Vista Group International Limited

2020 Interim Report

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Management commentary

The following consolidated interim financial statements for Vista Group International Limited (the 'Company' and its subsidiaries, collectively 'Vista Group'), are for the six months ended 30 June 2020 and represent the half year results for Vista Group. Comparisons are to the prior comparable period (PCP) H1 2019.

Financial highlights

- Strong positive operating cashflow of $16.7m, up 123% on first half 2019, includes $3.8m of local and international wage subsidies and $3.8m of tax deferrals
- Successful $62.4m capital raise with strong investor support
- Revenue down 34% to $44.8m
- EBITDA[1] loss of $6.5m, including non-cash expected credit loss and credit risk provisions of $7.6m
- Loss before tax of $47.9m, including non-cash impairment charges and credit provisions $36.1m.

Operating highlights

- Maintains 51% market share of the 20+ screens segment excluding China
- Innovation continues in all Group companies with new products and enhancements
- New customer sales: Vista Cinema, Movio Cinema, Maccs with Mica.

Industry overview

Box Office

The first half of 2020 has been an extremely difficult period for the global film industry with much of the world's cinemas shut from mid-March to late June (from mid-January for China) and significant interruption to the creation and release of studio content. Though the process of reopening cinema is generally underway across the globe, it is complicated by local and regional compliance to social distancing and awaiting new content to attract moviegoers back to the theatre. There are early indications that there is reasonable demand once new content is available.

Segment overview

Cinema

Vista Cinema maintained its market share in the first half of 2020, holding steady at our estimate of 51% of the global enterprise market (20+ screens) excluding China. Revenue was down 39% due to the impact of COVID-19, with new license sales particularly impacted and down 61% against the first half of 2019. Recurring revenue was down 22% for the Cinema segment due to lower billing in Veezi and discounts for maintenance customers, including for prompt payment.

Cash costs were also down for the half, with salaries down 8% due to salary sacrifice from staff, and government wage support schemes in NZ, Australia, UK, Netherlands and the US. Marketing and travel were also significantly reduced in the half. The EBITDA loss of $3.5m was impacted by an increase in the expected credit loss and credit risk provisions of $6.4m.

Vista Cinema launched the Cinema Reopening Kit in June to assist exhibitors with contactless purchasing, contact tracing and, very importantly, social distancing options in seating. Whilst total capitalisation of internal development increased as Vista Cinema continues to invest in its SaaS transformation, it is significantly lower than forecast as the business moved to reduce contractor and outsourced development spend in favour of maintaining internal staff on project work. The priorities of the SaaS transformation have also changed with the emphasis on near term digital products that will be more immediately useful in the post-COVID cinema market.

Movio

Movio core revenue was down 29%. This was a lower reduction than expected considering the global conditions across the exhibitor and studio markets. In general, where Movio products were based on subscriptions, revenue has held up well. This is also the case in Movio Cinema, where discounts were only provided early in the pandemic in return for prompt payment, and in the long term license component of Movio Research. Where Movio products rely on current moviegoer data to provide insights and films to be released to execute campaigns against, as expected revenue was down significantly.

Movio Cinema customer numbers were steady in the first half of the year, as were transaction volumes, as customers continued to communicate with their loyalty members throughout lockdown. Movio Research successfully trialled advertising effectiveness campaigns with Google and Hulu. During lockdown, much like the Vista Cinema team, Movio assessed its technology platforms and has re-focused much of its development onto projects that deliver near term benefits to customers as they enter the cinema re-opening phase.

Additional Group Companies

This segment comprises of Maccs, Numero (from October 2019), Powster and Flicks.

Maccs was less impacted by the pandemic than the rest of the Group, with revenues down 7%. Maccs won new business in Europe and the USA with its Mica product in the half.

Numero had a good start to the year, with revenues in line with prior year (not consolidated) and Sony International has engaged Numero for their international box office reporting.

Powster revenue was down 34% as billings for showtimes reduced with cinema closure and creative revenues declined in the short term with customers deferring or cancelling work. New business in streaming and music were won and are expected to partly fill the revenue shortfall in the second half of the year.

Flicks revenue was down 12% due to declines in advertising revenues. Flicks successfully extending its movie content focus into streaming in the first half of 2020 and, despite COVID-19, traffic was down only 8%.

Corporate

Reported costs were down significantly as there are no material short or long-term incentive costs in the first half 2020 as targets set for these are no longer achievable. The restructure announced in late June which covers the Group, Cinema and Movio segments will yield annual savings in salaries of approximately $15m, the top end of the $12m – $15m forecast range.

Financial overview

Trading performance for 2020 reflected the wider market conditions. Reported revenue was down 34% for the Group with non-recurring revenue (primarily one-off license revenue) particularly impacted, down 54%, as customers deferred or cancelled capital projects. Recurring revenue was down 21% as customers reduced usage of various products across the core businesses in particular.

Despite the COVID-19 pandemic Vista Group continues to maintain a strong balance sheet. The Group drew on its debt facilities early in the pandemic and successfully raised $62.4m (net of transaction costs) during lockdown from a very supportive institutional and retail shareholder base. Total trade receivables were down significantly from 31 December 2019, with lower billings and accrued revenue, increased provision for expected credit loss ($5.8m) and strong collections in the first few months of the calendar year as well as good support from customers during lockdown.

The Group has taken a conservative approach in reviewing the carrying value of its assets, resulting in non-cash impairment charges to the income statement of $11.6m against goodwill (primarily in MACCS and Numero), $15.0m against investments in associates (Vista China and Stardust) and $1.9m against internally developed software and lease assets.

Vista Group generated a strong positive cashflow from operating activities, $16.7m, with good payables and cost management, welcome government assistance, employee salary sacrifice and good collections given the pandemic and customer conditions. Investing cashflow decreased compared to the first half of 2019 with previously mentioned increases in software development offset by declines in fixed asset expenditure and other investing activities.

Early in the pandemic, and in order to preserve cash, the Group cancelled its 2019 final dividend payment and its agreement to purchase a further 14.5% of Vista China. Vista Group Board has also suspended future dividend payments.

The Group ended the half year with cash, net of borrowings, of $74.7m.

1. EBITDA is a non-GAAP measure and is defined as earnings before net finance costs, income tax, depreciation and amortisation, acquisition expenses, capital gains/losses, impairment charges, restructuring costs and share of equity accounted results from associates and joint ventures.

Statement of comprehensive income

Six months ended 30 June 2020

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	30 JUNE 2019 NZ$m UNAUDITED
Total revenue	1	**44.8**	**67.5**
Sales and marketing expenses		2.3	5.5
Operating expenses		28.7	31.6
Administration expenses		29.9	22.4
Foreign currency gains		(1.4)	-
Total expenses		**59.5**	**59.5**
Operating (loss)/profit		**(14.7)**	**8.0**
Finance costs		(1.2)	(0.7)
Finance income		0.1	0.3
Acquisition expenses		(0.1)	0.1
Share of equity accounted loss from associates and joint ventures	7	(1.9)	(1.0)
Impairment charges	3	(28.5)	(0.6)
Restructuring costs	3	(1.6)	-
Capital gains and losses	3	-	0.1
(Loss)/profit before tax		**(47.9)**	**6.2**
Taxation		4.7	(2.1)
(Loss)/profit for the period		**(43.2)**	**4.1**
(Loss)/profit for the period is attributable to:			
Owners of the parent		(42.4)	4.0
Non-controlling interests		(0.8)	0.1
(Loss)/profit for the period		**(43.2)**	**4.1**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		1.9	(0.3)
Total other comprehensive income		**1.9**	**(0.3)**
Total comprehensive income for the period		**(41.3)**	**3.8**
Total comprehensive income for the period is attributable to:			
Owners of the parent		(40.7)	3.7
Non-controlling interests		(0.6)	0.1
Total comprehensive income for the period		**(41.3)**	**3.8**
Earnings per share of (loss)/profit attributable to the owners of the parent			
Basic earnings per share (cents)[1]	12	($0.21)	$0.02
Diluted earnings per share (cents)[1]	12	($0.21)	$0.02

