LLP (US)
550 South Hope Street, Suite 2300
Los Angeles, CA 90071-2678
USA

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

Canada

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

China

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

SHARE REGISTRY

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

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

BANKERS

New Zealand
ASB Bank Limited
PO Box 35
Shortland St
Auckland, 1140

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

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

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

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

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

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

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

DIRECTORS' REPORT

The Board of Directors present the financial statements of the Group for the year ended 31 December 2016 and the independent auditor's report thereon.

For and on behalf of the Board of Directors who approved these financial statements for issue on 24 February 2017.



Kirk Senior
EXECUTIVE CHAIRMAN
24 February 2017



M Holdaway
CHIEF EXECUTIVE
24 February 2017



Independent auditor's report

To the shareholders of Vista Group International Limited

The consolidated financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Vista Group International Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

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

Our firm carries out other services for the Group in the areas of related assurance services and employee incentive scheme advice. The provision of these assurance and other services has not impaired our independence as auditor of the Group.

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

Our audit approach

Overview



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

Overall group materiality: \$880,000, which represents 1% of total revenues.

We chose revenue as the benchmark because, in our view, this is the metric against which is most commonly used by management and the users of the financial statements to measure the performance of the Group, and is a generally accepted benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above \$40,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Our key audit matters are:

- Accounting for the Vista China transaction
 - Impairment testing of goodwill
-

Materiality

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

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

Audit scope

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

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

We perform audits of the significant subsidiaries of the Group as well as the holding company to appropriately address the risk of misstatement and to obtain sufficient audit coverage and evidence. These audits were undertaken by PwC New Zealand and performed at a materiality level calculated with reference to a proportion of the Group materiality appropriate to the relative financial scale of the subsidiary concerned.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Accounting for the Vista China transaction</i></p> <p>Note 4.1 provides details of a number of transactions that collectively have been termed the Vista China Transaction. These transactions resulted in two significant estimates where judgement needed to be applied.</p> <p><i>1. Valuation of the retained shareholding in Vista China</i></p> <p>Following the disposal of Vista China, the retained interest in Vista China of 39.5% was initially recorded at fair value. The valuation was carried out by an independent expert who determined that the value of the residual interest was \$28.6m.</p> <p>The valuation involved:</p> <ul style="list-style-type: none">• Determining the value of Vista China based on the price paid by Beijing Weying Technology Co. (WePaio) for the 55% controlling shareholding acquired;• Determining an appropriate discount rate reflecting significant influence but not control;• Assessing whether the related reseller arrangements were on arms-length terms. <p>Determining the appropriate discount rate and assessing the terms of the reseller agreement involved the applicable of judgement and estimation.</p> <p><i>2. Revenue recognition from the Reseller Agreement</i></p> <p>Vista Group has a number of performance obligations under the reseller agreement. These included the granting of exclusive distribution rights of Vista's licensed programs in China, localisation of these products, and</p>	<p>We obtained and reviewed the agreements associated with the transaction and held discussions with management and the Directors to understand the legal and commercial substance of the arrangements entered into.</p> <p>Having identified that there were two key areas of judgement and estimation, we addressed these as follows.</p> <p>In relation to the valuation of the retained interest in Vista China, we engaged our own expert experienced in valuing companies to assess the valuation approach undertaken by managements' independent expert. This included reviewing the valuation methodology and whether the discount rate used was supportable by reference to the terms of the transaction and comparison to other similar transactions.</p> <p>We also considered the independence of managements' expert, their experience in valuing companies and the conclusions reached.</p> <p>In relation to the reseller agreement we gained an understanding of Vista's performance obligations under the agreement. Through review of the agreement and discussions with management we determined the appropriate revenue recognition policy for each performance obligation.</p> <p>We then gained an understanding of how management had negotiated the revenue due under the contract and assessed how management had allocated this to each performance obligation using standard selling prices, in particular the revenue associated with the granting of distribution rights and localisation of the licensed programs. Through</p>

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ongoing training, support and maintenance services. Management has applied judgement in determining the nature of these performance obligations, the time period over which these obligations will be satisfied, the associated revenue for each obligation and from this the amount of revenue that should be recognised.

This assessment has resulted in \$3.4m of revenue being recognised for the year ended 31 December 2016 and \$11.0m of revenue being deferred in the Statement of Financial Position.

this we also gained comfort that the reseller arrangement was on arm's length terms.

We ensured that:

- At balance date the distribution rights had been granted in accordance with the agreement and accordingly the associated revenue recognised;
- Revenue from maintenance and support services had been recognised on a straight-line basis over the period the services are to be provided in accordance with the agreement; and
- Localisation services have yet to be completed in accordance with the agreement and therefore have been recorded as deferred revenue.

From the procedures performed we have no matters to report.

Impairment testing of goodwill

Note 4.3 provides details of the composition of the goodwill balance of \$50.3 million as at 31 December 2016.

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

To do this, management used a discounted cash flow (DCF) model to value each division (cash generating unit) and then compared these values to the carrying value of the associated assets and liabilities of each cash generating unit, including goodwill as at 31 December 2016.

The discounted cash flow models involve the application of judgment including determining certain key assumptions and estimates, specifically:

- The future revenue growth rates for the 5 year period forecast based on historic and expected future performance;
- Determining the long term growth rates for cash flows beyond the 5 year forecast period;

We gained an understanding of the business process applied by management in assessing impairment of goodwill. We held discussions with management about the performance of each cash generating unit and whether there were any events or circumstances that would indicate that goodwill was impaired.

We assessed the reasonableness of the key estimates and assumptions made by management, by performing the following procedures:

- Obtaining an understanding of how management prepared its budgets and forecast and the associated review and approval processes;
- Assessing the reliability of management's historical budgets and forecasts by reference to actual performance;
- Assessing whether the growth rates used over the 5 year period forecast were reasonable compared to historic growth, board approved budgets and other strategic and operational initiatives being undertaken;



- Calculating the weighted average cost of capital for each cash generating unit used to discount the forecast cash flows.
- Comparing the terminal growth rates against New Zealand long-term rates and industry specific rates; and
- Recalculating the discount rates used and comparing the discount rates against similar market participants.
- We also performed a sensitivity analysis by increasing and decreasing key assumptions to consider whether any reasonably possible changes could result in impairment of goodwill.

The assessments completed by management concluded that goodwill was not impaired as at 31 December 2016 but the valuation of Share Dimension was sensitive to changes in the revenue growth assumptions, as disclosed in Note 7.4 of the financial statements.

Based on the procedures performed and evidence examined we obtained comfort that the key assumptions and estimates were appropriate to support the impairment tests and that a reasonable possible change in key assumptions would not result in an impairment other than in respect of the carrying value of Share Dimension's goodwill of \$1.7 million.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, when we read the annual report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

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but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

Who we report to

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

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

For and on behalf of:

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

Chartered Accountants
24 February 2017

Auckland

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	SECTION	2016	2015
		NZ\$'000	NZ\$'000
Revenue		88,589	65,431
Total revenue	3	88,589	65,431
Sales and marketing expenses		7,100	4,567
Operating expenses	7.6	42,849	31,727
Administration expenses	7.6	22,949	17,995
Acquisition expenses	7.6	1,338	2,722
Foreign currency losses/(gains)		1,378	(1,742)
Total expenses		75,614	55,269
Operating Profit		12,975	10,162
Finance costs		(580)	(503)
Finance income		480	462
Share of loss from associate	4.1	(914)	-
Capital gain on sale of Vista China	4.1	41,069	-
Profit before tax		53,030	10,121
Tax expense	8.1	(3,550)	(3,981)
Profit for the year		49,480	6,140
Profit for the year is attributable to:			
Owners of the parent		48,620	5,753
Non-controlling interests		860	387
		49,480	6,140
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		(1,779)	510
Total comprehensive income for the year		47,701	6,650
Total comprehensive income for the year is attributable to:			
Owners of the parent		47,201	6,346
Non-controlling interests		500	304
		47,701	6,650
Earnings per share for profit attributable to the equity holders of the parent			
Basic (cents per share)	6.2	\$0.61	\$0.07
Diluted (cents per share)	6.2	\$0.60	\$0.07

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

		ATTRIBUTABLE TO THE OWNERS OF THE PARENT					NON-	TOTAL
		CONTRIBUTED	RETAINED	FOREIGN	SHARE-BASED	TOTAL	CONTROLLING	EQUITY
		EQUITY	EARNINGS	CURRENCY	PAYMENT		INTERESTS	
		NZ\$'000	NZ\$'000	RESERVE	RESERVE	NZ\$'000	NZ\$'000	NZ\$'000
SECTION								
	Balance at 1 January 2016	45,952	22,661	164	2,296	71,073	7,979	79,052
	Profit for the period	-	48,620	-	-	48,620	860	49,480
	Other comprehensive loss	-	-	(1,419)	-	(1,419)	(360)	(1,779)
	Total comprehensive income	-	48,620	(1,419)	-	47,201	500	47,701
	Issue of share capital 6.1	7,983	-	-	-	7,983	-	7,983
	Share-based payments 6.3	75	-	-	1,043	1,118	-	1,118
	Disposal of Vista China 4.1	-	-	264	-	264	-	264
	VCL share based payment 4.2	1,644	-	-	(1,644)	-	-	-
	Acquisition of non-controlling interests	-	-	-	-	-	2,249	2,249
	Balance at 31 December 2016	55,654	71,281	(991)	1,695	127,639	10,728	138,367
	Balance at 1 January 2015	45,952	15,895	(429)	1,666	63,084	7,675	70,759
	Profit/(loss) for the period	-	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 6.3	-	-	-	1,643	1,643	-	1,643
	2014 employee share based payment transactions - closed 2015 6.4	-	1,013	-	(1,013)	-	-	-
	Balance at 31 December 2015	45,952	22,661	164	2,296	71,073	7,979	79,052

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	SECTION	2016	2015
		NZ\$'000	NZ\$'000
CURRENT ASSETS			
Cash	5.1	15,798	16,863
Short term deposits	5.1	5,540	10,437
Trade and other receivables	7.1	73,392	30,069
Income tax receivable		449	517
Total current assets		95,179	57,886
NON-CURRENT ASSETS			
Property, plant and equipment	7.3	4,162	2,380
Investment in associate	4.1 / 4.4	27,669	-
Goodwill	4.3	50,285	41,109
Intangible assets	7.2	12,789	9,152
Deferred tax asset	8.2	1,541	220
Total non-current assets		96,446	52,861
Total assets		191,625	110,747
CURRENT LIABILITIES			
Trade and other payables	7.5	14,519	6,637
Deferred revenue		22,473	14,476
Contingent consideration	4	3,122	1,253
Income tax payable		2,315	1,788
Total current liabilities		42,429	24,154
NON-CURRENT LIABILITIES			
Borrowings	5.3	4,848	4,792
Deferred revenue		3,444	-
Employee benefits - VCL acquisition		343	468
Provisions		279	-
Deferred tax liability	8.2	1,915	2,281
Total non-current liabilities		10,829	7,541
Total liabilities		53,258	31,695
Net assets		138,367	79,052
EQUITY			
Contributed equity	6.1	55,654	45,952
Retained earnings		71,281	22,661
Foreign currency revaluation reserve		(991)	164
Share based payment reserve	6.3	1,695	2,296
Total equity attributable to owners of the parent		127,639	71,073
Non-controlling interests	4.4	10,728	7,979
Total equity		138,367	79,052

For and on behalf of the Board who authorised these financial statements for issue on 24 February 2017.



