



VISTA
GROUP

Vista Group International Limited

(Previously Vista Group Limited and VSource
Investments Limited)

Consolidated Financial Statements for the year
ended 31 December 2014



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Corporate Information

Directors	Kirk Senior	appointed 3 June 2014
	Murray Holdaway	
	Brian Cadzow	appointed 3 June 2014
	Susan Peterson	appointed 3 June 2014
	James Ogden	
Registered office	Level 3, Fujitsu House 60 Khyber Pass Road Newton Auckland +64 9 984 4570	
Nature of business	Provision of management solutions for the cinema exhibition industry	
Company number	1353402	
ABN	600 417 203	
Auditor	Grant Thornton New Zealand Audit Partnership Level 4, Grant Thornton House 152 Fanshawe Street Auckland, 1140	
Solicitors	New Zealand	UK
	DLA Phillips Fox	S J Berwin LLP
	DLA Phillips Fox Tower	10 Queen Street
	L22, 205 Queen St	London, EC4R 1BE
	Auckland, 1010	United Kingdom
	US	Canada
	Hernandez Shadel & Assoc	Davies Ward Phillips & Vineberg
	2 North Lake Ave, Suite 930	1 First Canadian Place, 44 th Floor
	Pasadena, CA 91101	Toronto, Ontario
	USA	Canada, M5X 1B1
Share Registry	New Zealand	Australia
	Link Market Services Ltd	Link Market Services Ltd
	Level 7, Zurich House	Level 12, 680 George St
	Auckland 1142	Sydney
		NSW 2000
Company secretary	David Black	

Corporate Information cont'd...

Bankers

New Zealand

ASB Bank Limited
 PO Box 35
 Shortland Street,
 Auckland, 1140

Bank of New Zealand
 Deloitte Centre
 80 Queen Street
 Auckland 1142

UK

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

USA

HSBC Bank USA, NA
 660 South Figueroa Street
 Los Angeles,
 California 90017
 United States of America

Bank of America
 San Francisco
 P.O. Box 37000
 California 94137
 United States of America

Union Bank of California
 Beverly Hills Priority 560
 P O Box 512380
 Los Angeles
 California 90051
 United States of America

China

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

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

Australia

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

Directors' report

The Board of Directors present the financial statements, of the Company and Group for the year ended 31 December 2014 and the independent auditor's report thereon.

For and on behalf of the Board of Directors who approved these financial statements for issue on 13 March 2015.


R. Senior
Chairman
13 March 2015
M. Holtzway
Director
13 March 2015

Independent Auditor's Report

Audit:
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CA, Grant Thornton House
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To the Shareholders of Vista Group International Limited

Report on the financial statements

We have audited the company and group financial statements of Vista Group International Limited on pages 8 to 53, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities

The Directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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.

Auditor's responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the company and group financial statements.

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

Our firm carries out other assignments for Vista Group International Limited and its subsidiaries in the area of taxation advice and special consultancy projects. The firm has no other interest in the company or its subsidiaries.

Opinion

In our opinion, the financial statements on pages 8 to 53:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and group as at 31 December 2014 and their financial performance and cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Notes 1 and 30 noting that the financial statements have been revised to reflect the correction of a technical accounting treatment error that was present in the audited financial statements that were issued on 27 February 2015. Our opinion is not modified in respect to this matter.

Report on other legal and regulatory matters

Per the Financial Reporting Act 1991:

- We have obtained all the information and explanations that we have required;
- In our opinion proper accounting records have been kept by Vista Group International Limited as far as appears from and examination of those records.