1. The comparative earnings per share has been re-presented following the rights issue detailed in section 12.

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

Statement of changes in equity

Six months ended 30 June 2020

		ATTRIBUTABLE TO THE OWNERS OF THE PARENT						
	SECTION	CONTRIBUTED EQUITY NZ$m	RETAINED EARNINGS NZ$m	FOREIGN CURRENCY RESERVE NZ$m	SHARE-BASED PAYMENT RESERVE NZ$m	TOTAL NZ$m	NON-CONTROLLING INTERESTS NZ$m	TOTAL EQUITY NZ$m
UNAUDITED								
Balance at 1 January 2020		61.8	85.8	2.6	2.1	152.3	11.2	163.5
Loss for the period		-	(42.4)	-	-	(42.4)	(0.8)	(43.2)
Other comprehensive income		-	-	1.7	-	1.7	0.2	1.9
Total comprehensive income		**-**	**(42.4)**	**1.7**	**-**	**(40.7)**	**(0.6)**	**(41.3)**
Transactions with owners in their capacity as owners:								
Issue of equity	12	62.4	-	-	-	62.4	-	62.4
Share-based payments	12	0.8	-	-	(1.1)	(0.3)	-	(0.3)
Dividends paid		-	-	-	-	-	(1.5)	(1.5)
Balance at 30 June 2020		**125.0**	**43.4**	**4.3**	**1.0**	**173.7**	**9.1**	**182.8**
UNAUDITED								
Balance at 1 January 2019		**59.4**	**80.9**	**3.2**	**2.8**	**146.3**	**13.1**	**159.4**
Accounting policy change		-	(0.4)	-	-	(0.4)	(0.1)	(0.5)
Restated total equity		**59.4**	**80.5**	**3.2**	**2.8**	**145.9**	**13.0**	**158.9**
Profit for the period		-	4.0	-	-	4.0	0.1	4.1
Other comprehensive income		-	-	(0.3)	-	(0.3)	-	(0.3)
Total comprehensive income		**-**	**4.0**	**(0.3)**	**-**	**3.7**	**0.1**	**3.8**
Transactions with owners in their capacity as owners:								
Non-controlling interest change		-	-	-	-	-	(1.3)	(1.3)
Share-based payments		2.2	-	-	(0.5)	1.7	-	1.7
Dividends paid		-	(3.5)	-	-	(3.5)	(0.7)	(4.2)
Balance at 30 June 2019		**61.6**	**81.0**	**2.9**	**2.3**	**147.8**	**11.1**	**158.9**

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

Statement of financial position

As at 30 June 2020

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
CURRENT ASSETS			
Cash		96.0	19.5
Trade and other receivables	6	37.0	56.2
Income tax receivable		0.8	2.0
Total current assets		**133.8**	**77.7**
NON-CURRENT ASSETS			
Property, plant and equipment		6.9	7.3
Lease assets		18.7	21.8
Investment in associates and joint ventures	7	14.6	31.6
Goodwill	8, 9	57.1	69.9
Other intangible assets	10	33.6	27.4
Deferred tax asset		11.3	7.9
Total non-current assets		**142.2**	**165.9**
Total assets		**276.0**	**243.6**
CURRENT LIABILITIES			
Borrowings – related party	5	0.2	0.2
Trade and other payables		18.1	13.2
Lease liabilities		6.3	6.1
Deferred revenue		21.4	22.9
Contingent consideration		0.4	0.4
Provisions	11	2.3	-
Income tax payable		1.7	1.7
Total current liabilities		**50.4**	**44.5**
NON-CURRENT LIABILITIES			
Borrowings – related party	5	0.7	0.7
Borrowings – external	5	20.4	10.9
Lease liabilities		15.2	17.4
Deferred revenue		-	0.2
Provisions	11	0.1	0.6
Deferred tax liability		6.4	5.8
Total non-current liabilities		**42.8**	**35.6**
Total liabilities		**93.2**	**80.1**
Net assets		**182.8**	**163.5**
EQUITY			
Contributed equity	12	125.0	61.8
Retained earnings		43.4	85.8
Foreign currency reserve		4.3	2.6
Share-based payment reserve		1.0	2.1
Total equity attributable to owners of the parent		**173.7**	**152.3**
Non-controlling interests		9.1	11.2
Total equity		**182.8**	**163.5**

For and on behalf of the Board who authorised these financial statements for issue on 27 August 2020.

Kirk Senior Chairman

James Ogden Chair Audit and Risk Committee

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

Statement of cash flows

Six months ended 30 June 2020

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	30 JUNE 2019 NZ$m UNAUDITED
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		57.6	74.4
Payments to suppliers		(49.3)	(60.5)
COVID-19 related wage subsidies	5	3.8	-
COVID-19 related tax deferrals	5	3.8	-
Taxes received/(paid)		1.6	(6.0)
Interest paid		(0.8)	(0.4)
Net cash inflow from operating activities	5	**16.7**	**7.5**
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(0.6)	(2.5)
Purchase of internally generated software and other intangibles	10	(7.5)	(5.8)
Interest received		0.1	-
Related party loan advance – Numero		-	(0.6)
Funding provided to associates and joint ventures		-	(0.6)
Derecognition of Stardust cash balances		-	(1.5)
Net cash applied to investing activities		**(8.0)**	**(11.0)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares	12	62.4	-
Lease payments (principal elements)		(2.1)	(1.9)
Loans and borrowings drawdown – ASB	5	31.3	-
Loans and borrowings drawdown – HSBC PPP Loan	3, 5	3.1	-
Loans and borrowings repayment	5	(24.1)	-
Dividends paid to non-controlling interests		(1.5)	(0.7)
Dividends paid to the owners of the parent		-	(3.5)
Net cash inflow/(applied) to financing activities		**69.1**	**(6.1)**
Net increase/(decrease) in cash		77.8	(9.6)
Cash at beginning of period		19.5	34.4
Foreign exchange differences		(1.3)	-
Cash at period end		**96.0**	**24.8**

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

Notes to the financial statements

1. Revenue

Revenue by source

UNAUDITED	30 JUNE 2020 NZ$m	%	30 JUNE 2019 NZ$m	%
Product	16.7		18.8	
Maintenance	17.6		22.6	
Revenue provision – credit risk	(1.4)		-	
Recurring revenue	**32.9**	**73%**	**41.4**	**61%**
Product	3.0		14.9	
Services	5.4		6.5	
Development	1.4		2.1	
Hardware	2.5		2.5	
Revenue provision – credit risk	(0.4)		-	
Other	-		0.1	
Non-recurring revenue	**11.9**	**27%**	**26.1**	**39%**
Total revenue	**44.8**	**100%**	**67.5**	**100%**

Significant judgement and source of estimation uncertainty – Revenue provisioning

As a result of the COVID-19 pandemic, there is a risk that Vista Group is not able to recover all amounts billed due to the financial distress of its customers. In accordance with NZ IFRS 15 *Revenue from Contracts with Customers*, revenue can only be recognised when it is probable that the entity will collect the consideration.

At 30 June 2020, Vista Group applied judgement in determining the level of revenues that will be collectable. Such revenue provisioning is highly subjective due to it not being clear when cinemas will begin opening in a meaningful way. Judgements made in the revenue provisioning include:

- Concession discounts: Many of Vista Group's core customers are located in regions which have been affected by the spread of the COVID-19 pandemic (such as North America, Europe and Asia), where the majority of cinemas have been closed. To ensure timely payment, or to facilitate support to customers, Vista Group have granted concessions to payment terms or discounts to recurring fees. Vista Group has worked closely with its customer base to provide appropriate relief, whilst seeking to reserve its position in respect of amounts contractually owed.

  At 30 June 2020, concession discounts are only recognised when they have been agreed, or where the customer has a reasonable expectation of being entitled to a discount. Vista Group has applied judgement when determining which customers were entitled to a concession discount.
- Credit risk (core businesses): Vista Group have assumed 15% of trade receivables and accrued revenue in the Cinema and Movio segments may not be collectible due to cinemas experiencing financial distress. For revenue recognised from 1 March 2020 (the month when the COVID-19 pandemic forced worldwide cinema closures) to 30 June 2020, this provision reduces the level of revenues recognised. Provisioning for revenues recognised prior to 1 March 2020 is included separately as an expected credit loss (ECL).
- Credit risk (Additional Group Companies segment): Customers in this segment are predominantly studios, each of whom have more diversified revenues (i.e. video on demand, television etc.). These customers have predominantly continued settling their invoices during the pandemic and are not anticipated to have the same level of credit issues. Accordingly, only minimal provisioning has been required on a customer-by-customer basis.
- Maintenance revenues (Cinema segment): To ensure the revenues recognised in the period represent those where collection is probable, Vista Group have overlaid a provision for maintenance revenues which are likely to require a further discount to be applied.

See section 6 for details of the revenue provisions held at 30 June 2020.

