Market Announcement

26 February 2019, Vista Group International Limited, Auckland, New Zealand.

Vista Group Produces Another Highlights Package

Annual result reflects 23% revenue growth – the 5th consecutive year above 20% – increases EBITDA and improves operating cash position

[Auckland, NZ, 26 February 2019]: Vista Group International (NZX & ASX: VGL), announces its 2018 result today, reporting impressive growth and profitability stats across its businesses. Matching the performance record the global business and investor market has come to expect from this leading New Zealand tech sector company. Continuing with its integration strategy across the film industry, Vista Group has shown significant success in its drive toward achieving majority world market share across its movie industry sectors.

Vista Entertainment Solutions ('Vista Cinema'), Vista's founding and largest business, continued the journey with 1,013 new cinema sites (including 199 in China) installed in 2018. The cumulative total of Vista Cinema sites is now 7,202 (958 in China). This achievement took Vista Cinema's share of the world's large circuit market to 40% and equates to revenue growth of 22%; excluding China Vista Cinema's global market share has increased to 48%. Improved operating leverage has also seen an increase in EBITDA of 2% percentage points to 31%. Strategically the signing of integrated Group agreements with Cineworld Group and Odeon Cinemas Group provide a platform for continued growth and deployment of other Group company products.

Movio, Vista Group's business that delivers data-driven marketing and analytics solutions to the film industry, delivered terrific growth with revenue up 47% and EBITDA up 74%. The Movio result included 122% growth for Movio Media – the 2nd year of 100%+ growth – due to the growth in research revenue and the signing of Disney to the Movio Media platform during 2018.

Additional businesses in the Group also contributed with the speed of their growth; Powster (providing creative services to the film industry to engage users with entertainment content), created more than 1,750 online 'movie destinations' representing growth of 31% on 2017 and resulting in a 52% lift in revenue and strong EBITDA.

Vista Group's strategy has been to create technology-driven efficiencies in the film industry to benefit industry participants. In 2018 Vista saw this strategy beginning to play out through movieXchange: MX Film is a new online platform developed by Vista that delivers, from the cloud, movie promotional media directly from film distributor to cinema exhibitors; MX Tickets enables online listing globally of movie showtimes information and via third party partners, the sale of movie tickets.

On the product front, the transition to a fully cloud-based Vista Cinema moved significantly forward with the first customer cinema sites deployed and running live.

“Vista Group Chief Executive, Kimbal Riley remarked that he, the Board and all at Vista are delighted with the 2018 result. “Our consistent growth, including our less mature businesses, and increased income and profitability can be credited to our 700+ globally-located staff. Their hard work, engagement with our customers and determination to deliver unprecedented technology solutions and services is our biggest strength. As a business we have a shared vision to be the leader in software and data solutions across the film industry; our 2018 result is evidence that we have a highly committed and connected team delivering on and progressing toward that vision.”

Vista Group will deliver a final dividend to its shareholders of 2.1 cents/share resulting in a total pay-out at the top end of the policy range of 3.7 cents/share for 2018 and an increase of 27% on the previous year.

FINANCIAL HIGHLIGHTS

- 23% Revenue growth over FY2017 of $130.7m – the 5th consecutive year of 20%+ revenue growth
- 17% EBITDA(1) growth to $29.2m
- 150% Increase in operating cashflow to $27.4m
- 47% Revenue growth in Movio to $22.8m. 122% Revenue growth in Movio Media was exceptional
- 27% increase in FY2018 dividend with a final dividend of 2.1 cents per share representing a total pay-out at the top end of the policy range at 50% of NPAT
- 26% increase in Earnings per share over the prior year
- 25% increase in Profit Before Tax (NPBT) over the prior year

OPERATIONAL HIGHLIGHTS

- Vista Group global leadership position in the cinema industry sustained with 40% market share of 20+ screens segment – 48.1% excluding China
- 1013 new Vista Cinema sites (including 199 sites in China) – another very strong year of site growth to a cumulative 7,202 sites
- 24% growth in Vista Group annuity/recurring revenue to $79.9m – representing 61% of total revenue.
- 258 new Veezi sites to a cumulative 901 sites
- Very strong result from Movio – Movio Media starring with significant growth on the back of deals with Disney and Fox
- Key large client agreements signed with super circuits – Aeon, Cineworld, Marcus, Odeon and Pathe
- Percentage of total revenue from SaaS(2) business across Vista Group increased from 25% in FY2017 to 32% in 2018
- Outstanding improvement in collection of cash drives record operating cash flow

Rodney Hyde - Chief Financial Officer
Vista Group International Limited
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VISTA GROUP INTERNATIONAL LIMITED

ANNUAL FINANCIAL STATEMENTS

2018 vistagroup.co

VISTA GROUP

TABLE OF

CONTENTS

MANAGEMENT COMMENTARY

The Board and Management are pleased to present the following highlights and full year financial statements of Vista Group International Limited (the 'Company' and its subsidiaries, collectively 'Vista Group'), for the year ended 31 December 2018.

FINANCIAL HIGHLIGHTS

- 23% Revenue growth over FY2017 of $130.7m – the 5th consecutive year of 20%+ revenue growth.
- 17% EBITDA[1] growth to $29.2m.
- 150% Increase in operating cashflow to $27.4m.
- 47% Revenue growth in Movio to $22.8m. 122% Revenue growth in Movio Media was exceptional.
- 27% increase in FY2018 dividend with a final dividend of 2.1 cents per share representing a total pay-out at the top end of the policy range at 50% of NPAT.
- Earnings per share increases by 26% over the prior year.
- Net Profit Before Tax (NPBT) increases 25% over the prior year.

OPERATIONAL HIGHLIGHTS

- Vista Group global leadership position in the cinema industry sustained with 40% market share of 20+ screens segment – 48.1% excluding China.
- 1013 new Vista Cinema sites (including 199 sites in China) – another very strong year of site growth to a cumulative 7,202 sites.
- 24% growth in Vista Group annuity/recurring revenue to $79.9m – representing 61% of total revenue.
- 258 new Veezi sites to a cumulative 901 sites.
- Very strong result from Movio – Movio Media starring with significant growth on the back of deals with Disney and Fox.
- Key large client agreements signed with super circuits – Aeon, Cineworld, Marcus, Odeon and Pathe.
- Percentage of total revenue from SaaS[2] business across Vista Group increased from 25% in FY2017 to 32% in 2018.
- Outstanding improvement in collection of cash drives record operating cash flow.

SEGMENT OVERVIEW

Cinema Segment

Vista Cinema delivered another impressive performance in FY2018 with 814 new cinema sites added. Revenue growth of 22% and a 29% improvement in EBITDA[1] performance to $25.6m. Increasing operating leverage was apparent with EBITDA % up 2 percentage points to 31% of revenue.

Vista Cinema's focus on the large trans-national super circuits bore fruit in FY2018 with the signing of key contracts within Asia Pacific, North America, and Europe. These agreements will provide a sound basis for continued growth through 2019 and 2020.

In the USA, the competitive landscape simplified somewhat with the demise of a key large circuit competitor – a number of whose customers switched to Vista Cinema.

On the product side, the transition to a fully cloud-based Vista Cinema product suite continued to gather momentum with the first cloud customers going live during the 2nd half of 2018. In response to customer-led requirements, the strategy to deliver cloud solutions that cater for customer's varied deployment architectures has been extremely well received. In addition, the provision of cloud-based solutions has generated interest in managed service offerings – an incremental revenue opportunity for Vista Cinema.

Revenue from 3rd parties – adjacent vendors in the cinema ecosystem – grew to over $3m in FY2018, primarily from hardware vendors and payment processors.

Veezi continues to build momentum with 258 additional sites added (including an additional 72 in China, our key Asia Pacific focus for FY2018). Revenue growth was strong at 56% – driven by increase in sites, increase in revenue per site, additional module uptake, and continuing growth in online ticket sales.

(1) EBITDA is defined earnings before net finance expense, income tax, depreciation and amortisation acquisition costs, capital gains/losses and equity accounted results from associate companies.

(2) SaaS revenue is defined as revenue earned from solutions that are hosted by Vista Group, which typically attract a subscription revenue type.

Movio Segment

Movio delivered a terrific result with revenue up 47% to $22.8m and EBITDA[1] up 74% to $6.2m. Whilst Active Moviegoer numbers remained relatively stable year-on-year, the increasingly more important Connected Moviegoers, being those available to Movio Media's digital campaign offering, grew 75% YOY, driving 89% growth in revenue per Active Moviegoer in North America.

Movio Cinema revenue grew 17% over the prior year, increasing its global footprint to 53 countries, with LATAM and EMEA regions providing growth with new customers from key markets, including Brazil, Germany, France and Russia. Total connections across email, SMS, mobile push and digital channels increased by 22% to over 2.0 billion connections.

Movio Media revenue increased 122% in FY2018, driven by continued growth across all three product areas. Research continues to impress having secured long-term agreements with Disney and Fox. The uptake of direct email campaigns maintained steady growth with multiple film title engagements on behalf of Amazon Studios, Paramount, Lionsgate, STX, Sony, Imax and Fox.

Most importantly, Movio Media made significant strides with its digital campaign offering, experiencing considerable growth and providing advanced digital segments for the US film industry and publishers, with Viacom, Fox and STX all executing multiple campaigns. Movio Media also successfully navigated the changes required under GDPR data legislation, which took effect in May and launched Movio Media in the UK.