Kirk Senior Executive Chairman



Susan Peterson Chair Audit and Risk Committee

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

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	SECTION	NZ\$'000	NZ\$'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		69,247	60,113
Interest received		476	462
Payments to suppliers		(58,502)	(50,527)
Taxes paid		(5,484)	(3,114)
Interest paid		(317)	(339)
Net cash inflow from operating activities	5.2	5,420	6,595
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,353)	(1,059)
Purchase of intangible assets		(4,890)	(2,672)
Advance to associate		(1,121)	-
Acquisition of a business, net of cash acquired		(7,163)	(6,680)
Disposal of Vista China		(1,439)	
Net cash (applied to) investing activities		(17,966)	(10,411)
CASHFLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares	6.1	7,983	-
Net cash inflow from financing activities		7,983	-
Net decrease in cash and short term deposits		(4,563)	(3,816)
Cash and short term deposits at the beginning of the year		27,300	30,746
Foreign exchange differences		(1,399)	370
Cash and short term deposits at end of year	5.1	21,338	27,300

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

NOTES TO THE FINANCIAL STATEMENTS

General information

In the current year, the layout of these financial statements has been updated to present them in a way that is easier for the reader to understand. This has been achieved by including Accounting Policies and Critical Judgements alongside the notes and focusing on presenting the information in a manner that increases clarity and ease of understanding.

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

Accounting policies

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

Accounting policies are identified by the symbol above.

Critical judgements and estimates in applying the accounting policies

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

1. GENERAL INFORMATION

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


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

In accordance with the Financial Markets Conduct Act 2013 because financial statements are prepared and presented for Vista Group, separate financial statements for the Company are no longer required to be prepared and presented.

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

These financial statements were approved by the Directors on 24 February 2017.

2. BASIS OF PREPARATION

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

2.1 KEY LEGISLATION AND ACCOUNTING STANDARDS

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2.2 ADOPTION OF NEW ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting period and have not been early adopted by Vista Group. The key items applicable to Vista Group are:

NZ IFRS 15: Revenue from contracts with customers

(Effective date: annual periods beginning on or after 1 January 2018)

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. Vista Group intends to adopt NZ IFRS 15 on its effective date and has yet to assess its full impact.

NZ IFRS 9: Financial Instruments

(Effective date: annual periods beginning on or after 1 January 2018)

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

NZ IFRS 16: Leases

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

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

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

2.3 BASIS OF CONSOLIDATION

Vista Group's financial statements consolidate those of the Company, and its subsidiaries as at 31 December 2016. A subsidiary is an entity over which Vista Group has control. Control is achieved when Vista Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the activities of the investee.

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

2.4 FOREIGN CURRENCY

Functional and presentation currency

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

Transactions and balances

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

Foreign Currency Translation Reserve (FCTR)

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

Group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- (b) income and expenses for each income statement and statement of other comprehensive income, are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- (c) all resulting exchange differences are recognised in other comprehensive income
- (d) goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income

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

2.5 INVESTMENT IN ASSOCIATE

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

When the Vista Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, Vista Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between Vista Group and its associates are eliminated to the extent of the Vista Group's interest in these entities.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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 section 7.4.

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

2.6 GROUP INFORMATION

The financial statements include the following significant subsidiaries:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	SHAREHOLDING 2016	SHAREHOLDING 2015
Vista Entertainment Solutions Limited	Software development and licensing	New Zealand	100%	100%
Virtual Concepts Limited	Holding company	New Zealand	100%	100%
Movio Limited	Provision of online loyalty data analytics and marketing	New Zealand	100%	100%
Movio Inc	Provision of online loyalty data analytics and marketing	USA	100%	100%
MACCS International B.V.	Software development and licensing	Netherlands	50.1%	50.1%
Vista Entertainment Solutions (UK) Limited	Software licensing	United Kingdom	100%	100%
Vista Entertainment Solutions (USA) Inc	Software licensing	USA	100%	100%
Vista Entertainment Solutions Shanghai Limited*	Software licensing	China	39.5%	100%
Book My Show Limited	Online cinema ticketing website	New Zealand	74%	74%
Book My Show (NZ) Limited	Online cinema ticketing website	New Zealand	74%	74%
Share Dimension B.V.	Software development and licensing	Netherlands	50%	-
S.C. Share Dimension S.R.L.	Software development	Romania	50%	-
Flicks.co.nz Limited	Advertising sales	New Zealand	100%	-
Powster Limited	Marketing and creative solutions	United Kingdom	50%	-

*Vista Entertainment Solutions Shanghai Limited is no longer a subsidiary, see section 4.1 for details.

3. FINANCIAL PERFORMANCE



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



3.1 REVENUE

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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. In 2016 a fee related to the sale of an exclusive distribution right in China is recognised in this category. See section 4.1 for more detail.

Maintenance

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

Services

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

Development

Development revenue comprises the revenue associated with development effort as requested and paid for by customers. This category includes revenue associated with development services to deliver the localisation of Vista Group software under the reseller agreement with Vista China. See section 4.1.

Other revenue

Other revenue comprises revenue earned from advertising.

	2016	2015
	NZ\$'000	NZ\$'000
Product	39,153	21,750
Maintenance	35,124	31,427
Services	9,534	12,070
Development	4,321	-
Other	457	184
Total revenue	88,589	65,431



Critical judgements used in applying accounting policies and estimation uncertainty

As disclosed in 4.1, Vista Group entered into a reseller agreement with Vista China which included a number of performance obligations made by Vista Group. Management has applied judgement and estimation in determining the nature of these performance obligations, the time period over which these obligations will be satisfied, the associated revenue for each obligation and from this the amount of revenue that has been recognised for the year ended 31 December 2016.

3.2 SEGMENT REPORTING

Vista 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.

Vista Group operates across four regions. Asia Pacific (APAC) which comprises primarily Vista China, note that after the disposal of this entity (see section 4.1) non-current operating assets are reduced to nil in 2016 (2015: \$127,000). The other three regions comprise Europe, Middle East and Africa (EMEA), the United States and Canada (Americas) and the Oceania region which consists of New Zealand and Australia, within which Vista Entertainment Solutions Limited and the Company are included.

Revenue is reported via five main sources – Product, Maintenance, Services, Development and Other, 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

Geographic information

REVENUE

2016	APAC	EMEA	AMERICAS	OCEANIA	TOTAL
					NZ\$'000
Product	4,809	11,849	10,695	11,800	39,153
Maintenance	849	9,264	12,700	12,311	35,124
Services	334	5,892	2,460	848	9,534
Development	554	896	936	1,935	4,321
Other	-	-	-	457	457
Total revenue	6,546	27,901	26,791	27,351	88,589

2015	APAC	EMEA	AMERICAS	OCEANIA	TOTAL
					NZ\$'000
Product	1,611	5,385	6,894	7,860	21,750
Maintenance	2,207	7,899	11,246	10,074	31,426
Services	172	5,875	3,919	(309)	9,657
Development	184	613	643	974	2,414
Other	-	-	130	54	184
Total revenue	4,174	19,772	22,832	18,653	65,431

No individual customer exceeded 10% of revenue in 2016 or 2015.

Non-current operating assets by location are presented in the following table. Note that investment in associate is excluded from the non-current assets balance presented.

Geographic information

NON-CURRENT OPERATING ASSETS

	2016	2015
	NZ\$'000	NZ\$'000
Oceania	34,498	26,981
APAC	-	127
Americas	8,394	9,028
EMEA	25,885	16,725
Total non-current operating assets	68,777	52,861

4. ACQUISITIONS DISPOSALS AND BUSINESS COMBINATIONS



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

4.1 VISTA CHINA TRANSACTION

Transaction description

On 25 August 2016, Vista Group received final regulatory approval to establish with Beijing Weying Technology Co. Ltd (WePiao) a new venture in China. Under the terms of the agreement, WePiao has acquired a 55.4% equity holding in Vista Entertainment Solutions (Shanghai) Limited (Vista China) via the combination of the purchase from Vista Group of 18.3% of the existing shares in Vista China and the issue of new shares. On completion of the transaction, Vista Group holds a 39.5% shareholding in Vista China, with the remaining 5.0% being held by a third

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

party. Due to the revised shareholding in Vista China and Board composition, Vista Group ceased to have effective control of Vista China as of the completion date of the transaction. Holding two Board seats out of seven enables Vista Group to exercise significant influence over Vista China and therefore classifies this entity as an Associate and ceases to consolidate Vista China as of the completion date.

Under the Reseller Agreement, Vista China has been granted an exclusive distribution right for the initial period of ten years within mainland China, with a right of renewal, to all existing Vista Group software including Vista Cinema, VEEZI, Movio, MACCS and Numero. The Reseller Agreement specifies the payment of Localisation fees to Vista Group to cover the effort that must be invested to prepare Vista Group software products for further deployment in the China market. Support and Maintenance fees are also payable under the Reseller Agreement to cover customer support, training and upgrades to Vista Group software suite.