Recurring and non-recurring revenues

Recurring and non-recurring revenues are non-GAAP financial measures that the Chief Operating Decision Maker (CODM) uses to help evaluate the financial performance of Vista Group and its operating segments. Recurring revenue is the portion of product and maintenance revenues that are expected to continue in the future. Unlike non-recurring revenues, these revenues are predictable, stable and can be expected to occur at regular intervals going forward with a relatively high degree of certainty.

Timing of revenue recognition by segment

UNAUDITED	CINEMA NZ$m	MOVIO NZ$m	AGC NZ$m	CORPORATE NZ$m	TOTAL NZ$m
Six months ended 30 June 2020					
At a point in time	8.9	2.5	1.6	-	13.0
Over time	19.7	5.5	5.5	1.1	31.8
Total revenue	**28.6**	**8.0**	**7.1**	**1.1**	**44.8**
Six months ended 30 June 2019					
At a point in time	20.3	4.2	1.4	-	25.9
Over time	26.8	7.4	6.4	1.0	41.6
Total revenue	**47.1**	**11.6**	**7.8**	**1.0**	**67.5**

2. Operating segments

Vista Group operates in the vertical cinema/film market via three reportable segments and a corporate segment. Due to a significant overlap in current and expected customer base of the Early Stage Investments and Cinema segments, Vista Group changed its operating segments during the period for management reporting purposes. The previously reported Early Stage Investments segment is now included within the Cinema segment and the comparative segmental disclosures below have been restated for the change in operating segments.

The Chief Executive and Board of Vista Group are collectively considered to be the CODM in terms of NZ IFRS 8 *Operating Segments*. These segments have been defined based on the reports regularly reviewed by the CODM to make strategic decisions.

Cinema segment

Software associated with cinema management via the Vista software suite of products, plus the cloud based Veezi product for smaller scale cinemas. This segment now also includes movieXchange and Share Dimension (Cinema Intelligence), which were previously reported under the prior year Early Stage Investments segment.

Movio segment

Includes the Movio Cinema and Media products, both of which provide data analytics and campaign management.

Additional Group Companies segment (AGC)

An aggregation of Maccs, Powster, Flicks, plus the addition of Numero from 14 October 2019. None of these businesses individually exceed the 10% threshold for segment revenue or profitability that would require separate disclosure under NZ IFRS 8.

Corporate segment

The shared services functions associated with Vista Group, being legal, finance, and senior management. Revenue received from Vista China, an associate company, is recognised within this segment.

Notes to the financial statements

Continued

Operating segment performance

Vista Group has adjusted its definition of EBITDA to also exclude restructuring costs due to it being a one-off, non-trading related cost. The CODM also excludes these costs when measuring the performance of Vista Group. More information on restructuring costs is available in section 3.

UNAUDITED	CINEMA [2] NZ$m	MOVIO NZ$m	AGC [1] NZ$m	CORPORATE NZ$m	TOTAL NZ$m
Six months ended 30 June 2020					
Recurring revenue	18.9	7.1	5.8	1.1	32.9
Non-recurring revenue	9.7	0.9	1.3	-	11.9
Total revenue	**28.6**	**8.0**	**7.1**	**1.1**	**44.8**
Operating expenses	(19.8)	(4.7)	(4.3)	0.1	(28.7)
Sales, marketing and admin expenses	(13.4)	(3.8)	(3.2)	(3.6)	(24.0)
Foreign currency gains/(losses)	1.1	0.3	0.3	(0.3)	1.4
EBITDA [3]	**(3.5)**	**(0.2)**	**(0.1)**	**(2.7)**	**(6.5)**
EBITDA margin [5]	*-12%*	*-3%*	*-1%*		*-15%*
Six months ended 30 June 2019 (restated)					
Recurring revenue	24.3	9.1	7.0	1.0	41.4
Non-recurring revenue	22.8	2.5	0.8	-	26.1
Total revenue	**47.1**	**11.6**	**7.8**	**1.0**	**67.5**
Operating expenses	(22.7)	(5.0)	(3.8)	(0.1)	(31.6)
Sales, marketing and admin expenses	(9.7)	(4.3)	(3.4)	(6.7)	(24.1)
Foreign currency gains/(losses)	-	-	-	-	-
EBITDA [3]	**14.7**	**2.3**	**0.6**	**(5.8)**	**11.8**
EBITDA margin [5]	*31%*	*20%*	*8%*		*17%*

Reconciliation of EBITDA to (loss)/profit before tax

	30 JUNE 2020 NZ$m UNAUDITED	30 JUNE 2019 NZ$m UNAUDITED
EBITDA [3]	**(6.5)**	**11.8**
Depreciation and amortisation	(8.2)	(3.8)
EBIT [4]	**(14.7)**	**8.0**
Finance costs	(1.2)	(0.7)
Finance income	0.1	0.3
Acquisition expenses	(0.1)	0.1
Share of equity accounted loss from associates and joint ventures	(1.9)	(1.0)
Impairment charges	(28.5)	(0.6)
Restructuring costs	(1.6)	-
Capital gains and losses	-	0.1
(Loss)/profit before tax	**(47.9)**	**6.2**

1. Includes results of Numero from 14 October 2019, when control was obtained through the step acquisition (see section 4).
2. Includes results of Stardust until 25 February 2019, when it ceased to be a controlled entity.
3. EBITDA is a non-GAAP measure and is defined as earnings before net finance costs, income tax, depreciation and amortisation, acquisition expenses, capital gains/losses, impairment charges, restructuring costs and share of equity accounted results from associates and joint ventures.
4. EBIT is a non-GAAP measure and is defined as earnings before net finance costs, income tax, acquisition expenses, capital gains/losses, impairment losses, restructuring costs and share of equity accounted results from associate and joint ventures.
5. EBITDA margin is a non-GAAP measures which the CODM regularly reviews and is calculated as EBITDA over total revenue.

Revenue by domicile of entity

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

The 'other' category in the tables below include entities in the Netherlands, Germany, Malaysia, Romania and South Africa.

	30 JUNE 2020 NZ$m UNAUDITED	30 JUNE 2019 NZ$m UNAUDITED
New Zealand	8.7	13.4
United States	17.6	28.0
United Kingdom	10.2	15.7
Mexico	3.4	6.4
Other	4.9	4.0
Total revenue	**44.8**	**67.5**

Non-current assets by domicile of entity

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

	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
New Zealand	54.1	55.7
United States	25.5	25.7
United Kingdom	10.6	12.5
Mexico	12.2	11.7
Other	13.9	20.8

As required by NZ IFRS 8, the table above excludes deferred tax assets. Investment in associates are excluded from the non-current assets balance presented.

3. Expenses and other income

Impairment charges

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	30 JUNE 2019 NZ$m UNAUDITED
Goodwill	8, 9	11.6	-
Intangible assets	10	1.7	-
Lease assets		0.2	-
Investment in joint venture – Stardust	7	1.3	-
Investment in associate – Vista China	7	13.7	-
Investment in associate – Numero		-	0.6
Total impairment charges		**28.5**	**0.6**

All impairment charges relating to goodwill and investments in associates are attributable to the corporate operating segment. The investment in Vista China is attributable to the Cinema operating segment. Of the impairment charges relating to intangible and leased assets, $1.3m relates to Cinema, $0.4m relates to Movio and $0.2m relates to the AGC operating segments.

Capital gains and losses

In the prior period, a capital gain of $0.1m was recognised when Stardust was reclassified from a subsidiary to a joint venture.

Restructuring costs

On 4 June 2020, Vista Group announced it had begun consultation with its New Zealand and United Kingdom based staff around a proposed new structure for its core businesses (Vista Group, Vista Cinema and Movio). This consultation period concluded in July 2020 with a total cost of $1.6m being provided at 30 June 2020 (see section 11).

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Government grants are recognised within the statement of comprehensive income as an offset to operating expenses.

Total government grants recognised in the income statement during the period was $7.6m (30 June 2019: $2.0m).

Wage subsidies:
During the period, Vista Group received $3.8m of wage subsidies from various governments including New Zealand, Australia, Netherlands and United Kingdom. The purpose of these subsidies was to help incentivise businesses to retain as many employees as possible. At 30 June 2020, all of these grants were released to the income statement.

HSBC PPP loan:
On 15 May 2020, Vista Group entered into a $3.1m loan arrangement with HSBC as part of US government paycheck protection program ('PPP'). This loan is a US government designed incentive for businesses impacted by COVID-19 to keep staff on their payroll. Vista Group can apply to HSBC Bank for this loan to be forgiven if all employees are kept on the payroll for at least eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Vista Group will apply for forgiveness of this loan in the second half of 2020, when all the required expenditure has been incurred.