Additional Group Companies Segment

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

Powster continued its strong performance in terms of both revenue growth and EBITDA[1]. During FY2018, Powster created over 1,750 movie destination websites representing growth of 31% on FY2017, attracting 422m total visitors.

With the appointment of a new CEO at the half year, MACCS has improved its performance in the latter stages of FY2018. MACCS remains an unsatisfactory performer, however we are starting to see some green shoots of improvement with new customer wins and a better delivery capability.

Flicks continued to focus on growth in Australia, investing heavily in marketing and sales. Results are encouraging and Flicks broke through the 1 million unique visitors per month mark for the first time in December 2018.

Early Stage Investments

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

This segment generated revenue of $4.5m and EBITDA[1] of $0.4m in FY2018 – Revenue and EBITDA[1] were heavily impacted by a mid-year spike in volume of tickets processed by MX Tickets.

(1) EBITDA is defined earnings before net finance expense, income tax, depreciation and amortisation acquisition costs, capital gains/losses and equity accounted results from associate companies.

FINANCIAL OVERVIEW

With the achievements in FY2018, Vista Group has achieved five consecutive years of 20% plus revenue growth.

Trading performance for FY2018 represents continuation of that growth with a 23% increase in revenue over FY2017. This, coupled with an increase in EBITDA[1] of 17%, shows strength across the business and improvements in operating leverage in the core businesses of Movio and Vista Cinema.

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

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

During the year Vista Group implemented two new accounting standards from 1 January 2018. NZ IFRS 15 *Revenue from Contracts with Customers* was adopted with no impact on revenue recognition across Vista Group. NZ IFRS 9 *Financial Instruments* required the recognition of an expected credit loss allowance against all receivables. Favourable movements in the aging profile of receivables resulted in a net benefit of $0.3m during the period.

Vista Group continues to maintain a very strong balance sheet. Total trade receivables reduced despite a 23% increase in revenue which illustrates a sustained focus on, and improvement in, receivables management. Intangible assets increased as a result of the continued capitalisation of internally generated software ($7.9m) as Vista Group continues to invest for the future. Investment in associates increased due to the increased equity position in Vista China (added 7.9%).

Vista Group continues to produce positive cashflow from operating activities with operating cashflow up 150% to $27.4m. Note that some one-off prepayments, against which no revenue has yet been recognised in FY2018, have positively impacted the operating cashflow result. Cash reserves increased $13.4m from FY2017 after dividends and other investing activities.

With the positive operating result, increasing balance sheet strength and strong cash position, Vista Group has declared a final dividend of 2.1 cents per share ($3.5m) bringing the full FY2018 dividend to 3.7 cents per share ($6.1m) representing an increase of 26% in earnings per share.

(1) EBITDA is defined earnings before net finance expense, income tax, depreciation and amortisation acquisition costs, capital gains/losses and equity accounted results from associate companies.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

		ATTRIBUTABLE TO THE OWNERS OF THE PARENT						
		CONTRIBUTED EQUITY	RETAINED EARNINGS	FOREIGN CURRENCY RESERVE	SHARE-BASED PAYMENT RESERVE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SECTION	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
Balance at 31 December 2017		**57,821**	**75,206**	**2,101**	**1,749**	**136,877**	**11,224**	**148,101**
Change in accounting policy	7.7	-	(1,295)	-	-	(1,295)	(40)	(1,335)
Restated total equity at 1 January 2018		**57,821**	**73,911**	**2,101**	**1,749**	**135,582**	**11,184**	**146,766**
Profit for the period		-	12,258	-	-	12,258	776	13,034
Other comprehensive income		-	166	1,101	-	1,267	78	1,345
Total comprehensive income		**-**	**12,424**	**1,101**	**-**	**13,525**	**854**	**14,379**
Transactions with owners in their capacity as owners:								
Issue of equity		-	-	-	-	-	1,907	1,907
Non-controlling interest change		192	12	-	-	204	(204)	-
Share-based payments	6.4	841	-	-	1,570	2,411	6	2,417
Dividends paid	6.3	-	(5,510)	-	-	(5,510)	(563)	(6,073)
VCL share based payment	6.1	524	-	-	(524)	-	-	-
Balance at 31 December 2018		**59,378**	**80,837**	**3,202**	**2,795**	**146,212**	**13,184**	**159,396**
Balance at 1 January 2017		55,654	71,281	(991)	1,695	127,639	10,728	138,367
Profit for the period		-	9,676	-	-	9,676	307	9,983
Other comprehensive income		-	-	3,092	-	3,092	54	3,146
Total comprehensive income		**-**	**9,676**	**3,092**	**-**	**12,768**	**361**	**13,129**
Transactions with owners in their capacity as owners:								
Issue of equity		1,107	-	-	-	1,107	-	1,107
Share-based payments		249	-	-	466	715	37	752
Dividends paid		-	(5,751)	-	-	(5,751)	(699)	(6,450)
VCL share based payment		811	-	-	(412)	399	-	399
Acquisition of non-controlling interests		-	-	-	-	-	797	797
Balance at 31 December 2017		**57,821**	**75,206**	**2,101**	**1,749**	**136,877**	**11,224**	**148,101**

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

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

Kirk Senior Chairman

Susan Peterson Chair Audit and Risk Committee

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

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

NOTES TO THE FINANCIAL STATEMENTS

General information

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

Accounting policies

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

Critical judgements and estimates in applying the accounting policies

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

Section 3.1	Vista China	Page 11	Carrying value of investment in Vista China
Section 3.2	Numero Limited	Page 14	Recoverability of loan to Numero Limited
Section 5.2	Intangible assets	Page 17	Capitalisation of development costs
Section 5.4	Impairment testing	Page 19	Assumptions used in testing Goodwill for impairment
Section 6.4	Share-based payments	Page 24	Fair value and number of equity instruments
Section 8.2	Deferred income tax	Page 40	Recognition of deferred tax asset

1. GENERAL INFORMATION

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

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

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

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

These financial statements were approved by the Directors on 26 February 2019.

2. FINANCIAL PERFORMANCE

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

2.1 REVENUE

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

Product

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

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

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

Maintenance

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

Services

Services revenue comprises fees charged for value-add services which are one-off charges. Revenue is recognised when the service is complete or on a stage of completion basis.

Development

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

Hardware

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

Other revenue

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

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

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

2.2 OPERATING SEGMENTS

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

The Cinema segment includes software associated with cinema management via the Vista software suite of products, plus the cloud based VEEZI product for smaller scale cinemas. The Movio segment includes Movio Cinema and Movio Media that provide data analytics and campaign management. The Additional Group Companies segment is an aggregation of the MACCS, Powster and Flicks businesses, none of which individually exceed the 10% threshold for segment revenue or profitability that would require separate disclosure under NZ IFRS 8. The Early Stage Investments segment includes businesses that are in the start-up phase of their life cycle. In FY2018, this segment includes Stardust, MovieXchange and Share Dimension (Cinema Intelligence). Similar to the Additional Group Companies segment, none of the businesses included in this segment individually exceed the 10% threshold for segment revenue or profitability that would require separate disclosure under NZ IFRS 8.

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

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

2017 RESTATED	CINEMA NZ$'000	MOVIO NZ$'000	ADDITIONAL GROUP COMPANIES NZ$'000	EARLY STAGE INVESTMENTS NZ$'000	CORPORATE NZ$'000	TOTAL NZ$'000
Timing of revenue recognition						
At a point in time	23,282	5,718	7,159	741	-	36,900
Over time	44,350	9,772	5,166	437	9,998	69,723
Total revenue	**67,632**	**15,490**	**12,325**	**1,178**	**9,998**	**106,623**
Operating expenses	(35,259)	(7,575)	(7,066)	(1,357)	(419)	(51,676)
Sales, general and administration expenses	(14,221)	(4,361)	(4,513)	(1,572)	(6,063)	(30,730)
Foreign currency gains/(losses)	1,684	38	(115)	(15)	(822)	770
EBITDA[1]	**19,836**	**3,592**	**631**	**(1,766)**	**2,694**	**24,987**

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

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

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

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

Revenue by domicile of entity

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

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

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

Non-current assets by domicile of entity

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

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

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

3. ASSOCIATE COMPANIES

3.1 VISTA CHINA

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

Acquisition of a further 7.9% in Vista China

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

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

A summary of the transaction flows is detailed below:

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

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

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

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

Carrying value of Vista China

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

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

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

Vista China trading result

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

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

A summarised statement of financial position is presented below:

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

Related party balances

Related party transactions have been undertaken during FY2018 as defined under the reseller agreement. The reseller agreement specifies transactions related to localisation work, support and maintenance fees and payment for an exclusive 10 year distribution right for all Vista Group software with a right of renewal for another 10 year period.

ENTITY	NATURE OF TRANSACTIONS	RECEIVABLE/(PAYABLE) 2018 NZ$'000	RECEIVABLE/(PAYABLE) 2017 NZ$'000
Vista China	Related party receivable	6,838	12,780
Vista China	Related party payable	(4,791)	(3,199)
Net receivable		**2,047**	**9,581**

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

Related party transactions for the year were as follows:

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

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

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

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

3.2 NUMERO LIMITED

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

Recoverability of loan to Numero Limited

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

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

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

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

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

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

4. CASH, BORROWINGS AND CASH FLOWS

This section builds on information from the statement of cash flows and provides details on the cash and cash equivalents held on the statement of financial position. This section also provides details of a range of financial risks associated with these balances and how Vista Group manages these risks. Cash comprises cash at bank and on hand.