Gain on sale of Vista China

At the disposal date, the carrying value of the identifiable net assets in Vista China was \$1.5m. Vista Group sold 18.3% of the shares in Vista China for \$16.5m. The fair value of the retained 39.5% shareholding in Vista China has been valued by an independent valuation expert at \$28.6m. Vista Group has recognised a gain on sale of \$41.1m, calculated as follows:

	2016
	NZ\$'000
Consideration received or receivable	16,533
Fair value of the 39.5% of Vista China retained by Vista Group	28,583
	45,116
Less: carrying value of net assets of Vista China	(1,511)
Transaction costs	(2,272)
Foreign currency translation reserve	(264)
Gain on sale of Vista China before income tax	41,069
Income tax expense	-
Gain on sale of Vista China after income tax	41,069

Carrying amounts of Vista China

The carrying amounts of assets and liabilities for Vista China as at the date of sale 25 August 2016 were:

	25 AUGUST 2016
	NZ\$'000
Total non-current assets	126
Cash	4,723
Trade and other receivables	3,681
Total current assets	8,404
Total assets	8,530
Total non-current liabilities	(67)
Other current liabilities	(926)
Trade and other payables	(6,026)
Total liabilities	(7,019)
Net assets	1,511

Vista China was consolidated as a subsidiary for the period through 31 August 2016. During this period the entity contributed revenue of \$6.7m and EBIT of \$0.4m. Vista Group recognised an equity accounted loss for the period after which Vista China ceased to be consolidated of \$0.9m. As at 31 December 2016, Vista Group holds a sundry receivable of \$16.5m from WePiao for the purchase of 18.3% of the equity of Vista China. As at 31 December 2016, Vista Group also holds a trade receivable of \$19.0m from Vista China. See section 4.4 for more information.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED



Critical judgements used in applying accounting policies and estimation uncertainty

Judgement and estimation is applied in determining the fair value of the 39.5% interest retained in Vista China following the sale of the controlling shareholding to WePiao. An appropriately qualified independent expert was appointed by the Board who determined the fair value of the retained interest at \$28.6m. The determination of this amount was based on the sale price for the 18.3% of Vista China sold by Vista Group and the amount at which new shares in Vista China were issued to WePiao, adjusted to reflect a premium for control.

4.2 2016 ACQUISITIONS AND OTHER BUSINESS COMBINATIONS



Business combinations

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

POWSTER LIMITED

On 1 April 2016, Vista Group acquired a 50% shareholding in Powster Ltd (Powster). Powster is a London based business that provides bespoke marketing concepts and creative solutions to the film and entertainment industry.

This strategic acquisition continues Vista Group's strategy of creating a comprehensive suite of technology solutions for the global film industry. Vista Group will benefit from Powster's capability to deliver innovative digital marketing and operational solutions for distributors and exhibitors and as a result it will enhance Vista Group's product offering to studios. Powster will benefit from potential cost efficiencies from being part of Vista Group as well as leveraging Vista Group's relationships across its geographic locations and customer base.

The terms of the acquisition achieve effective control of Powster via Vista Group's ability to exercise majority voting rights. Accordingly, the investment in Powster is treated as a subsidiary and consolidated at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

	NZ\$'000
Cash	7,188
Contingent consideration	2,493
Total purchase consideration	9,681

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

	NZ\$'000
Property, plant and equipment	65
Cash on hand	1,994
Trade and other receivables	1,895
Tax payable	(726)
Trade and other payables	(134)
Net identifiable assets acquired	3,094
Non-controlling interest	1,547
Goodwill	8,134
Total purchase consideration	9,681

The fair value of trade receivables is \$1.54m with no bad debt provision required as all customer accounts are deemed to be fully performing. The total amount of accounts receivable past due but not impaired was \$0.9m.

Contingent consideration

The purchase agreement includes contingent consideration. Contingent consideration is payable in two tranches to be paid in April 2017 and April 2018 respectively. The Payment tranches are based upon the achievement of EBITDA⁽¹⁾ for the FY2016 and FY2017 periods. For the purposes of quantifying the amounts payable for each respective tranche, an estimate has been developed based on the expected performance of the Powster business for these financial years. The assumptions used have been validated by senior management. The estimated cashflows for each tranche have been discounted back to the balance date at a cost of capital of 8%, to be unwound over the period of the tranche as a finance charge.

At the acquisition date, the fair value of the contingent consideration was estimated to be \$2.5m. There has been no change to this estimate as at 31 December 2016. The maximum amount payable under the purchase agreement is uncapped, based on financial performance.

Goodwill

Goodwill is attributable to Powster's ability to enable Vista Group to increase the breadth of its product offering to studios. Goodwill is also attributable to Powster's cost efficiencies provided by access to Vista Group's infrastructure and customer network. Goodwill is not deductible for tax purposes.

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

Revenue included in the consolidated income statement from 1 April 2016 to 31 December 2016 is \$3.9m. Powster contributed net profit before tax of \$2.1m for the same period. Had Powster been consolidated from 1 January 2016, the impact on the statement of comprehensive income for the period ended 31 December 2016 would have been an increase in revenue to \$5.0m and an increase in net profit before tax to \$2.3m.

SHARE DIMENSION BV

On 4 January 2016, Vista Group acquired a 50% shareholding in Share Dimension B.V. a Netherlands based software development company. Share Dimension B.V. and its subsidiary S.C. Share Dimension S.R.L. are Dutch and Romanian software development companies respectively, specialising in predictive analytics applications for cinema exhibitors. Their flagship product Cinema Intelligence, offers a collection of modules aimed at optimising the scheduling of films to increase the profitability of cinema exhibitors.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

The strategic partnership presents benefits to both parties. Share Dimension gains market access opportunities to Vista Group's customer network, whilst Vista Group gains access to new and additional technology for its customers. Creating a strong integration between the products will increase the velocity of the uptake of the Share Dimension product.

Vista Group acquired a 50% shareholding in Share Dimension. Effective control of Share Dimension is achieved as a result of Vista Group controlling the majority voting rights of the Supervisory Board. Accordingly, the investment in Share Dimension is treated as a subsidiary and consolidated as of the acquisition date. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	NZ\$'000
Cash	2,235
Total purchase consideration	2,235

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

	NZ\$'000
Property, plant and equipment	53
Intangible assets	419
Cash on hand	701
Trade and other receivables	409
Trade and other payables	(568)
Net identifiable assets acquired	1,014
Non-controlling interest	507
Goodwill	1,728
Total purchase consideration	2,235

Goodwill

Goodwill is attributable to integrating Share Dimension's technology platform creating new opportunities and markets for Vista Group. Goodwill is not deductible for tax purposes.

Contingent consideration

The purchase agreement includes contingent consideration. Contingent consideration is payable in two tranches to be paid in April 2017 and April 2018 respectively. The payment tranches are based upon the achievement of specified total revenue, recurring revenue and EBITDA⁽¹⁾ targets for the FY2016 and FY2017 periods. Based on the forecasts provided by Share Dimension, an estimate has been developed to calculate the amounts payable for both these financial years. The calculation assumptions used have been validated by senior management. At acquisition date and 31 December 2016, the fair value estimate of the contingent consideration payable is nil. The maximum amount of contingent consideration payable under the purchase agreement is uncapped, based on financial performance.

Vista Group elected to measure the non-controlling interest in the acquiree as a proportion of net assets acquired. Revenue included in the consolidated income statement from 1 January 2016 to 31 December 2016 is \$0.58m. Share Dimension contributed a net loss before tax of \$1.31m for the same period.

FLICKS.CO.NZ LIMITED

On 8 April 2016, Vista Group acquired 100% of the shares of Flicks.co.nz Limited (Flicks), a company based in Auckland, New Zealand. Flicks is New Zealand's most complete and up-to-date source of movie, cinema and session time information.

Vista Group acquired Flicks because of its strong position in the New Zealand cinema industry and the potential for synergies to be realised through combination with Vista Group.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

	NZ\$'000
Cash	604
Deferred purchase price	130
Total purchase consideration	734

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

	NZ\$'000
Property, plant and equipment	3
Intangible assets	38
Cash on hand	55
Trade receivables	78
Trade and other payables	(44)
Net identifiable assets acquired	130
Goodwill	604
Total purchase consideration	734

The fair value of trade receivables is \$78,000 with any individual debts that were known to be uncollectable written off in the period within which they were identified.

Goodwill

Goodwill is attributable to Flicks' strong position in the New Zealand cinema industry and the potential for synergies to be realised when combined within Vista Group. Goodwill is not deductible for tax purposes.

The deferred purchase price of \$0.14m (20% of the purchase price) is to be paid on the first anniversary following the completion date. The payment of the deferred purchase price was contingent at the time of the transaction upon the achievement of certain performance criteria for the year ended 31 March 2016. Upon receipt of the 31 March 2016 accounts, it was deemed that the performance criteria were achieved and therefore the deferred purchase price is expected to be paid and is therefore recognised as part of the business combination.

The deferred purchase price payment is discounted for one year at 8%. Therefore, the total amount recognised as part of the business combination is \$0.13m with a finance charge over the period 1 April 2016 to 31 March 2017.

The acquired business contributed revenues of \$0.45m and net profit before tax of \$0.06m to Vista Group for the period 8 April 2016 to 31 December 2016. Had Flicks been consolidated from 1 January 2016, the impact on the statement of comprehensive income for the full year period ended 31 December 2016 would have been an increase in revenue to \$0.58m and an increase in net profit before tax to \$0.09m.