At 30 June 2020, Vista Group is required to recognise a sundry receivable for the amount currently eligible to be forgiven. The amount recognised as a government grant on the income statement was $2.3m. See section 5 for more details of the HSBC PPP loan.

Growth grants:
During the period, Vista Group recognised a total of $1.5m (30 June 2019: $2.0m) of grants from Callaghan Innovation in New Zealand ('Callaghan') and Ministry of Economic Affairs (WBSO) in Netherlands to assist with research and development.

At balance date, the Callaghan scheme includes a 10% retention amount of $0.2m (30 June 2019: $0.1m) yet to be paid and subject to independent auditor review.

4. Numero step acquisition

Significant accounting judgement – Fair value of intangible assets acquired in a business combination

On 14 October 2019, Vista Group announced it had acquired the remaining 50% stake in Numero. This transaction resulted in Vista Group obtaining control of Numero and it was therefore consolidated into Vista Group's results from the date of the transaction.

Numero provides an aggregated box office reporting platform that delivers the film industry and media clean, fast and effective box office information. Management consider this consolidation transaction to be a natural progression due to the similarity of its business model to that of the rest of Vista Group.

The share purchase agreement includes contingent consideration with components payable in cash of $0.1m and up to 20,000 Vista Group shares. The contingent consideration is payable once certain 2020 and 2021 EBITDA and revenue performance targets are achieved. Vista Group determined the fair value of the shares contingent on these performance targets was $nil, as they are not considered likely to be earned.

Due to the Numero transaction completing close to 31 December 2019, the fair value of net assets was provisional.

Due to their significance, the fair value of the acquired intangible assets of Numero were performed by external valuation experts.

Judgement was required to determine how an external market participant would determine the fair value of the Numero borrowings from Vista Group. While the total borrowings on the date of acquisition were $9.1 million, Vista Group concluded the previously recognised provision for impairment of $3.6 million at 30 June 2019 remained appropriate, meaning the fair value of the borrowings were $5.5 million. This fair value is confirmed using a 5-year discounted cash flow (DCF) of Numero's future cash flows, which is a level 3 fair value measurement technique. As this step acquisition resulted in a change in control, a non-taxable capital gain of $0.3m was recognised.

Goodwill is attributable to future growth in Numero obtained from future operating synergies and the ability to leverage Vista Group's existing infrastructure and customer network. Lastly, the goodwill will include a portion relating to the assembled workforce, which do not meet the NZ IAS 38 *Intangible Assets* recognition criteria.

The net assets acquired are below:

	SECTION	NUMERO NZ$m UNAUDITED
Fair value of net assets acquired		
Cash		0.3
Intangible assets – customer relationships	10	1.3
Intangible assets – software	10	2.4
Intangible assets – brands	10	0.3
Deferred tax liability in respect of intangible assets		(1.2)
Trade and other receivables		0.4
Trade and other payables		(0.8)
Deferred revenue		(0.1)
Lease assets		0.1
Lease liabilities – current		(0.1)
Net assets acquired		**2.6**
Goodwill	8	3.4
Total consideration		**6.0**
Consideration is satisfied by:		
Cash consideration		0.1
Cash contingent consideration		0.1
Derecognition of receivables owed to Vista Group		5.5
Fair value of previously held equity interest		0.3
Total consideration		**6.0**
Net cash outflow arising on acquisition		
Cash consideration		(0.1)
Cash acquired		0.3
Net cash inflow		**0.2**

Notes to the financial statements
Continued

5. Cash flows and borrowings

Reconciliation of net profit to operating cash flows

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	30 JUNE 2019 NZ$m UNAUDITED
(Loss)/profit for the period		**(43.2)**	**4.1**
Non-cash items:			
Amortisation	10	3.7	1.4
Depreciation		4.5	2.4
Impairment charges	3	28.5	0.6
Share-based payment expense	12	(0.3)	1.7
Non-cash finance charges		0.4	0.3
Acquisition expenses		0.1	(0.1)
Capital gains and losses	3	-	(0.1)
Share of equity accounted loss from associates and joint ventures	7	1.9	1.0
Foreign exchange movements		(1.4)	0.4
Movement in revenue provision – concession discounts	6	2.4	-
Movement in revenue provision – credit risk	6	1.8	-
Movement in revenue provision – maintenance	6	1.8	-
Movement in ECL provision	6	5.8	(0.7)
Movement in restructuring provision	11	1.6	-
Movement in other provisions	11	0.2	-
Net non-cash items		**51.0**	**6.9**
Movements in working capital:			
Increase in related party trade and other payables		0.2	-
(Increase)/decrease in related party trade and other receivables, net of deferred revenue		(2.1)	0.9
Increase/(decrease) in trade and other payables		5.5	(0.9)
Decrease in trade and other receivables, net of deferred revenue		6.8	0.5
Increase in net taxation receivable		(1.5)	(4.0)
Net change in working capital		**8.9**	**(3.5)**
Net cash inflow from operating activities		**16.7**	**7.5**

COVID-19 related cash inflows and tax deferrals

To enable the reader to better understand the composition of the net cash inflow from operating activities on the statement of cash flows, the following items have been disaggregated from cash receipts from customers, cash payments to suppliers and cash taxes paid.

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	30 JUNE 2019 NZ$m UNAUDITED
Government wage subsidies – NZ, AU, UK, NL	3	3.8	-
Government assistance – NZ PAYE deferral		2.0	-
Government assistance – NZ loss carry back scheme		1.8	-
COVID-19 related cash inflows and tax deferrals		**7.6**	**-**

Borrowings

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

	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Borrowings – related party	0.9	0.9
Borrowings – external	20.4	10.9
Total borrowings	**21.3**	**11.8**
Current	0.2	0.2
Non-current	21.1	11.6
Total borrowings	**21.3**	**11.8**

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

	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Borrowings – related party:		
Balance at 1 January	0.9	0.9
Balance at period end	**0.9**	**0.9**
Borrowings – external:		
Balance at 1 January	10.9	11.1
Repayments during the period	(24.1)	-
Drawdowns during the period	34.4	-
Movement in foreign exchange	(0.8)	(0.2)
Balance at period end	**20.4**	**10.9**

A schedule of all debt facilities is shown below:

FACILITY PROVIDER	REASON FOR LOAN	EXPIRY DATE	CURRENT LIMIT (m)	INTEREST RATE 2020	INTEREST RATE 2019	DEBT DRAWN (NZ$m) 2020	DEBT DRAWN (NZ$m) 2019
ASB – revolving credit	General commercial/Future acquisitions/SaaS project	Jan 2023	NZ$52.0	1.44%	3.81%	17.3	10.9
ASB – overdraft	Working capital	Jan 2023	NZ$2.0	4.83%	6.08%	-	-
HSBC – PPP loan	Working capital	May 2025	US$2.0	1.00%	-	3.1	-
Total borrowings – external			**NZ$57.1**			**20.4**	**10.9**
Maccs	Working capital	Apr 2020	€0.1	5.00%	5.00%	0.2	0.2
Share Dimension	Working capital	Jul 2022	€0.4	5.00%	5.00%	0.7	0.7
Total borrowings – related party			**€0.5**			**0.9**	**0.9**

A line fee of 1.0% is also paid on the credit limit of the ASB revolving credit facility.

ASB loans:
On 31 January 2020, Vista Group entered into a refinancing arrangement with ASB. This facility was drawn upon in 2020 to provide additional cash certainty throughout the COVID-19 lockdown. It was partially repaid with the funds raised from the April 2020 placement and rights issue.

All ASB facilities are secured by a general security agreement under which the bank has a security interest in Vista Group's tangible assets. Agreed covenants include:

- Gearing ratio of not greater than 2.5 times
- Interest cover of equal or greater than 3.0 times
- EBITDA of the charging group not being less than 80% of Vista Group.

In April 2020, ASB provided relief to the EBITDA of the charging group covenant with the new requirement being:

- 50% for the rolling 12 months to 31 December 2020
- 60% for the rolling 12 months between 1 January 2021 to 30 June 2021
- 70% for the rolling 12 months between 1 July 2021 to 31 December 2021
- 80% for the rolling 12 months from 1 January 2022.

Vista Group has been compliant with all covenants for both the current and prior reporting periods.

HSBC PPP loan:
The loan presented in the table above represents the full amount drawn down from HSBC Bank and will only reduce when forgiveness under the PPP scheme has been granted. See section 3 for further details.