4.1 RECONCILIATION OF NET SURPLUS TO CASH FLOWS

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

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

4.2 BORROWINGS

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

In November 2017, Vista Group established a senior facility agreement with ASB. The facility includes the previously established NZD $2.0m commercial credit overdraft facility and the EUR Đ3.0m term loan as well as the USD $4.0m term loan facility.

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

The EUR Đ3.0m term loan was initially established in March 2014 to acquire 25.1% of the share capital of MACCS International BV. The loan matures on 12 March 2020 and the current interest rate is 2.97% (2017: 3.03%) per annum.

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

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

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

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

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

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

5. ASSETS AND LIABILITiES

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

5.1 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

5.2 INTANGIBLE ASSETS

Intangible assets

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

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

Development costs and internally generated software

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

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

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

Other intangible assets

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

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

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

Refer to section 5.3 and 5.4 for goodwill measurement and impairment testing.

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

2017	INTERNALLY GENERATED SOFTWARE NZ$'000	SOFTWARE LICENSES NZ$'000	INTELLECTUAL PROPERTY NZ$'000	CUSTOMER RELATIONSHIPS NZ$'000	TOTAL NZ$'000
Gross carrying amount					
Balance at 1 January	4,814	2,362	1,940	7,275	16,391
Acquisition through business combinations	-	52	-	-	52
Internally generated software	4,937	-	-	-	4,937
Additions	-	52	16	-	68
Exchange differences	11	179	180	533	903
Balance at year end	**9,762**	**2,645**	**2,136**	**7,808**	**22,351**
Accumulated amortisation					
Balance at 1 January	(96)	(816)	(449)	(2,241)	(3,602)
Current year amortisation	(529)	(212)	(340)	(1,268)	(2,349)
Exchange differences	(1)	(40)	64	(362)	(339)
Balance at year end	**(626)**	**(1,068)**	**(725)**	**(3,871)**	**(6,290)**
Carrying amount at 31 December 2017	**9,136**	**1,577**	**1,411**	**3,937**	**16,061**

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

5.3 GOODWILL

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

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

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

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

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

5.4 IMPAIRMENT TESTING

Impairment testing of goodwill and other assets

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

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

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

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

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

Critical judgements used in applying accounting policies and estimation uncertainty

The Board has carried out an annual impairment review of goodwill allocated to the CGUs in order to ensure that recoverable amounts exceed aggregate carrying amounts. Value in use was determined by discounting the future cash flows generated by each CGU. Cash flows were projected based on a 5 year business model for each CGU. See below for key assumptions and sensitivity analysis. Information about estimates and judgements that have the most significant effect on recognition and measurement of goodwill and intangible assets are provided below. Actual results may be substantially different.

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

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

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

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

Other factors considered when testing goodwill for impairment include:

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

Impairment testing results

The calculations confirmed that there was no impairment of goodwill during the year (2017: $Nil). The Board believes that any reasonable possible change in the key assumptions used in the calculations for all CGUs, with the exception of MACCS and Cinema Intelligence, would not cause the carrying amount to exceed the recoverable amount.

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

- WACC discount rate: 1.7% increase
- Revenue growth: 0.7% reduction
- Terminal growth: 2.3% reduction

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

5.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

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

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

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

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

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

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

5.6 TRADE AND OTHER PAYABLES

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

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

5.7 EMPLOYEE BENEFIT PAYABLES AND ACCRUALS

Short term employee benefits

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

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

Employee expenses included in total expenses:

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

5.8 RELATED PARTIES

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

Key management personnel transactions

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

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

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

6. CAPITAL STRUCTURE

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

Equity, reserves and dividend payments

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

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

6.1 CONTRIBUTED EQUITY

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

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

6.2 EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

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

Diluted EPS reflects any commitments Vista Group has to issue shares in the future that would decrease EPS. In 2018, these are in the form of share-based payments and performance rights. To calculate the impact, it is assumed that share-based payments related to FY2018 earning targets are achieved and all the performance rights are taken, therefore adjusting the weighted average number of shares.

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

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

6.3 DIVIDENDS

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

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

6.4 SHARE-BASED PAYMENTS

Estimates related to share-based payments

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

Equity settled long-term incentive scheme – Total Shareholder Return

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

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

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

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

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

The fair value of rights granted is recognised as an administration expense in the statement of comprehensive income with a corresponding increase in the employee share-based payments reserve. The fair value is measured at grant date and amortised over the vesting periods. Vista Group has recognised $0.4m of employee expenses during the year ended 31 December 2018 (2017: $0.8m) related to the three active LTI schemes.

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

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

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

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

Equity settled long-term incentive scheme – 2018 LTI Scheme

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

The allocation of performance rights is based on a percentage of annual base salary, adjusted by a risk factor calculated using the Monte Carlo valuation model. Performance rights are granted under the plan for no consideration and carry no dividend or voting rights. Participation in the 2018 LTI Scheme is at the Board's discretion and participants in the 2018 LTI Scheme are not guaranteed participation from year to year.

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

The fair value of rights granted is recognised as an administration expense in the statement of comprehensive income with a corresponding increase in the employee share-based payments reserve. The fair value is measured at grant date and amortised over the vesting periods. For the 2018 LTI Scheme Vista Group has recognised $0.6m of employee expenses during the year ended 31 December 2018.

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

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

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

Equity settled incentive scheme – Group CEO Retention Scheme

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

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

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

The fair value of rights granted is recognised as an administration expense in the statement of comprehensive income with a corresponding increase in the employee share-based payments reserve. The fair value is measured at grant date and amortised over the vesting periods. For the Group CEO Retention Scheme, Vista Group has recognised $1.2m of employee expenses during the year ended 31 December 2018.

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

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

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

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

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

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

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

The fair value of rights granted is recognised as an administration expense in the statement of comprehensive income with a corresponding increase in the employee share-based payments reserve. The fair value is measured at grant date and amortised over the vesting periods. For the Operating Segment Revenue LTI Scheme, Vista Group has recognised $0.2m of employee expenses during the year ended 31 December 2018.

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

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

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

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

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

Virtual Concepts Limited (VCL) incentive scheme

Certain employees of VCL receive remuneration in the form of share-based payments contingent upon achieving certain annual milestones as part of the acquisition of VCL. The cost is recognised within administration expenses in the statement of comprehensive income, refer to section 7.4 for more details of the VCL incentive scheme.

6.5 EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

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

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

6.6 SHARE-BASED PAYMENT RESERVE

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

6.7 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

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

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

7. BASIS OF PREPARATION/ACCOUNTING POLICIES

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

7.1 KEY LEGISLATION AND ACCOUNTING STANDARDS

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

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

7.2 BASIS OF CONSOLIDATION

Vista Group's financial statements consolidate those of the Company and its subsidiaries as at 31 December 2018. A subsidiary is an entity over which Vista Group has control. Control is achieved when Vista Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the activities of the investee.

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

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

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

7.3 FOREIGN CURRENCY

Functional and presentation currency

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

Transactions and balances

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

Foreign Currency Translation Reserve (FCTR)

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

7.4 BUSINESS COMBINATIONS

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

Business combinations

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

Contingent consideration

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

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

VISTA LATIN AMERICA

In August 2017, Vista Group completed the acquisition of a controlling stake of 60% of the equity in its long-term Latin American business partner Vista Latin America. The purchase agreement included contingent consideration. Contingent consideration is payable in cash within 10 days of the finalisation of the FY2018 accounts for Vista Latin America, expected to be in March 2019. Contingent consideration is calculated based on achievement of EBITDA performance over the FY2017 and FY2018 financial periods against specified performance targets. For the purpose of quantifying the amount payable, an estimate was developed based on the expected performance of the Vista Latin America business for the financial period specified. The assumptions used were validated by senior management. At the acquisition date, the fair value of the contingent consideration was estimated to be $0.9m.