VIRTUAL CONCEPTS LIMITED (VCL) - acquisition of remaining 43% of share capital in 2014

The acquisition of the remaining 43% of VCL (trading as Movio Limited) in August 2014 included contingent consideration that was payable to the former owners in the form of cash and shares. Contingent consideration is payable in three tranches on 1 April 2016, 1 April 2017 and 1 April 2018. As at 31 December 2016, the first tranche had been paid in line with the estimate made at 31 December 2015 and amounted to \$0.7m in cash and \$1.6m in shares. At the reporting date, the fair value of the remaining contingent consideration to be paid in the second tranche in 2017 was revised down by \$0.5m. Amounts related to the third tranche payable in 2018 remain unchanged and currently expected to be paid on the date specified above.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

TOTAL CONTINGENT CONSIDERATION AT 31 DECEMBER 2016	REVISED ESTIMATE	ORIGINAL ESTIMATE	MOVEMENT
	NZ\$'000	NZ\$'000	NZ\$'000
- Cash (current)	1,063	1,226	(163)
- Cash (non-current)	343	343	-
- Cash (Shares)	936	1,247	(311)
	2,342	2,816	(474)

Vista Group has recognised a liability in regards to amounts to be settled in shares of \$0.9m. This will be settled by a variable number of shares depending upon the share price at exercise. The number of shares will be based upon the average share price for the 30 days preceding exercise date.

Further details related to the acquisition of VCL are included in the 2015 Annual Report.

TICKETSOFT

In April 2015, Vista Group acquired the assets of US based cinema software company Ticketsoft. The total consideration to acquire the assets of Ticketsoft included contingent consideration of \$1.8m, payable quarterly through to September 2016. Payment is based upon the achievement of certain performance obligations, primarily the number of sites transitioned to Vista Group software. During 2015, \$0.5m was paid out as contingent consideration based on sites deployed during that period.

At 31 December 2016, the estimated total pay-out under the contingent consideration has been adjusted down from \$1.75m to \$1.15m. The updated calculation is based upon a revised estimate of the number of sites expected to transition. The impact of \$0.6m from the revised estimate is recognised through the Statement of Comprehensive Income within acquisition costs.

PREVIOUS ACQUISITIONS

Details of acquisitions during the year ended 31 December 2015 are included in the 2015 Annual Report.

4.3 GOODWILL

	2016	2015
	NZ\$'000	NZ\$'000
Gross carrying amount		
Balance 1 January	44,663	37,270
Acquisition through business combinations (see section 4.2)	10,466	7,015
Disposals	-	-
Exchange differences	(1,290)	378
Balance 31 December	53,839	44,663
Accumulated impairment		
Balance 1 January	(3,554)	(3,554)
Balance 31 December	(3,554)	(3,554)
Carrying amount 31 December	50,285	41,109

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Goodwill can be analysed as follows:

	2016	2015
	NZ\$'000	NZ\$'000
Vista Entertainment Solutions Limited (VESL)	12,865	12,461
Virtual Concepts Limited (VCL)	16,970	16,965
MACCS International BV (MACCS)	11,165	11,683
Share Dimension BV (Share Dimension)	1,762	-
Powster Limited (Powster)	6,919	-
Flicks.co.nz Limited (Flicks)	604	-
Goodwill allocation at 31 December	50,285	41,109

The Directors have carried out an annual impairment review of goodwill allocated to the CGU's, in order to ensure that recoverable amounts exceed aggregate carrying amounts (see section 7.4 for key assumptions and sensitivity analysis).

4.4 OTHER RELATED PARTIES

ASSOCIATE COMPANIES

Vista China

Vista Group has a 39.5% interest in Vista China (see section 4.1 for details), a material associate company that has been accounted for using the equity method in the consolidated financial statements. Vista Group commenced equity accounting for Vista China, formerly a subsidiary, on the date after which control ceased, being 1 September 2016.

Subsequent to 1 September 2016, the types of related party transactions undertaken were defined under the reseller agreement. The reseller agreement specifies transactions related to localisation work, support and maintenance fees and payment for an exclusive 10 year distribution right for all Vista Group software with a right of renewal for another 10 year period. At the commencement date of the transaction with WePiao there was an outstanding receivable of \$3.9m from Vista China which is included in the total outstanding balance as at 31 December 2016.

ENTITY	NATURE OF TRANSACTIONS	RECEIVABLES/ (PAYABLE)	RECEIVABLES/ (PAYABLE)
		2016	2015
		NZ\$'000	NZ\$'000
Vista Entertainment Solutions Shanghai Limited	Related party receivable	19,010	-
Vista Entertainment Solutions Shanghai Limited	Related party payable	(1,280)	-
Total exposure		17,730	-

Related party transactions for the 4 months ended 31 December 2016 include:

	31 DECEMBER 2016
	NZ\$'000
License fees	2,462
Development fees	5,793
Maintenance fees	5,572
Receivable owing prior to associate status	5,183
Total	19,010

As at 31 December 2016, only \$3.4m of the fees identified above had been recognised as revenue in Vista Group with the remaining balance of \$16.6m held on the Statement of Financial Position as deferred revenue which is estimated to be earned and recognised over the next 3 years.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

A summarised income statement for Vista China and a reconciliation to the equity accounted loss recognised in Vista Group is detailed below for the four month period subsequent to disposal. This has been amended to reflect adjustments made by entity when using the equity method including modifications for differences in accounting policies.

RESULT FOR THE FOUR MONTH PERIOD ENDING 31 DECEMBER 2016	NZ\$'000
Revenue	3,391
Total expenses	(5,740)
Operating loss	(2,349)
Finance income	37
Loss for the period	(2,312)
Vista Group equity accounted interest	39.5%
Vista Group equity accounted loss for the period	(914)

A summarised statement of financial position as at 31 December 2016 is presented below:

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016	NZ\$'000
Cash	40,173
Trade and other receivables	8,256
Total current assets	48,429
Total non-current assets	154
Total assets	48,583
Total current liabilities	(27,656)
Net assets	20,927
Total equity	20,927

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

Carrying value as at 31 August 2016	28,583
Equity accounted loss for the period	(914)
Investment in associate	27,669

Numero Limited

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

Vista 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 (2015: \$Nil).

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

ENTITY	NATURE OF TRANSACTIONS	RECEIVABLES/ (PAYABLE)	RECEIVABLES/ (PAYABLE)
		2016	2015
		NZ\$'000	NZ\$'000
Número Limited	Related party loan	2,621	1,500
Número Limited	Constructive obligation	(50)	(50)
Número Limited	Related party receivable	2,792	1,910
Total		5,363	3,360

The related party transactions incurred during the year include:

	31 DECEMBER 2016
	NZ\$'000
Recharges - license fees	396
Recharges - development fees	523
Recharges - other advances	(37)
Total	882

The amounts receivable are unsecured and no guarantees are in place. Vista Group can call the debt recognised as an intercompany receivable at any time. Interest of 10% is charged against the intercompany loan per the loan agreement. The Company has not recorded any impairment of the balance receivable as at 31 December 2016 (2015: \$Nil) due to the Board's confidence in future performance of Número, based on the budget for the coming year and forecasts beyond 2017.

Vista Group ceased to recognise further losses related to the associate company Número in 2015. Losses were previously recognised to the extent of the value held in equity for Número, however this has now been offset by Vista Group's share of losses. During the year Número made a loss of \$1.26m, Vista Group's share being \$0.63m (2015: \$0.75m).

At balance date, Vista Group has continued to recognise a constructive obligation of \$50,000 (2015: \$50,000).

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel include Vista Group's Board of Directors and senior management.

Key management personnel remuneration includes the following expenses:

	2016	2015
	NZ\$'000	NZ\$'000
Salaries including bonuses	2,730	1,762
Share based payments	-	36
Directors fees	236	305

During 2016 the number of employees classified as senior management increased from six at the end of 2015 to ten, due to organisational changes and acquisitions. Effective from 1 July 2016, Kirk Senior, Chairman of Vista Group became Executive Chairman and his remuneration was reclassified from that point onwards from Directors fees to Salaries including bonuses in the table above.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. CASH AND CASHFLOWS

This section builds on information from the Statement of Cashflows and provides details on the cash and short term deposits held on the Statement of Financial Position. This section also provides details of a range of financial risks associated with these balances and how Vista Group manages these risks.

5.1 CASH AND SHORT TERM DEPOSITS

Cash

Cash comprises cash at bank and on hand.

Short term deposits

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

	2016	2015
	NZ\$'000	NZ\$'000
Cash	15,798	16,863
Short term deposits	5,540	10,437
Total cash and short term deposits	21,338	27,300

5.2 RECONCILIATION OF NET SURPLUS TO CASH FLOWS

	2016	2015
	NZ\$'000	NZ\$'000
Net profit/(loss) after tax	49,480	6,140
Non-cash items:		
Amortisation	2,308	1,216
Depreciation	1,044	781
Share based payment expense	1,118	2,259
Unwinding of discount on contingent consideration	289	164
Capital gain on sale of Vista China	(41,069)	-
Acquisition expenses	1,068	-
Loss from investment in associate	914	-
Foreign exchange movements	(295)	(872)
Allowance for bad debts	(25)	36
	(34,648)	3,584
Movements in working capital		
Increase/(decrease) in related party in trade and other payables	1,171	-
(Increase)/decrease in related party trade and other receivables, net of deferred revenue	(5,183)	-
Increase/(decrease) in trade and other payables	9,551	1,322
(Increase)/decrease in trade and other receivables, net of deferred revenue	(12,986)	(5,318)
Increase/(decrease) in taxation receivable and payable	(1,965)	867
Net change in working capital	(9,412)	(3,129)
Net cash flows from operating activities	5,420	6,595

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5.3 BORROWINGS



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

In November 2013, Vista Group established a \$2.0m commercial credit facility with ASB Bank Limited to fund working capital requirements. The interest rate is floating at 6.10% (2015: 6.4%) per annum with no set expiry date. At balance date, there was no draw down against this facility.

In March 2014, Vista 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 2020 and the current interest rate is 2.85% (2015: 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 Vista Group's tangible assets. Covenants in place include a total equity and EBITDA covenant which are reported quarterly. Vista Group has been fully compliant with all covenants for the year.