6. Trade and other receivables

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Trade receivables		33.0	36.6
Accrued revenue		8.4	13.2
ECL provision		(7.0)	(1.2)
Revenue provision – concession discount	1	(2.4)	-
Revenue provision – credit risk	1	(1.8)	-
Revenue provision – maintenance	1	(1.8)	-
Sundry receivables		5.5	3.8
Prepayments		2.7	3.4
Vista China acquisition deposit		0.4	0.4
Total trade and other receivables		**37.0**	**56.2**

Trade receivables

Included within trade receivables is a receivable from Vista China of $3.4m (31 December 2019: $0.9m).

Significant accounting judgement – ECL provision

As a result of the COVID-19 pandemic, there is a risk that Vista Group is not able to recover all trade receivables and accrued revenues due to its customers' financial distress, including where those customers suffer insolvency. Accordingly, Vista Group applied the following judgement in determining the ECL provision at 30 June 2020.

Specific provision:
All customer invoices and accrued revenues have been reviewed with a specific provision made for customers that are known to have liquidity/solvency issues, or where the debt is older than 180 days.

General provision:
Vista Group applies an ECL matrix to its trade receivables and accrued revenue to determine its general ECL provision. This matrix was prepared using historical loss rates, updated to also include both the current and future economic environment (both of which are largely unknown). Accordingly, at 30 June 2020 Vista Group applied judgement by including a 15% insolvency risk for all Cinema or Movio segment customers.

To avoid double counting, both the specific and general ECL provisions are calculated after deducting the associated amount recognised as a revenue provision (see section 1 for more details).

The ECL provision at 30 June 2020 was determined as follows:

30 June 2020 UNAUDITED	0-90 DAYS NZ$m	91-180 DAYS NZ$m	181-270 DAYS NZ$m	271-360 DAYS NZ$m	361+ DAYS NZ$m	TOTAL NZ$m
Trade receivables and accrued revenue	22.0	12.4	4.2	1.5	1.3	41.4
Baseline	0.1	0.2	0.1	0.1	0.1	0.6
Aging and write offs	0.2	1.8	1.0	0.1	-	3.1
Country, customer and market	0.1	0.1	-	-	-	0.2
ECL – general provision	0.4	2.1	1.1	0.2	0.1	3.9
ECL – specific provision	-	0.2	1.4	0.3	1.2	3.1
Total ECL provision	**0.4**	**2.3**	**2.5**	**0.5**	**1.3**	**7.0**
General provision effective rate	*1.8%*	*16.9%*	*26.2%*	*13.3%*	*7.7%*	*9.4%*

31 December 2019 AUDITED	0-90 DAYS NZ$m	91-180 DAYS NZ$m	181-270 DAYS NZ$m	271-360 DAYS NZ$m	361+ DAYS NZ$m	TOTAL NZ$m
Trade receivables and accrued revenue	41.9	3.8	2.6	0.8	0.7	49.8
Baseline	0.1	-	0.1	-	-	0.2
Aging and write offs	-	-	-	-	0.1	0.1
Country, customer and market	0.1	-	-	-	-	0.1
ECL – general provision	0.2	-	0.1	-	0.1	0.4
ECL – specific provision	-	-	0.1	0.3	0.4	0.8
Total ECL provision	**0.2**	**-**	**0.2**	**0.3**	**0.5**	**1.2**
General provision effective rate	*0.5%*	*-*	*3.8%*	*-*	*14.3%*	*0.8%*

Total provisioning

The below table highlights the proportion of total provisioning made against trade receivables and accrued revenue. Vista Group believe that cumulative ECL and revenue provisions of 31.4% was a reasonable level to provide against trade receivables and accrued revenue in such an uncertain time.

	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m UNAUDITED
Trade receivables and accrued revenue	**41.4**	**49.8**
ECL provision	7.0	1.2
Revenue provisioning:		
Concession discount	2.4	-
Maintenance	1.8	-
Credit risk	1.8	-
Total provisioning	**13.0**	**1.2**
Total provisioning effective rate	*31.4%*	*2.4%*

Accrued revenue

The movement in accrued revenues during the period was as follows:

	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Accrued revenue at 1 January	13.2	4.9
Amounts included in opening balance released in the current period	(8.9)	(4.9)
Additional accrued revenue recognised at period end	3.6	13.1
Exchange movements	0.5	0.1
Accrued revenue at period end	**8.4**	**13.2**

7. Investment in associates and joint ventures

Carrying value of associates and joint ventures

	STARDUST		VISTA CHINA	
	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Opening net assets	2.3	-	20.8	24.6
Initial recognition of Stardust at 25 Feb 2019	-	3.2	-	-
Loss for the period	(0.3)	(0.9)	(3.7)	(2.3)
Dividends declared	-	-	-	(1.5)
Closing net assets	**2.0**	**2.3**	**17.1**	**20.8**
Vista Group weighted average interest for the period	51.0%	55.9%	47.5%	47.5%
Vista Group's share of closing net assets	1.0	1.3	8.1	9.9
Goodwill	0.3	0.2	20.2	20.2
Impairment charges	(1.3)	-	(13.7)	-
Carrying values	**-**	**1.5**	**14.6**	**30.1**

At 30 June 2020, the above carrying value of Stardust and Vista China equates to their recoverable amount.

Significant estimation uncertainty – Impairment of carrying value of investment in Vista China

Vista Group has reviewed its net investment in Vista China for objective evidence of impairment at 30 June 2020 and concluded this definition was met due to significant adverse effects in the Chinese cinema industry. For example, all cinemas either have been, or continue to be, closed for an undetermined period of time during the COVID-19 pandemic. This has resulted in a decline of Vista China's current cash inflows and Vista Group expect Vista China to have sustained effects in their medium-term cash inflows as the business recovers from the pandemic.

Accordingly, an independent valuation of Vista China has been prepared by an external valuation expert using a combined DCF and capitalisation of revenue method. This combined approach represents a fair value less costs to dispose (FVLCD) methodology which uses level 3 fair value measurements. The key inputs applied by the external valuation expert into the valuation models were:

- Revenue multiple: a range of 2.0x to 2.5x (31 December 2019: 4.0x to 5.0x), based on a comparison to Vista Group's historical trading multiples.
- Discount rate applied in DCF: a range of 13.0-16.0% (31 December 2019: 20.0-25.0%), based on authoritative studies into the rates of return required by venture capital firms of China-based companies. The range has declined as a higher exit multiple had been applied in previous years, whereas in the current period they have been revised to a more conservative value given the current economic environment.
- Exit multiple applied in DCF terminal growth: 2.5x (31 December 2019: 4.8x), based on the upper end of the revenue multiple range, as by 2030 Vista China is assumed to be well established in the Chinese market.
- Revenue CAGR applied in DCF: Between 2019 and 2030, the effective revenue CAGR is 3.5%.

A control discount of 10.0% and selling costs of 2.0% of Vista Group's 47.5% stake were applied to the valuation (31 December 2019: 10.0% and 2.0% respectively).

To be cautious in a time of such uncertainty, we applied judgement by applying the lower end of the valuation range. The result of this external valuation was Vista Group's equity accounted carrying value of Vista China ($28.3m) exceeded its recoverable amount ($14.6m) by $13.7m and therefore a corresponding impairment charge has been recognised in the income statement.

The external valuation and the impairment charge recognised are sensitive to a change in the above key inputs. The following summarises the effect of a change in these key inputs, with all other assumptions remaining constant:

		DOWNSIDE SCENARIOS			UPSIDE SCENARIOS		
	BASE CASE INPUT APPLIED	SENSITISED INPUT APPLIED	IMPAIRMENT CHARGE NZ$m	INCREASED IMPAIRMENT CHARGE NZ$m	SENSITISED INPUT APPLIED	IMPAIRMENT CHARGE NZ$m	INCREASED IMPAIRMENT CHARGE NZ$m
Revenue multiple	2.25x	1.75x	14.7	1.0	2.75x	12.6	(1.1)
Discount rate	14.5%	16.0%	14.1	0.4	13.0%	13.1	(0.6)
Exit multiple	2.00x	1.50x	14.4	0.7	2.50x	12.8	(0.9)
Revenue CAGR	3.5%	2.5%	13.9	0.2	4.5%	13.3	(0.4)

Proposed Vista China step acquisition

On 20 March 2020, Vista Group announced that it had cancelled the agreement to acquire a further 14.5% of Vista China, which had previously been announced to the market on 20 December 2019.