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

VIRTUAL CONCEPTS LIMITED

The acquisition of the remaining 43% of Virtual Concepts Limited (VCL) (trading as Movio) in August 2014 included contingent consideration that was payable to the former owners in the form of cash and shares. Contingent consideration was payable in three tranches on 1 April 2016, 1 April 2017 and 1 April 2018. During the year the final tranche was settled, amounting to $1.2m in cash and $0.5m in shares. At the reporting date, the fair value of the remaining contingent consideration is nil (2017: $1.7m)

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

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

7.5 GROUP COMPANIES

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

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

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

Group information

The financial statements include the following subsidiaries:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	SHARE-HOLDING 2018	SHARE-HOLDING 2017
Vista Entertainment Solutions Limited	Software development and licensing	New Zealand	100%	100%
Virtual Concepts Limited	Holding company	New Zealand	100%	100%
Movio Limited	Provision of online loyalty, data analytics and marketing	New Zealand	100%	100%
Movio Inc	Provision of online loyalty, data analytics and marketing	USA	100%	100%
MACCS International BV	Software development and licensing	Netherlands	50.1%	50.1%
MACCS US	Software licensing	USA	50.1%	50.1%
VPF HUB Gmbh	Software licensing	Germany	45.1%	45.1%
Vista Entertainment Solutions (UK) Limited	Software licensing	United Kingdom	100%	100%
Vista Entertainment Solutions (USA) Inc	Software licensing	USA	100%	100%
Vista Entertainment Solutions (Canada) Limited	Non-active	Canada	100%	100%
Vista Group Limited	Non-active	New Zealand	100%	100%
Senda Direccion Technologica SA De CV	Software licensing	Mexico	60%	0%
Senda DO Brasil servicos de tecnología LTDA	Software licensing	Brazil	60%	0%
Book My Show Limited	Inactive	New Zealand	74%	74%
Book My Show (NZ) Limited	Inactive	New Zealand	74%	74%
Share Dimension BV	Software development and licensing	Netherlands	50%	50%
SC Share Dimension SRL	Software development	Romania	50%	50%
Flicks Limited	Advertising sales	New Zealand	100%	100%
Powster Limited	Marketing and creative solutions	United Kingdom	50%	50%
Powster Inc	Marketing and creative solutions	USA	50%	0%
Stardust Solutions Limited	Application development and licensing	New Zealand	58.9%	74.9%
Stardust Entertainment Inc	Application licensing	USA	58.9%	74.9%
MovieXchange International Limited	Web platform development and licensing	New Zealand	100%	100%
MovieXchange Limited	Web platform licensing	New Zealand	100%	100%
Vista Entertainment Solutions (Spain), SL	Software licensing	Spain	100%	0%
Vista International Entertainment Solutions South Africa (PTY) Limited	Software licensing	South Africa	100%	100%

7.6 INVESTMENT IN ASSOCIATE

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

When Vista Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, Vista Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between Vista Group and its associates are eliminated to the extent of Vista Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The carrying amount of equity-accounted investments are tested for impairment in accordance with the policy described in section 5.4.

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

7.7 ADOPTION OF NEW ACCOUNTING STANDARDS

New accounting standards adopted by Vista Group:

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

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

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

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

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

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

Process and policy

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

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

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

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

Vista Cinema Segment

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

Movio Segment

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

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

Additional Group Companies Segment

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

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

Critical judgements used in applying accounting policies and estimation uncertainty

Vista China Localisation

As disclosed in section 3.1, during FY2016 Vista Group entered into a reseller agreement with Vista China which included a number of performance obligations to localise software products made by Vista Group. Management has applied judgement and estimation in determining the stage of completion for each software product being localised for the China market and the associated revenue for each obligation.

NZ IFRS 9 *Financial Instruments* – impact of adoption

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

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

Classification and measurement

NZ IFRS 9 impacts the following classifications of financial assets:

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

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

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

Impairment

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

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

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

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

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

Cash

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

Trade receivables

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

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

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

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

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

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

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

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

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

Loan to associate company Numero

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

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

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

Sundry receivables

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

Impact of standards issued but not yet adopted by Vista Group

NZ IFRS 16 *Leases*

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

Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between an operating lease (off balance sheet) and a finance lease (on balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting the future lease payments and a ‘right-of-use’ asset for almost all lease contracts. The statement of comprehensive income will be impacted by the recognition of an interest expense and a depreciation expense with premise rental and office equipment expenses removed altogether.

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

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

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

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

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

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

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

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

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

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

8. TAX

8.1 INCOME TAX EXPENSE

Income tax

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

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

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

Reconciliation of income tax expense

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

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

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

8.2 DEFERRED TAX ASSETS AND LIABILITIES

Recognition of deferred tax assets

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

Deferred income tax

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

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

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

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

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

2018	OPENING BALANCE NZ$'000	ACQUIRED AS PART OF A BUSINESS COMBINATION NZ$'000	RECOGNISED IN INCOME STATEMENT NZ$'000	CLOSING BALANCE NZ$'000
Trade and sundry receivables	224	-	188	412
Employee benefits	474	-	1,122	1,596
Property, plant and equipment	(108)	-	(12)	(120)
Other	172	-	(122)	50
Intangible assets	(1,535)	28	247	(1,260)
Unused tax losses	1,472	-	(334)	1,138
Deferred tax temporary asset	**699**	**28**	**1,089**	**1,816**

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

9. FINANCIAL RISK MANAGEMENT

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

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

9.1 FOREIGN CURRENCY RISK

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

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

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

	USD	GBP	EUR	CNY	AUD
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
31 DECEMBER 2018					
Financial assets					
Cash	19,584	9,945	1,566	-	1,905
Trade receivables	27,749	3,839	5,228	5,855	1,526
Sundry receivables	469	-	382	-	-
Financial liabilities					
Trade payables	(1,358)	(65)	(82)	(2,358)	(4)
Sundry accruals	(1,026)	(518)	(52)	-	-
Borrowings	(5,960)	-	(5,983)	-	-
Net exposure	**39,458**	**13,201**	**1,059**	**3,497**	**3,427**
31 DECEMBER 2017					
Financial assets					
Cash	14,731	3,648	1,339	-	388
Trade receivables	22,985	4,519	3,814	11,934	1,269
Sundry receivables	-	-	510	8,664	-
Financial liabilities					
Trade payables	(3,385)	(88)	(162)	(1,375)	-
Sundry accruals	(872)	(157)	(5)	(980)	-
Borrowings	(5,637)	-	(5,686)	-	-
Contingent consideration	(908)	-	-	-	-
Net exposure	**26,914**	**7,922**	**(190)**	**18,243**	**1,657**

The following table illustrates the sensitivity of profit or loss and equity in regard to Vista Group's financial assets and liabilities affected by USD/NZD exchange rate, the GBP/NZD exchange rate, the EUR/NZD exchange rate, the CNY/NZD exchange rate and the AUD/NZD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the NZD to currency exchange rate for the year ended 31 December 2018 (2017: 10%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Vista Group's foreign currency financial instruments held at each reporting date.

	PROFIT/EQUITY				
	USD	GBP	EUR	CNY	AUD
	NZ$'000	NZ$'000	NZ$'000	NZ$'000	NZ$'000
31 December 2018					
10% strengthening in NZD	(3,587)	(1,200)	(96)	(318)	(312)
10% weakening in NZD	4,384	1,467	118	388	381
31 December 2017					
10% strengthening in NZD	(2,447)	(720)	17	(1,658)	(151)
10% weakening in NZD	2,991	880	(21)	2,027	184

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

9.2 INTEREST RATE RISK

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

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

AS AT 31 DECEMBER 2018	EFFECTIVE INTEREST RATE	FLOATING NZ$'000	FIXED UP TO 3 MONTHS NZ$'000	FIXED UP TO 6 MONTHS NZ$'000	FIXED UP TO 5 YEARS NZ$'000	TOTAL NZ$'000
Assets						
Related party loan – Numero	6.0%	-	-	-	8,386	8,386
Cash	-	34,353	-	-	-	34,353
		34,353	-	-	8,386	42,739
Liabilities						
Borrowings	4.4%	-	-	-	(11,076)	(11,076)
Borrowings related party	5.0%	-	-	-	(868)	(868)
		-	-	-	(11,944)	(11,944)
Total exposure		**34,353**	**-**	**-**	**(3,558)**	**30,795**

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

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

9.3 CREDIT RISK

Credit risk is the risk that a counterparty fails to discharge an obligation to Vista Group. Vista Group is exposed to this risk for various financial instruments, for example trade and sundry receivables and deposits with financial institutions and related parties. The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised in section 10.3.

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

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

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

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

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

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

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

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

9.4 LIQUIDITY RISK

Liquidity risk is the risk that Vista Group might be unable to meet its obligations. Vista Group's objective is to maintain a balance between continuity of funding and flexibility through monitoring of cash and the use of bank overdrafts and bank loans (see section 4.2). Vista Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. The related party borrowings of $0.9m (2017: $0.6m) will mature in greater than one year at 31 December 2018. Vista Group assessed the concentration of risk with respect to refinancing its debt as being low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Vista Group has significant cash balances held as cash on hand of $34.4m. Vista Group's dividend policy is to distribute between 30% to 50% of net profit after tax subject to immediate and future growth opportunities and identified capital expenditure requirements. At balance date Vista Group has a NZD $2m on-call credit facility with the ASB, against which there has been no draw down.

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

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

10. OTHER INFORMATION

10.1 EXPENSES

Government grants

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

During the year, Vista Group recognised a total of $3.2m (2017: $3.6m) of grants from Callaghan Innovation in New Zealand and Ministry of Economic Affairs (WBSO) in the Netherlands to assist with Research and Development. At balance date, there is a 10% retention amount related to 2018 grants of $0.3m yet to be paid and subject to independent auditor review.

Auditor's remuneration included in administration expenses

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

Other expenses

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

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

10.2 OPERATING LEASES

Leased assets

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

Operating lease commitments

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

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

10.3 FINANCIAL INSTRUMENTS

Financial instruments

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

Vista Group's financial assets for the periods covered by these financial statements are measured at amortised cost.

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

(a) Loans and receivables

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

(b) Financial liabilities measured at amortised cost

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

Recognition and derecognition

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

Measurement

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

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

Impairment

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

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

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

Fair value of financial assets and liabilities

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

Cash

Cash comprises cash at bank and on hand and its carrying value is equivalent to fair value.