	2016	2015
	NZ\$'000	NZ\$'000
Related party loan	303	-
Bank borrowings	4,545	4,792
Total borrowings	4,848	4,792

5.4 FINANCIAL RISK MANAGEMENT

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

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

Foreign currency risk

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

To mitigate exposure to foreign currency risk, non-NZD cash flows are monitored in accordance with the Vista Group's risk management policies. Vista Group's risk management policies include treasury management and foreign exchange policies the implementation of which is set and reviewed regularly by the Board. Vista Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The foreign exchange policy 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 Vista Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into NZD at the closing rate:

	USD	GBP	EUR	AUD	RMB
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
31 DECEMBER 2016					
Financial assets					
Cash	6,390	3,220	2,835	984	-
Trade receivables	14,912	4,676	3,978	979	13,827
Sundry receivables	-	-	-	-	16,510
Financial liabilities					
Trade payables	(677)	(260)	(376)	(188)	(2,197)
Borrowings	-	-	(4,848)	-	-
Contingent consideration	(735)	(2,250)	-	-	-
Total exposure	19,890	5,386	1,589	1,775	28,140
31 DECEMBER 2015					
Financial assets					
Cash	5,050	8	324	137	1,329
Trade receivables	7,460	77	1,437	942	2,010
Sundry receivables	-	-	-	-	-
Financial liabilities					
Trade payables	(62)	-	(30)	(2)	(27)
Borrowings	-	-	(4,792)	-	-
Contingent consideration	(1,253)	-	-	-	-
Total exposure	11,195	85	(3,061)	1,077	3,312

The following table illustrates the sensitivity of profit or loss and equity in regards to Vista 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 2016 (2015: 10%). A +/- 10% change is considered for the NZD/GBP exchange rate (2015: 10%). A +/- 10% change is considered for the NZD/AUD exchange rate (2015: 10%). A +/- 10% change is considered for the NZD/EUR exchange rate (2015: 10%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Vista Group's foreign currency financial instruments held at each reporting date.

	PROFIT/EQUITY				
	USD	GBP	EUR	AUD	RMB
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
31 December 2016					
10% strengthening in NZD	(1,808)	(490)	(144)	(161)	(2,558)
10% weakening in NZD	2,210	598	177	197	3,127
31 December 2015					
10% strengthening in NZD	(1,018)	(8)	278	(98)	-
10% weakening in NZD	1,244	9	(340)	120	-

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

Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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 2016	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%	-	-	-	2,621	2,621
Short term deposits	2.33%	-	5,540	-	-	5,540
Cash		15,798	-	-	-	15,798
		15,798	5,540	-	2,621	23,959
Liabilities						
Bank borrowings	2.85%	-	-	-	(4,545)	(4,545)
Related party loan	5%	-	-	-	(303)	(303)
		-	-	-	(4,848)	(4,848)
Total exposure		15,798	5,540	-	(2,227)	19,111

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

AS AT 31 DECEMBER 2016	EFFECTIVE INTEREST RATE +1%	EFFECTIVE INTEREST RATE -1%
	NZ\$'000	NZ\$'000
Assets		
Cash	158	(158)
Short term deposits	5	(5)
Total exposure	163	(163)

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to Vista Group. Vista Group is exposed to this risk for various financial instruments, for example trade and sundry receivables and deposits with financial institutions. The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised section 9.4.

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

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

	2016	2015
	NZ\$'000	NZ\$'000
Not more than 3 months	10,881	8,450
Between 3 months and 4 months	580	1,267
Over 4 months	4,241	3,988
	15,702	13,705

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

As at 31 December 2016, Vista Group holds a receivable from its associate company, Vista Entertainment Solutions Shanghai Limited, amounting to \$19.0m, \$5.2m of which is presented above and is not more than 3 months past due. The transaction driving this receivable primarily relates to the WePiao transaction as Vista China ceased to be a subsidiary and became an associate. See section 4.1 for more detail.

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

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 Vista Group might be unable to meet its obligations. Vista Group's objective is to maintain a balance between continuity of funding and flexibility through monitoring of cash and short term deposits and the use of bank overdrafts and bank loans (see section 5.3). Vista Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. No debt will mature in less than one year at 31 December 2016 (2015: Nil) based on the carrying value of borrowings reflected in the financial statements. Vista Group assessed the concentration of risk with respect to refinancing its debt as being low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Vista Group has significant cash balances held as cash on hand and in short term deposits of \$21.3m (refer section 5.1). The dividend policy is to distribute between 30% to 50% of net profit after tax subject to immediate and future growth opportunities and identified capital expenditure requirements. At balance date Vista Group has a NZD \$2m on call credit facility with the ASB, against which there has been no draw down.

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

	ON DEMAND	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
2016						
Trade payables	-	6,229	-	-	-	6,229
Sundry accruals	-	4,231	-	-	-	4,231
Borrowings	-	-	-	4,848	-	4,848
Interest on borrowings	-	32	97	308	-	437
Contingent consideration	-	-	3,122	-	-	3,122
	-	10,492	3,219	5,156	-	18,867
2015						
Trade payables	-	762	-	-	-	762
Sundry accruals	-	2,918	-	-	-	2,918
Borrowings	-	-	-	4,792	-	4,792
Interest on borrowings	-	32	96	22	-	150
Contingent consideration	-	-	1,253	-	-	1,253
	-	3,712	1,349	4,814	-	9,875

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6. CAPITAL STRUCTURE

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

Equity, reserves and dividend payments

Share capital represents the 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.

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

6.1 CONTRIBUTED EQUITY

	2016	2015	2016	2015
	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	79,973	45,952	45,952
Ordinary shares issued during the year	1,967	-	9,702	-
Total shares authorised at 31 December	81,940	79,973	55,654	45,952

During the 2016 financial year, 1,967,204 shares were issued (2015: Nil). A total of 314,076 shares were issued for no consideration in respect to share-based payments related to VCL contingent consideration (refer section 4.2). A total of 14,323 shares were issued in respect to an employee incentive agreement for no consideration. A total of 1,638,805 representing 2% of total Vista Group shares were issued to Weying NZ (BVI) Limited, a 100% owned subsidiary of Vista Group's China joint partner WePiao for consideration of \$8.0m. Refer to section 4.1 for detail.

6.2 EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

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

Diluted EPS reflects any commitments Vista Group has to issue shares in the future that would decrease EPS. In 2016, 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 FY16 earning targets are achieved and all the performance rights are taken, therefore adjusting the weighted average number of shares.

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

	2016	2015
	NZ\$'000	NZ\$'000
Profit attributable to ordinary shareholders of the Parent for basic earnings	48,620	5,753
Profit attributable to ordinary shareholders of the Parent adjusted for the effect of dilution	48,620	5,753
Weighted average number of shares in basic earnings per share	80,356	79,973
Shares deemed to be issued for no consideration in respect of share-based payments	434	203
Weighted average number of shares used in diluted earnings per share	80,932	80,463
EPS	\$0.61	\$0.07
Diluted EPS	\$0.60	\$0.07

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Dividends

Vista Group intends to pay an annual dividend for 2016. The dividend at 50%, will be at the top end of the policy range. This will be based on the profit after tax for the year attributable to owners of the parent after adjustment for the capital gain related to the disposal of Vista China.

6.3 SHARE BASED PAYMENTS

Equity settled long term incentive scheme

During the 2015 financial year, the Directors approved and implemented an equity settled long-term incentive scheme for selected key management personnel. During the 2016 financial year the Directors issued the 2016 Long Term Incentive Scheme, under identical terms and conditions. The Long Term Incentive Scheme is intended to focus performance on achievement of key long term performance metrics, refer to section 6.4 for more details of the scheme.

Share based payment reserve

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

6.4 EQUITY SETTLED LONG TERM INCENTIVE SCHEME

During 2016, the Directors approved the second annual issue of an equity settled Long Term Incentive Scheme implemented in 2015 for selected key management personnel ("Participants"). The plan is intended to focus performance on achievement of key long term performance metrics.

The allocation of performance rights is based on a percentage of annual base salary, adjusted by a risk factor calculated using the Monte Carlo valuation model. Performance rights are granted under the plan for no consideration and carry no dividend or voting rights. Participation in the 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 Group's relative Total Shareholder Return ("TSR") to shareholders. Vesting of performance rights is dependent upon Vista Group achieving relative TSR targets over a two and three year performance period, against all other NZX50 companies (excluding Vista Group), with 50% of the value of rights allocated under each target. Vesting of the performance rights is defined by the following table:

PERCENTILE PERFORMANCE AGAINST NZX50 COMPANIES	VESTING PERFORMANCE RIGHTS
Less than 50th percentile	Zero
50th - 75th percentile	50% to 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. Vista Group has recognised \$0.55m of employee expenses during the year ended 31 December 2016 (2015: \$0.2m).

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

GRANT DATE	EXPIRY DATE	TOTAL VALUE OF GRANTED PERFORMANCE RIGHTS	PERFORMANCE RIGHTS GRANTED AT 31 DECEMBER 2016
		\$000'S	000'S
1 January 2015	1 April 2017	248	103
1 January 2015	1 April 2018	248	100
1 January 2016	1 April 2018	413	115
1 January 2016	1 April 2019	413	116
		1,322	434

GRANT DATE	2016		2015	
	AVERAGE EXERCISE PRICE PER PERFORMANCE RIGHT	NUMBER OF PERFORMANCE RIGHTS	AVERAGE EXERCISE PRICE PER PERFORMANCE RIGHT	NUMBER OF PERFORMANCE RIGHTS
	\$	000	\$	000
As at 1 January	\$2.44	206	-	-
Granted during the year	\$3.62	231	\$2.44	206
Exercised during the year	-	-	-	-
Forfeited during the year	\$3.62	(3)	-	-
As at 31 December	\$3.11	434	\$2.44	206

Virtual Concepts Limited (VCL) incentive scheme

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

Expenses arising from share based payment transactions

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

	2016	2015
	NZ\$'000	NZ\$'000
Expenses arising from VCL acquisition	1,564	1,435
Equity settled LTI scheme	551	208
Total expense	2,115	1,643

6.5 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

	2016	2015
	NZ\$'000	NZ\$'000
Consolidated shareholders' funds	138,367	79,052
Consolidated assets	191,625	110,747
Capital ratio	72%	71%

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

7. ASSETS AND LIABILITIES



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

7.1 TRADE AND OTHER RECEIVABLES

	2016	2015
	NZ\$'000	NZ\$'000
Trade receivables	45,440	23,653
Sundry receivables	19,979	2,163
Accrued revenue	987	-
Prepayments	1,573	843
Related party loan (see section 4.4)	2,621	1,500
Related party receivables – trading (see section 4.4)	2,792	1,910
Total trade and other receivables	73,392	30,069

Vista Group has recognised a loss of \$5,000 (2015: \$36,000) in respect of bad and doubtful trade receivables during the year ended 31 December 2016. The loss has been included in administration expenses. The impairment allowance included in trade receivables as at 31 December 2016 was \$110,000 (2015: \$160,000). Sundry receivables include a receivable of \$16.5m from WePiao related to the equity purchase of 18.3% of Vista China. See section 4.1. Trade receivables include a receivable of \$19.0m from Vista China. See section 4.4 for more detail.