Significant estimation uncertainty – impairment of carrying value of investment in Stardust

Vista Group has reviewed its net investment in Stardust for objective evidence of impairment at 30 June 2020 and concluded this definition was met due to significant financial difficulty in the joint venture. This is due to a combination of the revenue streams yet to be commercialised; an unsuccessful search for external investors; the current COVID-19 pandemic environment; and the reliance on existing shareholders to continue cash funding of the business operations.

Due to the above objective evidence of impairment, Vista Group determined there were no reasonable valuation techniques that would indicate this entity to have any value. Accordingly, Vista Group Board have taken a prudent approach of determining the recoverable amount as $nil with an impairment charge of $1.3m being recognised on the income statement at 30 June 2020.

Going forward, as this investment has no carrying value, Vista Group will discontinue recognising its share of future Stardust losses.

Summarised financial position

A summarised statement of financial position of Vista Group's material associates and joint ventures at 30 June 2020 is presented below:

	VISTA CHINA	
	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Cash	10.0	12.6
Trade and other receivables	14.8	14.4
Total current assets	24.8	27.0
Total non-current assets	2.6	3.0
Total assets	**27.4**	**30.0**
Total current liabilities	(8.2)	(7.9)
Total non-current liabilities	-	-
Total liabilities	**(8.2)**	**(7.9)**
Effect of translation	(2.1)	(1.3)
Net assets	**17.1**	**20.8**

Summarised trading results

A summarised statement of comprehensive income of Vista Group's material associates and joint ventures, and a reconciliation to the equity accounted losses recognised in Vista Group is detailed below. Unless stated otherwise, all profits/losses are derived from continuing operations and there was no movement in other comprehensive income. Adjustments have been applied to align the associate and joint venture company accounting policies to those of Vista Group.

	VISTA CHINA	
	30 JUNE 2020 NZ$m UNAUDITED	30 JUNE 2019 NZ$m UNAUDITED
Revenue	**3.3**	**9.1**
Total expenses	(7.0)	(10.4)
Loss for the period	**(3.7)**	**(1.3)**
Vista Group equity accounted interest	47.5%	47.5%
Vista Group share of equity accounted losses for the period	**(1.8)**	**(0.6)**

For the period ended 30 June 2020, the total equity accounted losses from associates were $1.9m and includes $0.1m from Stardust (30 June 2019: $1.0m includes $0.3m from Stardust and $0.1m from Numero).

8. Goodwill

The amount of goodwill initially recognised is a function of the allocated purchase price to the fair value of the identifiable net assets acquired. The determination of the net assets fair value, particularly intangible assets, is to a considerable extent based on judgement.

A summary of movements in goodwill is detailed below:

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Gross carrying amount			
Balance at 1 January		73.5	67.5
Numero acquisition	4	(2.7)	6.1
Exchange differences		1.5	(0.1)
Gross carrying amount at period end		**72.3**	**73.5**
Accumulated impairment			
Balance at 1 January		(3.6)	(3.6)
Impairment charges recognised during the period	3, 9	(11.6)	-
Accumulated impairment at period end		**(15.2)**	**(3.6)**
Goodwill at period end		**57.1**	**69.9**

Goodwill has been allocated to the following cash generating units (CGUs):

	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Vista Entertainment Solutions Limited (VESL)	25.3	24.4
Virtual Concepts Limited (Movio)	17.0	17.0
MACCS International BV (Maccs)	5.8	12.3
Share Dimension BV (Cinema Intelligence)	2.0	1.9
Powster Limited (Powster)	6.2	7.6
Flicks.co.nz Limited (Flicks)	0.2	0.6
Numero Limited (Numero)	0.6	6.1
Goodwill at period end	**57.1**	**69.9**

The above CGUs are business operations at their lowest level where goodwill is monitored for internal management reporting purposes. Value in use (VIU) calculations are used in determining the recoverable amount of each CGU. Cash flows were projected based on a 5-year business model for each CGU, including Board approved 2020 budgets. Determination of appropriate post-tax cash flows, terminal growth rates and discount rates for the calculation of VIU is subjective and requires significant judgement to determine the growth in revenue and EBITDA, timing and quantum of future capital expenditure, working capital, long-term growth rates and the selection of discount rates to reflect the risks involved.

9. Impairment testing of goodwill

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

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

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

The recoverable amount of an asset is the greater of its VIU and its FVLCD, however in line with NZ IAS 36 *Impairment of Assets*, FVLCD is only determined where VIU would result in an impairment. 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 (i.e. CGUs). The allocation is made to those CGUs that are expected to benefit from the business combination in which goodwill arose. In assessing VIU, 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.

Significant estimation uncertainty – Assumptions used in testing goodwill for impairment

Vista Group has reviewed each of its CGUs for indicators of impairment at 30 June 2020. Due to all cinemas worldwide being closed during the COVID-19 pandemic for an undetermined period of time and the reduction in Vista Group's market capitalisation, Vista Group were required to complete an impairment review at 30 June 2020.

Vista Group applied judgement in determining that a VIU method for each CGU would result in a higher recoverable amount than a FVLCD as:

- Willing buyers appear to demand a discount in the current pandemic economic environment.
- A discounted cashflow basis was used to determine the FVLCD, whereby inputs into the VIU models are adjusted for how an external market participant may restructure and scale the CGU. However, in all cases it was determined the recoverable amount from the VIU was higher than the FVLCD.

Accordingly, Vista Group have determined the recoverable amount of all CGUs would equate to their VIU with:

- Cash flows projected based on management approved 5-year business models for each CGU, including Board approved 2020 forecasts.
- Discount rate determined by an independent adviser using the Capital Asset Pricing Model (CAPM) methodology of determining the weighted average cost of capital (WACC), using market specific inputs.
- Long-term growth rate determined by an independent adviser as the 2024 consumer price inflation (CPI) of the country each CGU is headquartered (source: The Economist Intelligence Unit).
- Terminal growth being calculated at 30 June 2025 applying the long-term growth rate.

The key assumptions applied to each CGU are as follows:

	5-YEAR REVENUE CAGR		PRE-TAX WACC		LONG-TERM GROWTH RATE	
CGU	JUN-2020 VIU UNAUDITED	DEC-2019 VIU AUDITED	JUN-2020 VIU UNAUDITED	DEC-2019 VIU AUDITED	JUN-2020 VIU UNAUDITED	DEC-2019 VIU AUDITED
VESL	5.9%	10.7%	14.8%	12.8%	2.0%	2.5%
Movio	6.3%	17.0%	15.5%	13.3%	2.0%	2.5%
Flicks	9.0%	14.3%	17.4%	16.1%	2.0%	2.5%
Maccs	6.9%	10.9%	15.2%	14.1%	2.0%	2.5%
Powster	6.2%	12.6%	15.2%	16.4%	1.5%	2.5%
Cinema Intelligence	13.2%	26.3%	15.8%	14.6%	2.0%	2.5%
Numero	15.5%	20.7%	17.2%	17.5%	2.0%	2.5%

CGUs resulting in an impairment charge

Each of the above CGUs have been impacted by the COVID-19 pandemic, as all cinemas either have been, or continue to be, closed for an undetermined period. On top of this, for cinemas reopening, they are facing the added challenge of new blockbuster movie titles being delayed.

CGU	CARRYING VALUE	RECOVERABLE AMOUNT (VIU)	IMPAIRMENT CHARGE
Flicks	0.7	0.3	0.4
Maccs	16.3	9.2	7.1
Powster	12.3	11.0	1.3
Numero	6.5	3.7	2.8
Total	**35.8**	**24.2**	**11.6**

With cinemas not able to function to capacity, the pandemic has directly impacted all parts of the cinema industry. For each of the above CGUs, their short-term revenue streams have been directly impacted through lower demand from cinemas, studios and distributors.

For the medium-term, Vista Group have taken a cautious approach in forecasting the recovery of the cinema industry, with the continued risk of future cinema closures through additional waves of the coronavirus. Vista Group will continue to observe the cinema industry throughout this time period and adapt where ever possible to ensure the continued effects of the pandemic are mitigated, similar to the actions we have already taken to date (see section 15).

Sensitivity testing

Based on previous experience, Vista Group applied judgement in determining a reasonably possible change in the key assumptions in the VIU models. The additional CGUs that would result in a potential impairment scenario are as follows:

		INPUT REQUIRED FOR THE VIU TO EQUATE TO THE RECOVERABLE AMOUNT		
CGU	AMOUNT THE VIU EXCEEDS CARRYING VALUE ($m)	5-YEAR REVENUE CAGR	PRE-TAX WACC	LONG-TERM GROWTH RATE
VESL	70.1	4.5%	Not sensitive	Not sensitive
Movio	24.2	4.0%	Not sensitive	Not sensitive
Cinema Intelligence	0.7	12.7%	18.7%	Not sensitive

For the CGUs that recognised an impairment charge in the current period, their respective carrying values now equate to their VIU. This means they are all sensitive to any adverse change in the key assumptions. As an illustrative example, the below table shows the impact of a 1.0% reduction in the revenue CAGR and long-term growth rates, and a 1.0% increase in the pre-tax WACC.