Trade, related party and other receivables

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

Trade, related party and other payables

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

Related party loans

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

Borrowings

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

Fair values

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

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

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

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

There have been no transfers between levels or changes in the valuation methods used to determine the fair value of the Group's financial instruments during the period. As at 31 December 2018 Vista Group has no level 3 financial instruments related to contingent consideration (2017: $0.9m).

Financial instruments by category

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

10.4 OTHER DISCLOSURES

Contingent liabilities

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

Capital commitments

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

Events after balance date

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

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

Independent auditor's report

To the shareholders of Vista Group International Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cashflows for the year then ended; and
- the notes to the financial statements, which include the principal accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Vista Group International Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

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

Our firm carries out other services for the Group in the areas of related assurance services (R&D growth grant schedule review) and advisory services in relation to the long term employee incentive schemes. The provision of these other services has not impaired our independence as auditor of the Group.

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Our audit approach

Overview

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

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

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

We have determined that there are three key audit matters:

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

Materiality

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

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

Audit scope

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

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

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

The full scope audits and specific audit procedures were undertaken by PwC New Zealand and were performed at a materiality level calculated with reference to a proportion of the Group materiality appropriate to the relative financial scale of the subsidiary concerned.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of the investment in Vista Entertainment Solutions Shanghai Limited ("Vista China") As disclosed in Note 3.1, the carrying value of the Group's investment in Vista China amounts to $31.8 million, including goodwill of $20.2 million. The Group uses the equity method of accounting for its investment. Management undertook an assessment of the fair value of goodwill and of its investment in Vista China to assess whether there had been any impairment. This assessment involved significant management judgement in determining key assumptions and estimates and included consideration of: • The recent trading performance of Vista China and the 2019 budget; • The forecast revenue growth rates and cash flows for the following 4 years of the overall 5 year forecast period; • An indicative valuation conducted by an independent expert based on management's budget and forecasts; and • Assumptions relating to a minority discount. The assessment concluded that there was no impairment of the investment.	Our audit procedures in relation to the carrying value of the investment in Vista China included the following: • We held discussions with management, including those outside of the Vista finance function, to gain an understanding of the strategy and performance to date of Vista China; • We reviewed Board meeting minutes to identify any events or conditions that indicate potential impairment of the investment; • We considered the report prepared by management's independent expert on their indicative valuation assessment undertaken as at 31 December 2018. We also compared this current assessment to the valuation undertaken by the same independent expert in 2016 and 2017; • We engaged our own expert to consider the valuation methodology utilised by management's independent expert and the key assumptions made, in particular the revenue growth rate, discount rate and minority discount. Our expert's assessment included comparing the indicative valuation determined by management's independent expert with the valuation indicated by an external share broker. We have no matters to report as a result of our procedures.

Impairment testing of goodwill

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

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

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

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

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

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

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

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

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

- For the Cinema Intelligence and MACCS CGUs we also performed the following procedures:
  - Considered the performance of those CGUs and gained an understanding of strategic and operational initiatives being undertaken through discussions with management, including those outside of the Vista finance function;
  - Assessed the extent to which revenue in the 2019 budget is contracted and agreed a sample of forecast amounts to signed customer contracts; and
  - Engaged our own expert to evaluate the discount rates and terminal growth rates used in the CGUs' DCF model by comparing with those of similar market participants.

We reviewed the disclosures in note 5.4 to the financial statements to ensure they are compliant with the requirements of the accounting standards.

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

Recoverability of loan to Numero Limited ("Numero")

The Group has $5.4 million of related party loans receivable from its associate, Numero at 31 December 2018, as disclosed in note 3.2. This balance is net of a provision of $3.0 million.

Management assessed the recoverability of the loan receivable from Numero by estimating the present value of Numero's future cash flows based on the 2019 budget and forecasts for the following four years. Judgement has been applied in determining the inputs for future cash flows, and the discount rate applied.

Management concluded that it was appropriate to recognise an incremental impairment provision of $1.3 million at 31 December 2018, bringing the total amount provided against the loan receivable to $3.0 million, as disclosed in Note 7.7.

Our audit procedures in relation to the recoverability of the loan to Numero included the following:

- We gained an understanding of the business processes and controls applied by management in assessing the recoverability of the loan receivable.
- We held discussions with Vista Group and Numero management about Numero's performance and whether there were any events or circumstances that indicated that the carrying value of the loan was impaired.
- We tested the calculation of the discounted cash flow model, including the inputs and the mathematical accuracy.
- We assessed the key estimates and assumptions made by management in the discounted cash flow model, by performing the following procedures:

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

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

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 February 2019

Auckland

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VISTA GROUP 2018 FULL YEAR RESULTS

26 February 2019

AGENDA

VISTA GROUP SUMMARY
KIMBAL RILEY
GROUP CHIEF EXECUTIVE

FINANCIAL RESULTS
RODNEY HYDE
CHIEF FINANCIAL OFFICER

OPERATIONAL HIGHLIGHTS
KIMBAL RILEY
GROUP CHIEF EXECUTIVE

WILL PALMER
CEO MOVIO

OUTLOOK

Q+A

VISTA GROUP SUMMARY

A bumper year as Vista Group continues to deliver consistently strong growth and profit.

- **23%** increase in Revenue – the 5th consecutive year of 20%+ growth
- Increase in operating leverage (EBITDA % of revenue) in both Cinema (+6%) and Movio (+18%)
- **21%** increase in Operating Profit
- **150%** increase in Operating Cash Flow
- **24%** increase in Recurring Revenue to $79.9m – 61% of Total Revenue
- **26%** increase in Earnings Per Share from $0.06 in 2017 to $0.07
- **29%** CAGR for revenue since the IPO in 2014.

VISTA GROUP 2018 HIGHLIGHTS

- Balance sheet remains very strong with low debt and a strong cash position
- Vista Cinema global market share of 20+ screens segment increased to **40%**
- Signed integrated Group agreements with leading global Cinema Circuits – Cineworld and Odeon
- Core businesses – Vista Cinema and Movio - deliver stellar performances – Movio a standout
- SaaS[1] revenue represent **32%** of Total Revenue in 2018, up from 25% in 2017.

1 SaaS revenue is defined as revenue earned from solutions that are hosted by Vista Group, which typically attract a subscription revenue type.

FINANCIAL HIGHLIGHTS

TOTAL REVENUE

$130.7m

(up 23%)

RECURRING REVENUE

$79.9m

(up 24%)

OPERATING PROFIT

$24.7m

(up 21%)

EBITDA[1]

$29.2m

(up 17%)

OPERATING CASHFLOW

$27.6m

(up 150%)

FINAL DIVIDEND

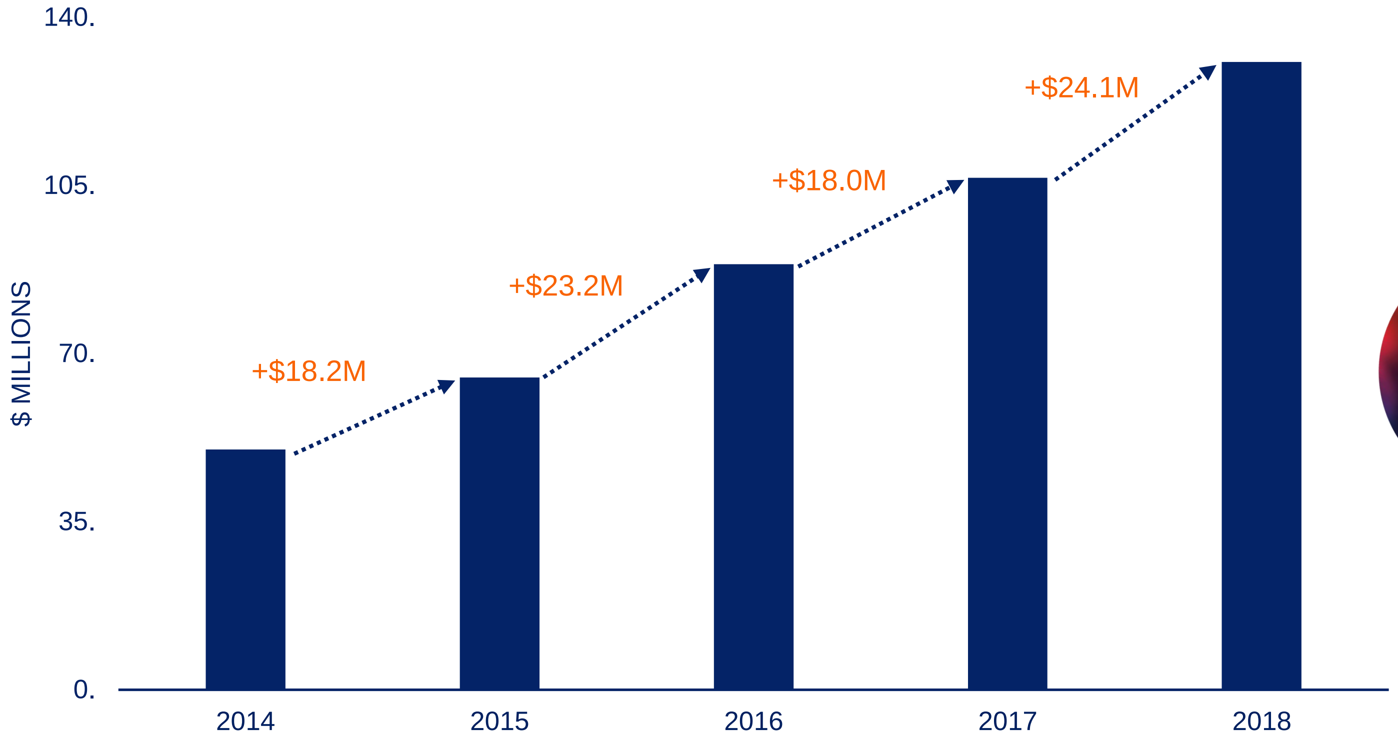
2.10

CENTS P/SHARE

(Total FY18 dividend up 27%)

[1]EBITDA is a Non-GAAP measure and is defined as earnings before net finance expense, income tax, depreciation, amortisation, acquisition costs and equity-accounted results from associate companies. Expenses related to the VCL deferred consideration is also excluded. This is consistent with the measure used in the Prospectus dated 3 July 2014. Depreciation and amortisation in 2018 $4.2m (2017: $3.6m).