Assessment of the doubtful debt provision

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

7.2 INTANGIBLE ASSETS



Intangible assets

Intangible assets 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.

Development costs and internally generated software

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

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

Other development expenditures that do not meet 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Intellectual property

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 described above.

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

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

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

2016	INTERNALLY GENERATED SOFTWARE	SOFTWARE LICENSES	INTELLECTUAL PROPERTY	CUSTOMER RELATIONSHIPS	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Gross carrying amount					
Balance 1 January 2016	643	2,260	1,608	6,469	10,980
Additions - acquired	-	64	-	1,117	1,181
Internally generated software	4,171	-	-	-	4,171
Acquisition through business combinations (see section 4.2)	-	38	419	-	457
Exchange differences	-	-	(87)	(311)	(398)
Balance 31 December 2016	4,814	2,362	1,940	7,275	16,391
Accumulated amortisation					
Balance 1 January 2016	-	(523)	(211)	(1,094)	(1,828)
Amortisation	(96)	(152)	(624)	(1,436)	(2,308)
Exchange differences	-	-	162	372	534
Balance 31 December 2016	(96)	(675)	(673)	(2,158)	(3,602)
Carrying amount 31 December 2016	4,718	1,687	1,267	5,117	12,789
2015	INTERNALLY GENERATED SOFTWARE	SOFTWARE LICENSES	INTELLECTUAL PROPERTY	CUSTOMER RELATIONSHIPS	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Gross carrying amount					
Balance 1 January 2015	-	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 section 4.2)	-	-	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	-	(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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

7.3 PROPERTY, PLANT AND EQUIPMENT



Property, plant and equipment

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

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

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

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

	FIXTURES & FITTINGS	COMPUTER EQUIPMENT	TOTAL
	NZ\$'000	NZ\$'000	NZ\$'000
2016			
Gross carrying amount			
Balance 1 January 2016	2,441	2,761	5,202
Divestment of Vista China assets	(87)	(78)	(165)
Acquisition through business combinations (section 4.2)	24	97	121
Additions	1,873	955	2,828
Exchange differences	(51)	(70)	(121)
Balance 31 December 2016	4,200	3,665	7,865
Accumulated depreciation			
Balance 1 January 2016	(824)	(1,998)	(2,822)
Current year depreciation	(474)	(570)	(1,044)
Divestment of Vista China assets	10	29	39
Exchange differences	33	91	124
Balance 31 December 2016	(1,255)	(2,448)	(3,703)
Carrying amount 31 December 2016	2,945	1,217	4,162
	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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

7.4 IMPAIRMENT TESTING



Impairment testing of goodwill, other intangible assets and property, plant and equipment

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. If any such indication exists, then the asset's recoverable amount is estimated. After initial recognition goodwill is measured at cost less any accumulated impairment losses.

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

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

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



Critical judgements used in applying accounting policies and estimation uncertainty

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

Goodwill and other intangible assets

The amount of goodwill initially recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities, particularly intangible assets is based, to a considerable extent, on management's judgement. 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
- Powster Limited
- Share Dimension BV
- Flicks.co.nz 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 post tax cash flows for subsequent years which are extrapolated using estimated growth rates. Management has projected the cash flows for each CGU over a five-year period based on approved budgets for the first year. Determination of appropriate post tax cash flows 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.

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

	2016	2015
	NZ\$'000	NZ\$'000
Revenue growth average over 5 years	13% - 50%	12% - 28%
Terminal growth rate	2.5%	2.5%
CGU post-tax WACC rate - MACCS, Flicks and Vista	9.0%	12.0%
CGU post-tax WACC rate - Powster	12.0%	-
CGU post-tax WACC rate - VCL and Share Dimension	16.0%	16.0%

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

The revenue growth average range has increased due to new acquisitions completed in 2016 which have higher revenue growth assumptions than those tested in 2015.

Other factors considered when testing goodwill for impairment include:

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

Impairment testing results

The calculations confirmed that there was no impairment of goodwill during the year (2015: \$Nil). The Board believes that any reasonable possible change in the key assumptions used in the calculations for all CGU's with the exception of Share Dimension, would not cause the carrying amount to exceed the recoverable amount. The Share Dimension CGU impairment assessment is sensitive to revenue growth assumptions. Should the average revenue growth assumption decrease over the five year period tested, by more than 5%, then the carrying value would equal the recoverable amount.

7.5 TRADE AND OTHER PAYABLES

SECTION	2016	2015
	NZ\$'000	NZ\$'000
Trade payables	6,229	762
Sundry accruals	4,231	3,325
Deferred lease incentives	510	-
Constructive obligations - associates	4.4 50	50
Employee benefits	2,436	1,909
Employee benefits - VCL contingent consideration	4.2 1,063	591
Total trade and other payables	14,519	6,637

Included in trade and other payables is a balance of \$1.28m payable to the associate company Vista China. See section 4.4 for detail.

7.6 EMPLOYEE BENEFIT PAYABLES AND ACCRUALS



Short-term employee benefits

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

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

Employee benefits expense included in total expenses

	2016	2015
	NZ\$'000	NZ\$'000
Wages and salaries	40,324	29,679
Share-based payment expense	551	208
Defined contribution plans	3,716	2,815
Total employee benefits	44,591	32,702

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. TAX

8.1 INCOME TAX EXPENSE



Income tax

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 Vista Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

	2016	2015
	NZ\$'000	NZ\$'000
Income tax expense comprises:		
Current tax expense	5,326	4,001
Deferred tax expense (Section 8.2)	(1,776)	(20)
Tax expense	3,550	3,981

Reconciliation of income tax expense

The relationship between the expected tax expense based on the domestic effective tax rate of the Company at 28% (2015: 28%) and the reported tax expense in the Statement of Comprehensive Income can be reconciled as follows:

	2016	2015
	NZ\$'000	NZ\$'000
Profit before tax	53,030	10,121
Taxable income	53,030	10,121
Domestic tax rate for Vista Group International Limited	28%	28%
Expected tax expense/(benefit)	14,848	2,834
Foreign subsidiary company tax	(358)	(110)
Non-assessable income/non-deductible expenses	(10,579)	1,179
Prior period adjustment	(314)	(103)
Deferred taxation not previously recognised	4	10
Impairment of foreign tax credits	-	133
Other	(51)	38
Actual tax expense/(benefit)	3,550	3,981

As at 31 December 2016, Vista Group has \$5,839,264 (2015: \$3,680,502) of imputation credits available for use in subsequent reporting periods.

8.2 DEFERRED TAX ASSETS AND LIABILITIES



Deferred income tax

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

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

	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)

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

	2016	2015
	NZ\$'000	NZ\$'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	1,105	220
Deferred tax assets to be recovered within 12 months	436	-
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(1,880)	(1,948)
Deferred tax liability to be recovered within 12 months	(35)	(333)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9. OTHER INFORMATION

9.1 EXPENSES



Government grants

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

During the year, Vista Group recognised a total of \$1.86m (2015: \$2.0m) of grants from the Callaghan Innovation and NZTE to assist with Research and Development and new market entry respectively. At balance date, there is a 10% retention amount related to 2016 grants of \$0.19m 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.

Auditor's remuneration included in administration expenses

	2016	2015
	NZ\$'000	NZ\$'000
Audit of financial statements		
Audit and review of financial statements - PwC	239	157
Audit and review of financial statements - Grant Thornton	-	40
Other services		
Performed by PwC:		
IFRS accounting advice	10	51
Review of R&D growth grant	8	-
Advice on long-term employee incentive scheme	7	137
FRS 101 conversion accounting advice for UK subsidiary	12	-
iXBRL financial statement tagging	4	-
Due diligence agreed upon procedures	19	-
Performed by Grant Thornton:		
Tax advisory services	-	98
Other accounting and compliance advice	-	2
Total other services	60	288
Total fees paid to auditor(s)	299	485

Other expenses

	2016	2015
	NZ\$'000	NZ\$'000
Included in administration expenses:		
Depreciation (Section 7.3)	1,044	781
Amortisation of intangible assets (Section 7.2)	2,308	1,216
Lease payments recognised as an operating lease expense	2,572	1,854

Vista Group has expensed \$8.1m of aggregated research and development expenditure associated with software research and development for 2016 (2015: \$7.1m) within operating expenses in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9.2 OPERATING LEASES

Leased assets

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

Operating lease commitments

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

	2016	2015
	NZ\$'000	NZ\$'000
Less than one year	2,552	1,937
Between one and five years	5,451	4,039
More than five years	-	-
	8,003	5,976

9.3 FINANCIAL INSTRUMENTS

Financial instruments

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

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

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

(a) Loans and receivables

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

(b) Financial liabilities measured at amortised cost

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

Recognition and derecognition

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

Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Impairment

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

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

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



Fair value of financial assets and liabilities

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

Cash and short term deposits

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

Trade, related party and other receivables

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

Trade, related party and other payables

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

Related party loans

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

Borrowings

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

Fair values

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

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

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

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

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. The main level 3 inputs used by Vista Group were based upon a defined set of metrics related to the transition of Ticketsoft customers to Vista Cinema software. 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 Vista Group's financial results.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Financial instruments by category

		2016	2015
	SECTION	NZ\$'000	NZ\$'000
Loans and receivables			
Cash	5.1	15,798	16,863
Short term deposits	5.1	5,540	10,437
Trade receivables	7.1	45,440	23,653
Sundry receivables	7.1	19,979	2,163
Related party receivables - trading	4.4	2,792	3,410
		89,549	56,526
Financial liabilities measured at amortised cost			
Trade payables	7.5	6,229	762
Sundry accruals	7.5	4,231	2,918
Borrowings	5.3	4,848	4,792
Financial liabilities measured at fair value			
Contingent consideration	4	3,122	1,253
		18,430	9,725

9.4 OTHER DISCLOSURES

Contingent liabilities

There were no contingent liabilities for Vista Group at 31 December 2016 (2015: \$Nil).