	5-YEAR REVENUE CAGR		PRE-TAX WACC		LONG-TERM GROWTH RATE	
CGU	DECREASED RATE	REVISED IMPAIRMENT CHARGE ($m)	INCREASED RATE	REVISED IMPAIRMENT CHARGE ($m)	DECREASED RATE	REVISED IMPAIRMENT CHARGE ($m)
Flicks	8.0%	0.8	18.4%	0.4	1.0%	0.4
Maccs	5.9%	10.7	16.2%	8.0	1.0%	7.8
Powster	5.2%	7.6	16.2%	2.2	0.5%	2.0
Numero	14.5%	3.7	18.2%	3.1	1.0%	3.0

10. Other intangible assets

Significant accounting judgement – Capitalisation of development costs

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Vista Group are only recognised as intangible assets when all 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
- the expenditure attributable to the software product during its development can be reliably measured.

Significant accounting judgement – Impairment of internally generated software

Vista Group reviewed all internally generated software assets for impairment at 30 June 2020. When doing so, the recoverable amount of each asset is estimated as the future economic benefits they are expected to derive, which requires significant judgement. The delta between the recoverable amount and the carrying value of each asset has been recognised as an impairment charge at 30 June 2020.

The recoverable amount for the portion of internally generated software which an impairment charge has been recognised is $1.9m. The discount rate applied in present valuing was 2.4%, which equated to Vista Group's cost of ASB debt (inclusive of the line fee).

30 June 2020 UNAUDITED	SECTION	INTERNALLY GENERATED SOFTWARE NZ$m	SOFTWARE LICENSES NZ$m	INTELLECTUAL PROPERTY NZ$m	CUSTOMER RELATIONSHIPS NZ$m	TOTAL NZ$m
Gross carrying amount						
Balance at 1 January		27.5	2.5	2.4	5.5	37.9
Additions		7.5	-	-	-	7.5
Numero acquisition	4	-	2.4	0.3	1.3	4.0
Impairment charges		(2.2)	-	-	-	(2.2)
Exchange differences		-	(0.1)	-	0.3	0.2
Balance at period end		**32.8**	**4.8**	**2.7**	**7.1**	**47.4**
Accumulated amortisation						
Balance at 1 January		(4.6)	(1.3)	(1.4)	(3.2)	(10.5)
Amortisation		(2.9)	(0.1)	(0.2)	(0.5)	(3.7)
Impairment charges		0.5	-	-	-	0.5
Exchange differences		0.1	-	-	(0.2)	(0.1)
Balance at period end		**(6.9)**	**(1.4)**	**(1.6)**	**(3.9)**	**(13.8)**
Carrying amount at 30 June 2020		**25.9**	**3.4**	**1.1**	**3.2**	**33.6**

31 December 2019 AUDITED	INTERNALLY GENERATED SOFTWARE NZ$m	SOFTWARE LICENSES NZ$m	INTELLECTUAL PROPERTY NZ$m	CUSTOMER RELATIONSHIPS NZ$m	TOTAL NZ$m
Gross carrying amount					
Balance at 1 January	17.7	2.6	2.2	4.9	27.4
Additions	11.7	-	0.2	0.7	12.6
Disposals – deconsolidation of Stardust	(1.9)	-	-	-	(1.9)
Exchange differences	-	(0.1)	-	(0.1)	(0.2)
Balance at year end	**27.5**	**2.5**	**2.4**	**5.5**	**37.9**
Accumulated amortisation					
Balance at 1 January	(1.9)	(1.3)	(1.0)	(2.7)	(6.9)
Amortisation	(2.7)	(0.2)	(0.4)	(0.4)	(3.7)
Exchange differences	-	0.2	-	(0.1)	0.1
Balance at year end	**(4.6)**	**(1.3)**	**(1.4)**	**(3.2)**	**(10.5)**
Carrying amount at 31 December 2019	**22.9**	**1.2**	**1.0**	**2.3**	**27.4**

At 31 December 2019, the fair value of the acquired net assets of Numero was provisional. In the current period, the intangible assets of Numero have been reclassified from goodwill (see section 4 for further details).

11. Provisions

A summary of movements in provisions is detailed below:

	SECTION	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Balance at 1 January		0.6	0.5
Organisation restructuring provision	3	1.6	-
Movement in lease dilapidation provision		0.1	0.1
Other movements		0.1	-
Total provisions at period end		**2.4**	**0.6**

Total provisions are represented by:

	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Current	2.3	-
Non-current	0.1	0.6
Total provisions	**2.4**	**0.6**

On 4 June 2020, Vista Group announced it commenced consulting with staff around a proposed organisation restructure. The consultation phase concluded after balance date, at which point the associated redundancy costs were settled.

12. Capital structure

Contributed equity

During 2020, 62,217,222 shares were issued (31 December 2019: 861,704). The following reflects the allocation of these shares:

	MILLIONS OF SHARES		NZ$m	
	30 JUNE 2020 UNAUDITED	31 DECEMBER 2019 AUDITED	30 JUNE 2020 UNAUDITED	31 DECEMBER 2019 AUDITED
Shares issued and fully paid:				
Beginning of the period	166.4	165.5	61.8	59.4
Ordinary shares issued during the period:				
2020 placement and rights issue (net of costs)	61.9	-	62.4	-
Employee incentives	0.3	0.9	0.8	2.4
Total contributed equity at period end	**228.6**	**166.4**	**125.0**	**61.8**

On 16 April 2020, Vista Group announced a $25.0m placement and a 1 for 4.37 rights issue, which cumulatively resulted in 61,946,951 additional ordinary shares being issued at $1.05 per share. The combined impact was that Vista Group raised a total of $65.1m, before $2.7m expenses, and as a result Vista Group's share capital increased by $62.4 million.

Share-based payments

The total share-based payment expense recorded during the period was a credit balance of $0.3m (30 June 2019: debit balance of $1.7m). The amount recognised in 2020 has reduced to a credit balance due to the performance targets of most schemes no longer being considered as likely to be achieved.

Earnings per share

	NUMBER OF SHARES (MILLIONS)	
UNAUDITED	30 JUNE 2020	30 JUNE 2019 RESTATED
Weighted average ordinary shares for basic earnings per share	**198.7**	**180.3**
Effect of dilution:		
Share options and awards	1.1	1.8
Weighted average ordinary shares adjusted for the effect of dilution	**199.8**	**182.1**
(Loss)/profit attributable to owners of the parent (NZ$m)	(42.4)	4.0
Basic earnings per share (cents)	**($0.21)**	**$0.02**
Diluted earnings per share (cents) [1]	**($0.21)**	**$0.02**

1. Shares are only treated as dilutive when their conversion would decrease basic earnings per share.

On 16 April 2020, Vista Group issued 61,946,951 new ordinary shares of $1.05 each through a placement and rights issue. Accordingly, the number of shares previously used to calculate basic and diluted earnings per share have been amended in the table above. A bonus factor of 1.0870 has been applied, based on the ratio of:

- an adjusted closing share price of $1.4900 per share on 20 April 2020, the business day before the shares started trading ex-rights; and
- the theoretical ex-rights price at that date of $1.3708 per share.

Prior to this restatement, the basic and diluted earnings per share for the period ended 30 June 2019 were also $0.02 per share.

Financial instruments by category

	FINANCIAL ASSETS AT AMORTISED COST NZ$m	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS NZ$m	FINANCIAL LIABILITIES AT AMORTISED COST NZ$m	TOTAL CARRYING VALUE NZ$m
At 30 June 2020 UNAUDITED				
Cash	96.0	-	-	96.0
Trade receivables	20.0	-	-	20.0
Sundry receivables	4.5	-	-	4.5
Total financial assets	**120.5**	**-**	**-**	**120.5**
Borrowings – related party	-	-	0.9	0.9
Borrowings – external	-	-	20.4	20.4
Trade payables	-	-	2.5	2.5
Sundry payables	-	-	6.1	6.1
Lease liabilities	-	-	21.5	21.5
Contingent consideration	-	0.4	-	0.4
Provisions	-	1.7	-	1.7
Total financial liabilities	**-**	**2.1**	**51.4**	**53.5**
At 31 December 2019 AUDITED				
Cash	19.5	-	-	19.5
Trade receivables	35.4	-	-	35.4
Sundry receivables	2.9	-	-	2.9
Total financial assets	**57.8**	**-**	**-**	**57.8**
Borrowings – related party	-	-	0.9	0.9
Borrowings – external	-	-	10.9	10.9
Trade payables	-	-	0.3	0.3
Sundry payables	-	-	5.6	5.6
Lease liabilities	-	-	23.5	23.5
Contingent consideration	-	0.4	-	0.4
Total financial liabilities	**-**	**0.4**	**41.2**	**41.6**

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

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

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

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

During the current period, there have been no transfers between fair value measurement levels or changes in the valuation methods used to determine the fair value of Vista Group's financial instruments.