VISTA GROUP - 5 YEAR REVENUE



FINANCIAL RESULTS

TRADING PERFORMANCE

NZ$m	31 Dec 2018	31 Dec 2017	% CHANGE
	For twelve months ended		
Revenue	130.7	106.6	23%
Expenses	106.9	87.0	23%
Foreign exchange losses / (gains)	(0.9)	(0.8)	
Operating Profit	24.7	20.4	21%
Net finance revenue / (costs)	(0.7)	(0.3)	
Share of loss from associates	(3.0)	(3.3)	
Profit Before Tax	21.0	16.8	25%
Net Profit attributable to Vista Group Shareholders	12.3	9.7	27%

NZ$m	2018 Actual	2017 Actual	
EBITDA[1]	29.2	25.0	17%

- Another year of 20%+ Revenue Growth
- Profit and EBITDA[1] improvements.

[1]EBITDA is a Non-GAAP measure and is defined as earnings before net finance expense, income tax, depreciation, amortisation, acquisition costs and equity-accounted results from associate companies. Expenses related to the VCL deferred consideration is also excluded. This is consistent with the measure used in the Prospectus dated 3 July 2014. Depreciation and amortisation in 2018 $4.2m (2017: $3.6m).

OPERATING SEGMENTS

CINEMA	vista, VEEZI, MovieTeam
MOVIO	MOVIO
ADDITIONAL GROUP COMPANIES	POWSTER, maccs, FLICKS
EARLY STAGE INVESTMENTS	Stardust, CINEMA INTELLIGENCE, movieXchange
ASSOCIATES	numero, VISTA CHINA

OPERATING SEGMENTS

2018

NZ$M	Cinema	Movio	Additional Group Companies	Early Stage Investments	Corporate	Total
Revenue	82.4	22.8	15.0	4.5	5.9	130.7
EBITDA[1]	25.6	6.2	1.4	0.4	(4.5)	29.2
EBITDA % of revenue	31%	27%	9%	10%	(76%)	22%

2017

NZ$M	Cinema	Movio	Additional Group Companies	Early Stage Investments	Corporate	Total
Revenue	67.6	15.5	12.3	1.2	10.0	106.6
EBITDA[1]	19.8	3.6	0.6	(1.8)	2.7	25.0
EBITDA % of revenue	29%	23%	5%	(150%)	27%	23%

- Cinema segment revenue grew 22% and EBITDA[1] 29%, demonstrating improved operating leverage.
- Movio delivered exceptional 2nd half performance driving overall revenue increase of 47% and EBITDA[1] increase of 74%.
- Improved operating margin leverage in largest segments, Cinema (+6%), Movio (+18%).
- China localisation revenue is reported in the Corporate segment but the cost of delivery is embedded within Vista Cinema and Movio. China localisation work is now complete in 2018.

Note: EBITDA[1] is a Non-GAAP measure and is defined as earnings before net finance expense, income tax, depreciation, amortisation, acquisition costs and equity-accounted results from associate companies. Expenses related to the VCL deferred consideration is also excluded. This is consistent with the measure used in the Prospectus dated 3 July 2014. Depreciation and amortisation in 2018 $4.2m (2017: $3.6m).

FINANCIAL POSITION

NZ$M CURRENT ASSETS	31 Dec 2018	31 Dec 2017
Cash & short term deposits	34.4	21.0
Trade & other receivables	62.3	71.3
	96.6	92.3
NON CURRENT ASSETS		
Plant & equipment	5.4	4.6
Investment in associate	31.9	26.1
Intangibles	87.2	81.2
	124.5	112.0
TOTAL ASSETS	**221.1**	**204.2**
Current liabilities	43.7	41.2
Non current liabilities		
Loans	11.9	10.7
Deferred tax and consideration	6.0	4.2
	18.0	14.9
NET ASSETS	**159.4**	**148.1**
Share capital	59.4	57.8
Retained earnings	80.8	75.2
Reserves	6.0	3.8
Non controlling interests	13.2	11.2
TOTAL EQUITY	**159.4**	**148.1**

- Strong balance sheet maintained, giving capacity to take advantage of new opportunities and development as well as support dividend program.
- Cash increased $13.4m due to strong operating cash flows.
- Receivables has reduced $9m despite an increase in revenues of 23%.
- Increase in intangibles driven by further capitalisation of internally generated software.
- Increase in investment in associate is due to 7.9% equity purchase in Vista China during 2018.

CASH FLOW

NZ$M	31 Dec 2018	31 Dec 2017
Receipts from customers	**132.4**	**105.1**
Cash was applied to:		
Payments to suppliers & staff	(96.0)	(87.1)
Tax & interest	(8.8)	(7.0)
	(104.8)	**(94.1)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**27.6**	**11.0**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in internally generated software	(7.9)	(5.0)
Other investing activities	(2.2)	(5.4)
	(10.1)	(10.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings	0.2	6.5
Dividends paid	(6.1)	(6.5)
	(5.9)	0.0
NET MOVEMENT IN CASH HELD	**11.6**	**0.7**
Foreign exchange differences	1.8	(1.0)
CASH BALANCE	**34.4**	**21.0**

- Increase in receipts from customers driven by YOY revenue increase combined with improved debtor recovery.
- Investment in internally generated software consistent with Vista Group's strategy to continue to invest in projects to improve our products and provide a platform for future growth.
- 2017 final dividend paid in March and 2018 interim dividend paid in September.
- Other investing activities in 2018 is predominately purchase of PP&E. This is less than 2017 due to the absence of business acquisition payments and contingent consideration paid.

DIVIDEND PROPOSAL

- The directors have resolved to pay a final dividend at the top of the policy range (50%) and that the dividend will carry full imputation credits

- The value of the final dividend will be 2.10 cents per share representing a total payment of $3.5m

- The record date for the dividend is 5pm on Monday, 11 March 2019 with the payment date set for Friday, 22 March 2019

- This is in addition to the interim dividend declared and paid in September 2018 of 1.60 cents per share, a total payment of $2.6m

- Total FY18 dividend 27% increase on FY17.

VISTA GROUP OPERATIONAL HIGHLIGHTS

CINEMA SEGMENT

$82.4M REVENUE GROWTH +22%

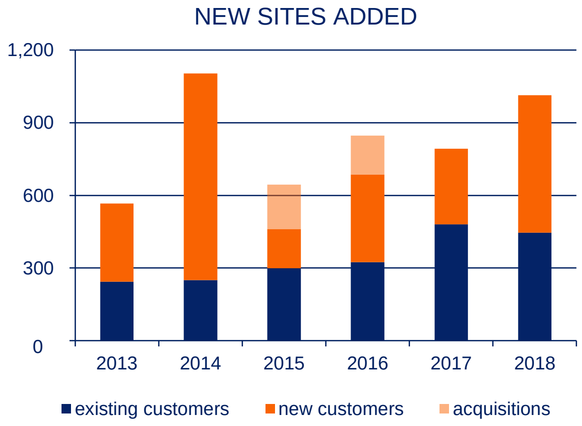
$25.6M EBITDA GROWTH +29%

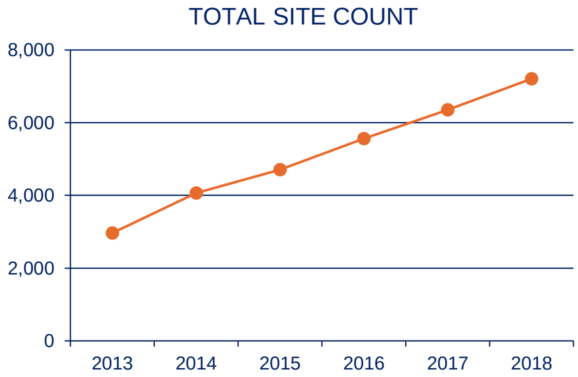
Vista Cinema provides cinema management software to the world's largest cinema exhibitors

- 1013 new sites in 2018 (including 199 sites in China).
- Total now 7,202 (161 sites removed from count at half year in France). Total in China now 958.
- Vista Cinema now has customers in 97 countries.
- Market share globally of 20+ screen segment at 40%.
- Excluding China - market share of 20+ screen segment is 48.1%.
- First cloud deployed customers live and in production.
- Additional revenue stream from 3rd parties approaching $3.5m.