Capital commitments

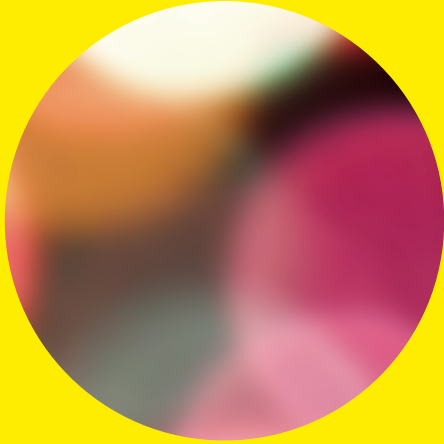
There were no capital commitments for Vista Group at 31 December 2016 (2015: \$Nil).

Events after balance date

On 17 February 2017, Vista Group announced the appointment of Mr. Cris Nicolli to its Board of Directors as a non-executive independent director.

On 21 February 2017, the Directors approved a fully imputed final dividend of 4.61 cents per share. The dividend record date is 10 March 2017 and payment date is 24 March 2017.

There have been no other events subsequent to 31 December 2016 which materially impact on the results reported (2015: nil).



CORPORATE
GOVERNANCE

GOVERNANCE

CORPORATE GOVERNANCE

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

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

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

The Board is responsible for establishing and implementing the Company's corporate governance frameworks, and is committed to fulfilling this role in accordance with best practice while observing applicable laws, the NZX Corporate Governance 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 2016, 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 2016 until 31 December 2016 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 three wholly owned subsidiaries, Vista Entertainment Solutions Limited ("VESL"), Virtual Concepts Limited ("VCL") and Flicks.co.nz Limited ("Flicks"). VESL has four wholly owned subsidiaries consisting of Vista Entertainment Solutions (USA) Inc., Vista Entertainment Solutions (UK) Limited, Vista International Entertainment Solutions South Africa (Pty) 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 2016, 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 Committee and the Nominations and Remuneration Committee.

The membership of each Committee at 31 December 2016 was:

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

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 2016 with other matters, particularly the approval of grants under the Long Term Incentive scheme for employees dealt with by the full Board in this period. The Audit and Risk Committee met 6 times during the year. The auditors, PricewaterhouseCoopers, attended the meetings. 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.

Retirement and re-election

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

Two Directors (Kirk Senior and Susan Peterson) retired by rotation and were re-elected at the Annual Shareholders Meeting in May 2016.

Changes post 31 December 2016

During the 2016 year Kirk Senior increased his time commitment in the role of Executive Chair and as result the Board has undertaken the following steps:

- recommended the addition of a further non-executive independent Director. The process to appoint a new Director commenced in late 2016 under the nomination and appointment process for new Directors. As a result of this process Cris Nicolli was appointed as an independent non-executive director on 17 February 2017;
- Kirk Senior relinquished his role as Chair and as a member of the Nominations and Remuneration Committee. James Ogden was appointed as Chair and Cris Nicolli as a member. The current members of the Nominations and Remuneration Committee are now James Ogden (Chair), Susan Peterson, and from his appointment on 17 February 2017, Cris Nicolli. The members of this Committee, including the Chair, are independent Directors.

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. One of the two internal legal counsel acts as Board Minute 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

Vista values and respects the contributions, ideas and experiences of people from all backgrounds and is proud to have a diverse company with staff from all around the world. The Company has a formal Diversity Policy, a copy of which is available on the Company's website. The Diversity Policy sets out the Company's commitment to achieving diversity in the attributes and experiences of the Board, management and staff across a broad range of criteria including gender, background, and education (amongst others).

The Company set an objective for the 2016 financial year to review our recruitment policy for any bias. In compliance with the Diversity Policy the Board has reviewed the Company's performance against that objective.

PROGRESS MADE: Our multi-stage recruitment process (most hires involve 3 separate interviews including a panel) and use of psychometric testing provides us with confidence that we are providing a platform that ensures that gender or other bias is not present in hiring decisions. While the recruitment of female staff continues to be difficult in the technology sector due to the lack of qualified candidates, we have had significant success in 2016 recruiting from a wide geographic and ethnic pool.

The objectives for the 2017 financial year are to:

- (a) continue to strive to ensure strong female candidates are identified in the recruitment process for all board and senior executive roles;
- (b) review and encourage participation of underrepresented groups in our leadership training programmes;
- (c) complete a review of our gender pay equality.

For the Company in total the percentage of females remained consistent with 2016 despite a significant increase in total headcount through both growth and business acquisition.

Gender Diversity Statistics

AS AT 31 DECEMBER 2016	MALE		FEMALE		TOTAL
	NO.	%	NO.	%	
Board	4	80.0%	1	20.0%	5
Senior Executive*	8	100.0%	0	0.0%	8
Total Company	396	74.4%	136	25.6%	532

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 Company	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 2016 and the results reported to the Board at the October meeting. Recommendations from the results of the review have been considered and will be implemented by the Board.

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 2016, the performance evaluation of the CEO and senior management is based on criteria set by the Nominations and Remuneration Committee which includes 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 2016, 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. There has been some change to the roles of the Board members in 2016, as a result, Kirk Senior is now 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.

With the change of Kirk Senior to an Executive role the Board commenced a process to recruit a new independent non-executive Director who could add to the skills matrix of the existing members and ensure at least an equal number of independent non-executive to executive Directors. As a result of this process Cris Nicolli was appointed as an independent non-executive director on 17 February 2017.

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 pages 67 and 68 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.

With the decision of the Board to recruit a new independent non-executive Director the Board has considered the skills of the existing Directors to ensure that the skills of the new director will complement and add to the effectiveness of decision making. The existing Board is satisfied that it has had, and with the addition of Cris Nicolli as a new independent non-executive Director will continue to have, the 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 76 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 2016, the Board considered that James Ogden and Susan Peterson are Independent Directors. As at 31 December 2016, the Board has determined that Murray Holdaway and Brian Cadzow are not Independent Directors because of their executive responsibilities and respective substantial shareholdings. Kirk Senior has increased his commitment level to the Company and is now considered to have executive responsibilities, in addition to his role as Chairman, and therefore the Board does not consider that he is an Independent Director.

On 17 February 2017, Cris Nicolli was appointed to the Board. The Board considers that Cris Nicolli is an Independent Director.

Length of Service of Directors

DIRECTOR	APPOINTED	LENGTH OF SERVICE TO 31 DEC 2016
Murray Holdaway	6 August 2003	13 years, 5 months
Brian Cadzow	6 August 2003	13 years, 5 months
Kirk Senior	3 June 2014	2 years, 7 months
Susan Peterson	3 June 2014	2 years, 7 months
James Ogden	3 June 2014	2 years, 7 months
Cris Nicolli	17 February 2017	n/a

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 change in role for Kirk Senior resulted in the Board commencing a process to recruit a new independent Director to establish a position of an equal number of executive and independent Directors. As a result of this process Cris Nicolli was appointed as an independent non-executive director on 17 February 2017. 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 Committee

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

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

- regularly reporting to the Board on the operation of the Company's risk management and internal control processes; and
- 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 Committee are Susan Peterson (Chair), Kirk Senior, James Ogden and from his appointment on 17 February 2017, Cris Nicolli. A majority of the Committee members are non-executive and independent Directors. The Audit and Risk Committee is chaired by Susan Peterson who is an independent Director and not Chair of the Board.

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

A copy of the Audit and Risk 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 Listing Rules.

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

The Continuous Disclosure Policy 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 Committee Chair and one other 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 in accordance with the requirements of the NZ Companies Act 1993.

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 Main Board 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 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 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 2016, 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 had three members at 31 December 2016, consisting of a majority of independent Directors and, is now chaired by an independent director. With the appointment of Cris Nicolli to the Board and the Nominations and Remuneration Committee with effect from 17 February 2017, the Committee will have 3 members all of whom are independent Directors.

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 \$236,000.

Full disclosure of Directors' remuneration is set out at page 78.

The Chairman is now remunerated through the executive remuneration structure. The independent Directors receive \$80,000 per annum each. This was increased from \$75,000 effective 1 May 2016. The CEO and other executive Directors, including the Chairman 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 the appointment of Cris Nicolli as an additional independent Director through the Board appointment process. Directors are also entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings, or otherwise in connection with the Vista Group's business.

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

The Vista Group established a long term incentive plan (the LTI Plan) for executives, senior managers and staff in 2015. The LTI Plan aims to align executives', senior managers' and staff interests with those of shareholders, by providing a proportion of remuneration on an "at-risk" basis aligned to the achievement of defined performance targets. Grants have been made in 2015 with a commencement date of 1 January 2015 and in 2016 with a commencement date of 1 January 2016. The first vesting date under the 2015 grants is due on 1 April 2017 .

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 (Executive Chairman), re-elected May 2016

M Holdaway, BSc, BCom (Executive Director)

B Cadzow, BCom, (Executive Director)

S Peterson, BCom, LLB (Independent Director), re-elected May 2016

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

Directors appointed post 31 December 2016

C Nicolli, BMBS, FAICD, appointed 17 February 2017

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 2016 to 31 December 2016.

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 2016 are marked*.