13. General information

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

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

These consolidated interim financial statements are not audited and were approved for issue on 27 August 2020.

14. Basis of preparation of half year interim report

The consolidated interim 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. They comply with NZ IAS 34 *Interim Financial Reporting*. The interim financial statements do not include all the notes of the type normally included in the Annual Report. Accordingly, this report is to be read in conjunction with the Annual Report for the financial year ended 31 December 2019.

The accounting policies and methods of computation and presentation adopted in the consolidated interim financial statements are consistent with those described and applied in the Annual Report for the year ended 31 December 2019.

Taxes on income in the interim periods are accrued using the tax rate that would have been applicable to expected total annual profit or loss.

15. Other disclosures

COVID-19 pandemic

On 11 March 2020, the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, governments worldwide were forced to order all non-essential businesses, such as cinemas, to be closed. The shutdown has severely impacted Vista Group's trading and will continue to have an impact until cinemas are able to open in a meaningful way. Vista Group continues to assess the likely impact on the business from the rapidly evolving pandemic situation.

An assessment of the impact of the pandemic on Vista Group's balance sheet is set out below, based on information available at the time of preparing the financial statements:

BALANCE SHEET ITEM	COVID-19 ASSESSMENT	SECTION
Cash/borrowings	Cash balances have increased due to the rights issue completed in April 2020, along with the drawing down of banking facilities.	5, 12
Trade and other receivables	Vista Group has increased the provision for ECL and revenue provisions to reflect expected financial difficulties of customers.	6
Investments in associates and joint ventures/goodwill	Vista Group has considered the impacts of COVID-19 in the assumptions used in the carrying value assessment of Vista China, Stardust and all goodwill CGUs. As a result, impairment charges have been recognised.	7-9
Other intangible assets	Vista Group performed a review of the carrying value of internally generated software, which is held at cost. As a result, impairment charges have been recognised.	10
Provisions	On 4 June 2020, Vista Group announced it commenced consulting with staff around a proposed organisation restructure. The consultation phase concluded after balance date, at which point the associated redundancy costs were settled. As a result, provisions were recognised at 30 June 2020 for the staff affected by the proposed organisation restructuring.	11

Going concern

There are inherent uncertainties in all markets relating to the impact of continued cinema closures, delayed film content and the deterioration in general economic conditions. Accordingly, the Board consider it appropriate to take a cautious outlook on the cinema industry.

At the date of signing these financial statements, Vista Group had put in place significant initiatives to protect the health and safety of the employees and the financial strength of the Group, including:

- Vista Cinema has released the Cinema Re-opening Kit to strong demand – with the Dynamic Social Distance seating capability very popular.
- Movio launched Movio Research 2.0 in the United States, United Kingdom and Australia, focused on increased self-service and capability for studios.
- Vista Cinema has worked with cinemas in the United States to re-configure mobile apps to enable their customers to purchase popcorn and other items through kerb-side pickup.
- Vista Cinema has partnered with a local New Zealand company (Shift72) to enable cinemas to implement their own branded TVOD (Transactional Video on Demand) platforms, with customers already live in the United States and New Zealand.
- Movio has launched 'tea with Movio' – a weekly webinar series around best practice in movie marketing.
- Successfully completing a $65 million capital raise, with excellent support from its existing institutional and retail shareholders.
- The Board and Chief Executive Officer voluntarily reducing their remuneration by 30% along with the senior leadership team voluntarily reducing their salaries by 25%.
- Over 80% of Vista Group's employees volunteering to work reduced hours for reduced pay.
- Applying for and receiving government relief for its businesses in New Zealand, Australia, United States, United Kingdom and the Netherlands.
- Cancelling the 2019 final dividend and terminating the agreement to acquire a further 14.5% stake in Vista China.
- Implementing hiring and salary freezes and terminating engagement with all non-essential contracting resources.
- Undertaking consultation with staff around a proposed new structure for Vista Group's core businesses.

At 30 June 2020, Vista Group had cash balances totaling $96.0m, along with $36.7m undrawn on its ASB revolving credit facility. Forecasts show that this level of cash and undrawn loans will be sufficient for Vista Group to comfortably remain within its agreed banking covenants for the next twelve months.

The Board believe that the actions taken, current cash levels and the continued support of ASB Bank ensures that Vista Group can continue to adopt a going concern basis of accounting for a period of at least twelve months from the date of these financial statements being issued.

2019 final dividend

On 27 February 2020, the Board approved a fully imputed dividend of 2.10 cents per share. Subsequent to the issue of the financial statements, on 17 March 2020 Vista Group announced it had cancelled payment of the 2019 final dividend.

Events after balance date

Restructuring:
Consultation for the core business organisation restructuring in New Zealand and United Kingdom concluded on 31 July 2020, which resulted in a restructuring cost of $1.6m (fully provided at 30 June 2020). Further core business organisation restructuring both commenced and concluded after balance date in the United States, resulting in approximately $0.4m additional restructuring cost that will be recognised in the second half of 2020. Vista Group anticipate annual savings in salaries of approximately $15.0m, the top end of the $12.0m – $15.0m forecast range.

NZ wage subsidy:
In July 2020, Vista Group received $1.4m from the New Zealand COVID-19 Wage Subsidy Extension.

Auckland lease:
Vista Group have agreed a 5-year property lease through to July 2025 in Auckland, with these premises estimated to be available for use in October 2020. Should these premises have been available on 30 June 2020, Vista Group would have recognised a lease asset of $6.7m, a current lease liability of $nil and a non-current lease liability of $6.6m.

Interim dividend:
The Board has resolved that an interim dividend will not be paid in 2020.

Notes to the financial statements

Continued

Related parties

Related parties are materially consistent with those disclosed in the 2019 Annual Report. The following table represents transactions with related parties excluding key management personnel.

	AMOUNTS OWED BY RELATED PARTIES		AMOUNTS OWED TO RELATED PARTIES	
	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m AUDITED
Associates and joint ventures [1]	3.4	1.0	(0.6)	(0.5)

Vista Group's associate and joint venture related party transactions were as follows:

	ASSOCIATES AND JOINT VENTURES [1]	
	30 JUNE 2020 NZ$m UNAUDITED	31 DECEMBER 2019 NZ$m UNAUDITED
Receiving of services	(0.5)	(0.8)
Rendering of services	3.0	0.9
Dividends received [2]	-	0.7
Interest on loan balances	-	(0.2)
Vista China acquisition deposit	-	(0.4)
Total related party transactions	**2.5**	**0.2**

1. Numero has been classified as a subsidiary of Vista Group from 14 October 2019, while Stardust was classified as a subsidiary until 25 February 2019. The tables above reflect the transactions that occurred while these entities were not classified as a subsidiary.
2. Of the $0.7m dividend received from Vista China in 2019, $0.4m had been received in cash by 31 December 2019 and 30 June 2020. The remaining balance was held as a related party receivable.

Details of significant related party transactions of Vista Group:

- During the period, Vista Group recognised $1.1m of maintenance revenue from Vista China (30 June 2019: $1.0m) which is recognised in the corporate segment. At the end of the period, $1.1m remains as deferred revenue (31 December 2019: $nil).

Details of significant related party transactions of Vista China:

- On 30 January 2019, Vista China provided a retention accommodation loan of $4.4m (RMB20.0m) to the CEO of Vista China. This loan is interest free, secured against equity in Vista China and matures on 30 January 2022.
- On 23 December 2019, Vista China provided a shareholder loan of $3.0m (RMB14.3m) to WePiao. This loan is repayable on 23 December 2020.

Contingent liabilities

There were no contingent liabilities for Vista Group at 30 June 2020 (31 December 2019: $nil).

Capital commitments

There were no capital commitments for Vista Group at 30 June 2020 (31 December 2019: $nil).

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