13%
GROWTH IN TOTAL SITES TO 7,202

31%
EBITDA% (UP BY 6%)





CINEMA SEGMENT - CONTINUED

VEEZI

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

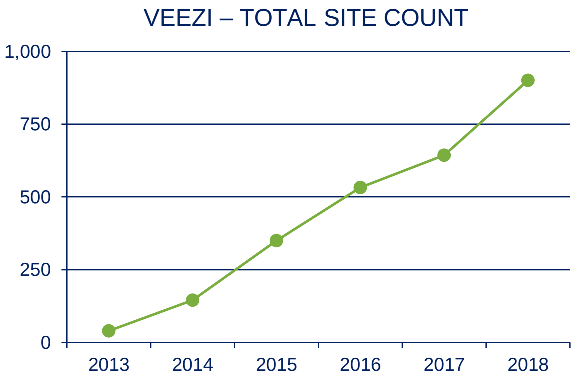
- 258 new sites bring total site numbers to 901 – including China.
- China now with 93 sites, an increase of 72 over 2017.
- 14% increase in revenue per site compared to 2017.
- USA continues to be strongest market for Veezi with over 500 sites.
- Veezi now present in 36 countries.

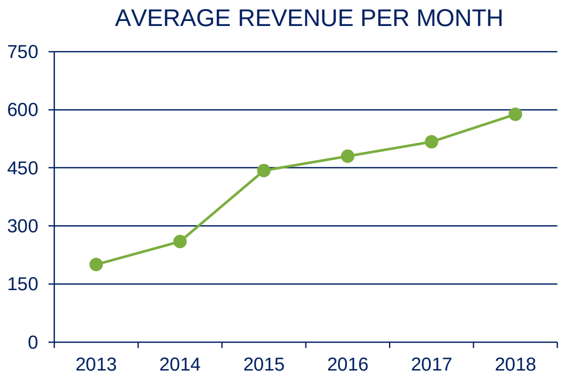
14%
INCREASE IN SITE REVENUE TO $588 P.MTH

56%
REVENUE GROWTH

59%
INCREASE IN ARR TO $6.35M

40%
GROWTH IN CONTRACTED SITES TO 901





CINEMA SEGMENT - CONTINUED

Drivers for growth

- Strong focus on trans-national 'super-circuits' validated by recent wins
- Significant interest in cloud version of Vista and increasing opportunities for managed service arrangements
- Continued product innovation into new areas such as F&B, data warehouse, Omnichannel, CXM
- Competitive wins – globally
- Expansion from beach-heads in new markets – Brazil, Italy, Japan, France
- Continued demand in Latin America, Eastern Europe, and Africa
- Additional revenue streams from ecosystem – hardware, payment processors etc.
- Veezi experiencing growing interest from customers transitioning from 'vanilla' POS solutions.

MOVIO SEGMENT

$22.8M REVENUE GROWTH +47%

$6.2M EBITDA GROWTH +74%

MOVIO

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

Purpose: to connect moviegoers with their ideal movie

- The Movio Cinema business grew 17%, increasing its global footprint to 53 countries. Achievements included the successful deployment of two of the leading Brazilian exhibitors; and the launch of innovative pricing, with 22 customers agreeing to accept a compounding annual increase in return for access to Movio's future innovation.
- The Movio Media business grew revenue 122%. This was driven by growth in research revenue, with the addition of Disney, Direct email campaign revenue and the successful launch of a digital campaign solution.
- Movio successfully navigated the changes in data legislation (GDPR) in the EU, ensuring continued uninterrupted service across the region.
- Total connections (email, SMS, mobile push and digital) increased 22%, with more that 2B personalised communications made in 2018.
- Rule of 40 for SaaS: Movio's Revenue Growth of 46% + EBITDA Margin of 27% = a combined score of 73.

2018 PERFORMANCE METRICS

122%
Growth in Movio Media revenue

89%
growth in total revenue per active moviegoers in North America to 86 cents

46%
growth in Global total revenue per active moviegoers to 51 cents

22%
growth in connection messages sent to 2.2bn

MOVIO SEGMENT

MOVIO

	Active Moviegoers (Millions)		Revenue / Active Moviegoer (NZ cents)	
Region	2017	2018	2017	2018
USA	24	20	45	86
Rest of World	21	25	23	22
Global	45	45	35	51

Growth Strategy

Increase Volume - Active Moviegoers:

- Movio brand refresh focused on demonstrable uplift exhibitors experience using Movio, with a view to engaging with the C-level of the remaining top 15 global exhibitors not currently licensing Movio's software and services.
- Deploy non-member solution allowing exhibitors to build moviegoer profiles based on online ticket purchases of non loyalty members.

Increase Revenue Per Active Moviegoer

- Successful adoption of 'Innovation Pricing', providing all Movio Cinemas latest innovation for a compounding annual increase circa 7% including CPI. Currently 22 exhibitors have agreed.
- Productisation of the Movio Media Digital Campaign platform, enabling rapid deployment of digital marketing campaigns coupled with the ability to scale sales.

ADDITIONAL GROUP COMPANIES SEGMENT

$15M REVENUE GROWTH +22%

$1.4M EBITDA GROWTH +123%

POWSTER

World leading film marketing products

- Excellent revenue growth (52%) delivered strong EBITDA
- Created 31% more movie destination sites (1,750) in 2018
- LA Studio well established – 12 people – Powster Labs offer to studios generating good interest
- Promising early signs with products on Facebook Messenger – very good user engagement, strong pipeline of prospects.

maccs

Provides world leading theatrical distribution software

- Pleasing improvement 2nd half over 1st half – though full year result still not acceptable
- Stronger delivery performance enables focus on new business with 3 new customer wins in 2nd half
- Joined up customer propositions with Numero under development
- 6,000+ cinema sites delivering weekly audited box office results to MACCSBox.

FLICKS

Movie and cinema review and showtime guide

- Unique visitors up 24% to 8.2m across New Zealand and Australia
- 2nd half 44% ahead of 1st half as impact of marketing spend and deployment of sales resource in Sydney felt
- 140% increase in advertising revenue in Australia
- Extending the lead as the largest independent movie site in Australasia.

EARLY STAGE INVESTMENTS SEGMENT

$4.5M REVENUE GROWTH +285%

$0.4M EBITDA +$2.2M

CINEMA INTELLIGENCE

Software to optimise film forecasting and scheduling

- Excellent revenue growth (80%) reduces EBITDA loss close to break even for full year
- Penetration of Vista customer base at 6% - big runway ahead
- Key integrations with Vista products in beta – with Film Manager, and with MovieTeam
- Starting 2019 with pilots in 2 significant Vista customers in APAC.

movieXchange

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

- MX Film good progress – servicing 8,000+ screens with content – and integrating with group companies to deliver consistent film database
- MX Tickets travelling steadily – boosted mid-year by one-off volume spike – now servicing 10 live ticketing partners worldwide
- MX collecting showtimes from key large and small customers – millions of showtimes each month.

Stardust

Social app to share video reaction to movies and TV shows

- Additional external investment moves Stardust to Associate company status in 2019
- 2nd half 2018 focus was to enhance app to increase user engagement and retention
- 1st half 2019 will see relaunch and marketing push
- Positive signs of studio interest in quality of users on Stardust.

ASSOCIATE COMPANIES

numero

Box office tracking and reporting product

- International business (outside USA) progressing well with increased coverage and positive EBITDA
- New country dashboards live in: Argentina, Bolivia, Indonesia, Malaysia, Mexico, Netherlands, Nigeria, Paraguay, Singapore, and Uruguay
- In 2019 Numero will launch further dashboards in Europe and Latin America
- USA coverage significantly increased – 2,400 sites reporting
- Revenue growth overall strong
- Numero requires ongoing support from Vista Group – provision made for all advances during 2018.

ASSOCIATE COMPANIES

VISTA CHINA

Performance

- Revenue of $NZD20.6m, 19% increase over 2017.
- 199 new sites added – 41% from existing customers. Total now 958 sites.
- Vista China market share of 20+ screens segment estimated as 17%.
- Top 5 circuit Stellar now rolling out – Vista China will have 3 of the top 5 circuits as customers when rollout is complete.
- Total of 93 Veezi sites, 72 added in 2018.
- Impressive local product add-ons built by Vista China team – Wechat mini-programs, 3rd party integration products.

China film industry

- China box office revenue in 2018 grew 9% over 2017 – adding RMB5billion of ticket sales. Local productions accounted for 61% of the box office.
- Government has proposed a funding plan to expand cinema building in tier 3 and 4 cities – in particular in the west of China.
- Continued domination by 3rd party ticket sellers – Maoyan and Tao Piaopiao remain the top 2.
- Cinema building continues apace in China – 18% increase in 2018.

Update on structure

- The transaction to acquire 7.9% of Vista China was completed in August – Vista Group and Weying now each hold 47.5%, and staff the remaining 5%.
- As previously announced additional transactions are contemplated which will lead to Vista Group being able to consolidate.
- We will update on the status of these transactions during the first half of 2019.