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
	A J Cadzow Trust*	Trustee
	K A Cadzow Trust*	Trustee
	Waiotahi Trust*	Trustee
	Grandma's Trust*	Trustee
	Johnson Trust	Trustee
	Titirangi Golf Club Inc.	Board member
Kirk Senior	Kirk Senior Pty Limited	Director and shareholder
	Senior Family Super Fund Pty Limited	Director and shareholder
	Kirk Senior Family Trust	Trustee
James Ogden	The Warehouse Group Limited and group companies	Director
	The Warehouse Group Financial Services Limited*	Director
	Summerset Group Holdings Limited	Director
	Tegel Group Holdings Limited*	Chair

NAME OF DIRECTOR	ENTITY	NATURE OF GENERAL DISCLOSURE
James Ogden (continued)	Pencarrow Private Equity Fund	Independent Member of the Investment Committee
	Pencarrow Bridge Fund GP Limited (General Partnership)*	Director
	Crown Forest Rental Trust	Member of the Audit and Risk Committee
	NZ Markets Disciplinary Tribunal	Member
	Alliance Group Limited	Director
	Petone Investments Limited	Director and shareholder
	Ogden Consulting Limited	Director and shareholder
Susan Peterson	The New Zealand Merino Company Limited	Director and Chairman of Audit and Risk Committee
	NZ Markets Disciplinary Tribunal	Member
	Peterson Mellsop Family Trust	Trustee and beneficiary
	Trustpower Limited	Director
	Organic Initiative Limited	Director and shareholder
	Fantail Network Trust	Trustee
	Xero Limited (appointed 22 February 2017)*	Director
Cris Nicolli (appointed 17 February 2017)	Nicolli Holdings PTY Limited	Director and shareholder
	Nicolli Family Superannuation Fund	Trustee
	Kadasig Aid & Development	Treasurer

Share dealings of Directors

Directors disclosed, pursuant to section 148 of the Companies Act 1993, acquisitions and disposals of relevant interests in the Company shares during the year ended 31 December 2016.

DATE OF ACQUISITION OR DISPOSAL	NAME OF DIRECTOR	NO & CLASS OF SHARES ACQUIRED OR (DISPOSED)	NATURE OF RELEVANT INTEREST	CONSIDERATION PAID OR (RECEIVED)
23 March 2016	Murray Holdaway	(5,378,471)	Beneficial as Trustee of Holdaway and Geary Trust	(\$28,505,896)
23 March 2016	Brian Cadzow	(3,241,438)	Beneficial as Trustee of B&J Cadzow Family Trust	(\$17,179,621)
23 March 2016	Kirk Senior	(922,421)	Director of Kirk Senior Pty Ltd	(\$4,888,831)
23 March 2016	Susan Peterson	1,900	Legal	\$10,070
1 June 2016	Murray Holdaway	(20,000)	Beneficial as Trustee of Holdaway and Geary Trust	(\$23,500)
1 June 2016	Brian Cadzow	(10,000)	Beneficial as Trustee of B&J Cadzow Family Trust	(\$23,500)

Shareholdings of Directors at 31 December 2016

NAME OF DIRECTOR	DIRECTLY HELD	HELD BY ASSOCIATED PERSONS
Murray Holdaway		3,955,391
Brian Cadzow		3,231,437
Kirk Senior		922,420
James Ogden	130,000	
Susan Peterson	44,453	

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 2016 are as follows:

DIRECTOR	FEES	REMUNERATION
Murray Holdaway	-	315,400
Brian Cadzow	-	260,800
Kirk Senior	79,600	211,340
James Ogden	78,333	-
Susan Peterson	78,333	-

Employee remuneration

The following table shows the number of employees (including employees holding office as Directors of subsidiaries) whose remuneration and benefits for the year ended 31 December 2016 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 2016. The table does not include amounts paid post 31 December 2016 that related to the year ended 31 December 2016, such as short-term incentive scheme bonuses. The table below includes the remuneration of Murray Holdaway, Brian Cadzow and Kirk Senior. No Director of a subsidiary receives or retains any remuneration or other benefits from the Company for acting as such.

EMPLOYEE REMUNERATION			STAFF NUMBERS
100,000	-	110,000	25
110,001	-	120,000	22
120,001	-	130,000	15
130,001	-	140,000	5
140,001	-	150,000	4
150,001	-	160,000	7
160,001	-	170,000	6
170,000	-	180,000	5
180,001	-	190,000	5
190,001	-	200,000	3
200,001	-	209,999	1
220,001	-	230,000	1
250,001	-	260,000	1
260,001	-	270,000	3
290,001	-	300,000	1
300,001	-	310,000	1
310,001	-	320,000	1
370,001	-	380,000	1
410,001	-	420,000	1
Total			108

Analysis of shareholding at 29 February 2017

RANGE	NUMBER OF HOLDERS	NUMBER OF SHARES	% OF SHARES ISSUED
1 - 1,000	305	181,592	0.22%
1,001 - 5,000	516	1,470,012	1.79%
5,001 - 10,000	212	1,588,011	1.94%
10,001 - 50,000	119	2,580,373	3.15%
50,001 - 100,000	15	1,091,771	1.33%
Greater than 100,000	39	75,028,534	91.57%
	1206	81,940,293	100%

Twenty largest shareholders at 29 February 2017

	INVESTOR NAME	NUMBER OF SHARES	PERCENTAGE HOLDING
1	New Zealand Central Securities Depository Limited	37,792,153	46.12%
2	J P Morgan Nominees Australia Limited	5,894,838	7.19%
3	Murray Lawrence Holdaway & Helen Rachel Geary & Stephen John McDonald	3,955,391	4.83%
4	Brian John Cadzow & Julie Ann Cadzow & Peter Allen Lewis	3,231,437	3.94%
5	Bruce Alexander Wighton & Marianne Bachler & Peter John Clark	2,707,989	3.30%
6	Gregory James Trounson & Donald Mackenzie Gibson & Kathryn Mary Lee Trounson	2,176,393	2.66%
7	Bnp Paribas Nominees Pty Ltd	2,029,210	2.48%
8	Citicorp Nominees Pty Limited	1,797,606	2.19%
9	Weying NZ (Bvi) Limited	1,638,805	2.00%
10	Bnp Paribas Noms Pty Ltd	1,329,800	1.62%
11	HSBC Custody Nominees (Australia) Limited	1,252,473	1.53%
12	Kirk Senior Pty Limited	922,420	1.13%
13	Investment Custodial Services Limited	772,621	0.94%
14	National Nominees Limited	712,604	0.87%
15	Waspp Corporation Ltd	701,350	0.86%
16	Forsyth Barr Custodians Ltd	699,741	0.85%
17	David Smith & Lara Smith	664,957	0.81%
18	Peter Joseph Beguely & Samuel James Beguely	573,491	0.70%
19	John Trevor Hanson & Bruce Trevor Hanson	548,266	0.67%
20	Mark E Pattie & Kelly M Pattie & Northern Trustee Services (No. 74) Limited	540,857	0.66%
20	Smith Family Holdings Ltd	540,857	0.66%
		70,483,259	86.02%

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 2016 in respect of the number of voting securities set opposite their names:

NAME OF SUBSTANTIAL PRODUCT HOLDER	NUMBER AND CLASS OF SHARES
Devon Funds Management Limited	9,718,168
Fidelity International	7,999,163
Harbour Asset Management	6,379,620
Fisher Funds Management Ltd	4,858,573

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 equal tranches. The Company issued 230,788 performance rights under the LTI scheme in the 2016 grant to a number of employees and these will vest in two equal tranches. The table below shows the grants and outstanding rights at 31 December 2016.

GRANT YEAR	TOTAL ORIGINAL GRANT	VESTING DATES OF OUTSTANDING PERFORMANCE RIGHTS				TOTAL OUTSTANDING
		APR-17	APR-18	APR-19	APR-20	
2015	205,930	102,965	102,965			205,930
2016	230,788		115,394	115,394		230,788
Total	436,718	102,965	218,359	115,394	-	436,718

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.

Auditor Remuneration

The Company confirmed the re-appointment of PwC as its auditor at its annual shareholder meeting on 24 May 2016. 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 2016 is disclosed in section 9.1 to the financial statements. The Board considers that due to the nature and quantum of the non-audit services work the auditor's independence is not compromised.

Waivers

The Company had no NZX waivers granted or published by NZX within or relied upon in the 12 months ending 31 December 2016.

Subsidiary Company Directors

The following people held office as Directors of subsidiary companies at 31 December 2016:

- **Kirk Senior:** VESL, Vista Entertainment Solutions (USA) Ltd, Virtual Concepts Ltd, Movio Ltd, Movio Inc., Share Dimension B.V., Powster Ltd and Stardust Solutions Ltd.
- **Murray Lawrence Holdaway:** VESL, MACCS International B.V., Vista Entertainment Solutions (UK) Ltd, Vista Entertainment Solutions (Shanghai), Vista Entertainment Solutions (Canada) Ltd, Book My Show Ltd, Book My Show (NZ) Ltd, Numero Ltd, Numero (Aus) Pty Ltd, Flicks.co.nz Ltd, Vista International Entertainment Solutions South Africa PTY Ltd, Powster Ltd, Stardust Solutions 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, Movio Inc., Flicks.co.nz Ltd.

- **William Stanley Palmer:** Movio Inc.
- **L.H. Huls:** MACCS International B.V.
- **Mathieu H.W. Van As:** MACCS International B.V.
- **Rajesh Chandrakant Balpande:** Book My Show Ltd & Book My Show (NZ) Ltd
- **Simon John Burton:** Numero Ltd & Numero (Aus) Pty Ltd
- **Sven Andresen:** VPF Hub
- **Kimbal Riley:** Vista Entertainment Solutions (Shanghai), Vista International Entertainment Solutions South Africa PTY Ltd.
- **Derek Geoffrey Forbes:** Stardust Solutions Ltd
- **Steven Thompson:** Powster Ltd
- **Nick Patsides:** Powster Ltd

Annual Meeting

The Company's Annual Meeting of shareholders will be held in Auckland on 25 May 2017 at 3:00 pm. A notice of Annual Meeting and Proxy Form will be circulated to shareholders in April 2017.

Donations

The Vista Group made donations of \$14,383 (2015 – \$18,333) during the 2016 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 2016 financial year.

Credit Rating

The Company has no credit rating.



VISTA GROUP INTERNATIONAL LIMITED

Level 3, 60 Khyber Pass Road
Newton, Auckland 1023

Phone: +64 9 984 4570

Fax: +64 9 379 0685

Email: info@vistagroup.co.nz

Website: www.vistagroup.co.nz