OUTLOOK

- Recurring revenue base coupled with strong pipeline across Vista Group is expected to support a 6th consecutive year of revenue growth in the region of 20% (excluding consolidation of Vista China)
- Very exciting outlook for Movio – in particular Movio Media, with strong growth expected and a significant runway ahead
- Large cross Vista Group agreements completed in 2018 provide a strong basis for Vista Cinema through 2019 and 2020
- Vista China expected to continue to win new circuit customers, and make increased Veezi sales in 2019
- Improved performance from MACCS and Numero expected to underpin better results from other segments
- 2018 was a strong year for the global film industry with box office approaching or exceeding records in most countries, and continued growth in screens and cinema sites. The slate for 2019 is well rated by most observers.

QUESTIONS

IMPORTANT NOTICE

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

Information in this presentation:

- is provided for general information purposes only, does not purport to be complete or comprehensive, and is not an offer or invitation for subscription or purchase of, or solicitation of an offer to buy or subscribe for, financial products in Vista Group or any of its related companies;
- does not constitute a recommendation or investment or any other type of advice, and may not be relied upon in connection with any purchase or sale of financial products in Vista Group or any of its related companies;
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Unless otherwise stated, all information in this presentation is expressed at the date of this presentation and all currency amounts are in NZ dollars.

THANK YOU

MARKET ANNOUNCEMENT

26 February 2019, Vista Group International Ltd, Auckland, New Zealand

Vista Group – NZX Appendix 1

Reporting Period	12	months to	31 December 2018
Previous Reporting Period	12	months to	31 December 2017

	Amount $000's NZ$	Percentage change %
Revenue from ordinary activities	$ 130,716	22.6%
Net Profit / (Loss) from ordinary activities after tax attributable to security holders	$ 13,034	30.6%
Net profit / (loss) attributable to security holders	$ 12,258	26.7%

Net Tangible Assets per share	**2018**	**2017**
Net tangible assets per share	$ 0.633	$ 0.602

Final Dividend	**Amount per security**	**Imputed amount per security**
	NZ 2.1 cents per share	NZ 0.82 cents per share

Record Date for Dividends 11 March, 2019

Dividend Payment Date 22 March, 2019

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

The 2018 full year result for Vista Group represents strong growth in revenue and shows the strength of Vista Group in producing consistent revenue growth, sustained profit growth, with improved operating leverage in its largest operating segments - Cinema and Movio, and a positive operating cashflow.

MARKET ANNOUNCEMENT

26 February 2019, Vista Group International Ltd, Auckland, New Zealand

Vista Group – NZX Appendix 7

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

Rodney Hyde, Chief Financial Officer
Vista Group International
Contact +64 9 984 4570

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

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

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

Full name of Issuer	Vista Group International Limited
Name of officer authorised to make this notice	Rodney Hyde
Authority for event, e.g. Directors' resolution	Directors Resolution
Contact phone number	(09) 984 4570
Contact fax number	
Date	26 / 02 / 2019

Nature of event
Tick as appropriate

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

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

Description of the class of securities	Ordinary Shares
ISIN	NZVGLE0003S1

If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities	
ISIN (*If unknown, contact NZX*)	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g ① *for* ②	for
Conversion, Maturity, Call Payable or Exercise Date (*Enter N/A if not applicable*)	
Treatment of Fractions	
Tick if pari passu OR *provide an explanation of the ranking*	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security (does not include any excluded income)	$0.021000
Source of Payment	Revenue Reserves
Excluded income per security (only applicable to listed PIEs)	Nil
Currency	New Zealand Dollars
Total monies	$3,476,254

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	Nil
Date Payable	

Taxation *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	
Imputation Credits (Give details)	$0.008167
Foreign Withholding Tax	
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	11 March, 2019
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date.*	22 March, 2019
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	

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

Security Code:

Security Code:

Media Release

Vista Group Produces Another Highlights Package

Annual result reflects 23% revenue growth – the 5th consecutive year above 20% – increases EBITDA and improves operating cash position

[Auckland, NZ, 26 February 2019]: Vista Group International (NZX & ASX: VGL), announces its 2018 result today, reporting impressive growth and profitability stats across its businesses. Matching the performance record the global business and investor market has come to expect from this leading New Zealand tech sector company. Continuing with its integration strategy across the film industry, Vista Group has shown significant success in its drive toward achieving majority world market share across its movie industry sectors.

Vista Entertainment Solutions ('Vista Cinema'), Vista's founding and largest business, continued the journey with 1,013 new cinema sites (including 199 in China) installed in 2018. The cumulative total of Vista Cinema sites is now 7,202 (958 in China). This achievement took Vista Cinema's share of the world's large circuit market to 40% and equates to revenue growth of 22%; excluding China Vista Cinema's global market share has increased to 48%. Improved operating leverage has also seen an increase in EBITDA of 2% percentage points to 31%. Strategically the signing of integrated Group agreements with Cineworld Group and Odeon Cinemas Group provide a platform for continued growth and deployment of other Group company products.

Movio, Vista Group's business that delivers data-driven marketing and analytics solutions to the film industry, delivered terrific growth with revenue up 47% and EBITDA up 74%. The Movio result included 122% growth for Movio Media – the 2nd year of 100%+ growth – due to the growth in research revenue and the signing of Disney to the Movio Media platform during 2018.

Additional businesses in the Group also contributed with the speed of their growth; Powster (providing creative services to the film industry to engage users with entertainment content), created more than 1,750 online 'movie destinations' representing growth of 31% on 2017 and resulting in a 52% lift in revenue and strong EBITDA.

Vista Group's strategy has been to create technology-driven efficiencies in the film industry to benefit industry participants. In 2018 Vista saw this strategy beginning to play out through movieXchange: MX Film is a new online platform developed by Vista that delivers, from the cloud, movie promotional media directly from film distributor to cinema exhibitors; MX Tickets enables online listing globally of movie showtimes information and via third party partners, the sale of movie tickets.

On the product front, the transition to a fully cloud-based Vista Cinema moved significantly forward with the first customer cinema sites deployed and running live.

“Vista Group Chief Executive, Kimbal Riley remarked that he, the Board and all at Vista are delighted with the 2018 result. “Our consistent growth, including our less mature businesses, and increased income and profitability can be credited to our 700+ globally-located staff. Their hard work, engagement with our customers and determination to deliver unprecedented technology solutions and services is our biggest strength. As a business we have a shared vision to be the leader in software and data solutions across the film industry; our 2018 result is evidence that we have a highly committed and connected team delivering on and progressing toward that vision.”

Vista Group will deliver a final dividend to its shareholders of 2.1 cents/share resulting in a total pay-out at the top end of the policy range of 3.7 cents/share for 2018 and an increase of 27% on the previous year.

FINANCIAL HIGHLIGHTS

- 23% Revenue growth over FY2017 of $130.7m – the 5th consecutive year of 20%+ revenue growth
- 17% EBITDA(1) growth to $29.2m
- 150% Increase in operating cashflow to $27.4m
- 47% Revenue growth in Movio to $22.8m. 122% Revenue growth in Movio Media was exceptional
- 27% increase in FY2018 dividend with a final dividend of 2.1 cents per share representing a total pay-out at the top end of the policy range at 50% of NPAT
- 26% increase in Earnings per share over the prior year
- 25% increase in Profit Before Tax (NPBT) over the prior year

OPERATIONAL HIGHLIGHTS

- Vista Group global leadership position in the cinema industry sustained with 40% market share of 20+ screens segment – 48.1% excluding China
- 1013 new Vista Cinema sites (including 199 sites in China) – another very strong year of site growth to a cumulative 7,202 sites
- 24% growth in Vista Group annuity/recurring revenue to $79.9m – representing 61% of total revenue.
- 258 new Veezi sites to a cumulative 901 sites
- Very strong result from Movio – Movio Media starring with significant growth on the back of deals with Disney and Fox
- Key large client agreements signed with super circuits – Aeon, Cineworld, Marcus, Odeon and Pathe
- Percentage of total revenue from SaaS(2) business across Vista Group increased from 25% in FY2017 to 32% in 2018
- Outstanding improvement in collection of cash drives record operating cash flow

[ENDS]

Vista Group International Ltd (Vista Group) is a public company, founded in New Zealand in the mid 1990’s and listed on both the New Zealand and Australian stock exchanges in 2014 (NZX & ASX: VGL). The Group provides software and additional technology solutions across the global film industry.

Cinema management software is provided by founding company Vista Entertainment Solutions ('Vista Cinema'); Movio (the authority in moviegoer data analytics), Veezi (cloud-based software for the Independent Cinema Market), movieXchange ('MX ' – connecting the movie industry to simplify the supply of film media for promotion and the sale of movie tickets), Maccs (film distribution software), Numero (box office reporting software for film distributors and cinemas), Cinema Intelligence (business intelligence solutions), Powster (creative studio and marketing platform for movie studios) and Flicks (moviegoer 'go to' portal for movie information), provide an innovative range of complementary products across additional film industry sectors, from production and distribution, to cinema exhibition through to the moviegoer experience.

Vista Group has offices located in New Zealand (Auckland HQ), Sydney, Cape Town, London, the Netherlands, Romania, Shanghai, Beijing, Los Angeles, and Mexico City.

Website: www.vistagroup.co
LinkedIn: www.linkedin.com/company/vista-group-limited

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