Grant Thornton New Zealand Audit Partnership
Auckland, New Zealand
15 March 2015

Statement of comprehensive income

For the year ended 31 December 2014

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Revenue	6,10	47,158	30,403	3,560	4,360
Total revenue		47,158	30,403	3,560	4,360
Less expenses:					
Sales and marketing expenses	7	3,374	2,108	84	-
Operating expenses	7	22,502	13,309	-	-
Administration expenses	7	14,638	6,974	333	(8)
Total expenses		40,514	22,411	417	(8)
Operating profit		6,644	8,062	3,133	4,368
Less Finance costs		422	106	377	-
Plus Finance income		(625)	(90)	(449)	(1)
Less Share of loss from associate		537	251	537	-
Plus Gain resulting on realising the previously held equity accounted 51% share of VCL when it became a subsidiary	13	(8,500)	-	-	-
Less impairment of goodwill at 31 December 2014 that was initially recognised when VCL became a subsidiary	16	8,500	-	-	-
Profit before tax		6,280	7,816	2,668	4,368
Less tax expense	8	2,523	2,096	123	31
Profit for the year		3,757	5,719	2,545	4,337
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		81	(5)	-	-
Total Comprehensive Income for the year		3,838	5,714	2,545	4,337
Attributable to:					
Owners of the Parent		3,694	5,714	2,545	4,337
Non-controlling interests		(176)	-	-	-
		3,838	5,714	2,545	4,337
Earnings per share					
Basic and diluted (cents per share)		5.9	9.6		

The accompanying notes form part of these financial statements

Statement of changes in equity

For the year ended 31 December 2014

		Share capital	Retained earnings	Foreign currency translation reserve	Share-based payments reserve	Total attributable to the equity holders of the Parent	Non-controlling interests	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
Balance at 1 January 2014		1,100	11,273	(40)	-	12,333	-	12,333
Profit for the year		-	3,913	-	-	3,913	(176)	3,737
Other comprehensive income		-	-	81	-	81	-	81
Total comprehensive income		-	3,913	81	-	3,994	(176)	3,818
Issue of share capital		44,852	-	-	-	44,852	7,851	52,703
Share-based payments	28	-	-	-	1,013	1,013	-	1,013
Dividends	29	-	(3,500)	-	-	(3,500)	-	(3,500)
Acquisition of non-controlling interests		-	-	(470)	-	(470)	-	(470)
Balance at 31 December 2014		45,952	11,686	(429)	1,013	58,222	7,675	65,897
Group								
Balance at 1 January 2013		1,100	9,958	(35)	-	11,023	-	11,023
Profit for the year		-	5,719	-	-	5,719	-	5,719
Other comprehensive income		-	-	(5)	-	(5)	-	(5)
Total comprehensive income		-	5,719	(5)	-	5,714	-	5,714
Issue of share capital		-	-	-	-	-	-	-
Share-based payments	28	-	-	-	-	-	-	-
Dividends	29	-	(4,404)	-	-	(4,404)	-	(4,404)
Balance at 31 December 2013		1,100	11,273	(40)	-	12,333	-	12,333

The accompanying notes form part of these financial statements

Statement of changes in equity (continued)

		Share capital	Retained earnings	Share- based payments reserve	Total attributable to the equity holders of the Parent	Non- controlling interests	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company							
Balance at 1 January 2014		1,100	5,556	-	6,656	-	6,656
Profit for the year		-	2,545	-	2,545	-	2,545
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	2,545	-	2,545	-	2,545
Issue of share capital		44,852	-	-	44,852	-	44,852
Share-based payments	28	-	-	1,013	1,013	-	1,013
Acquisition of non-controlling interests		-	(462)	-	(462)	-	(462)
Dividends	20	-	(3,500)	-	(3,500)	-	(3,500)
Supplementary FITC payment on dividend		-	(52)	-	(52)	-	(52)
Balance at 31 December 2014		45,952	4,087	1,013	51,052	-	51,052
Company							
Balance at 1 January 2013		1,100	5,631	-	6,731	-	6,731
Profit for the year		-	4,328	-	4,328	-	4,328
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	4,328	-	4,328	-	4,328
Issue of share capital		-	-	-	-	-	-
Share-based payments	28	-	-	-	-	-	-
Dividends	28	-	(4,403)	-	(4,403)	-	(4,403)
Balance at 31 December 2013		1,100	5,556	-	6,656	-	6,656

The accompanying notes form part of these financial statements

Statement of financial position

As at 31 December 2014

Assets	Notes	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Current assets					
Cash and cash equivalents	34	30,746	3,436	20,903	66
Trade and other receivables	11	21,808	11,206	8,112	-
Income tax receivable		231	-	102	25
Total current assets		52,675	14,642	27,197	91
Non-current assets					
Property, plant and equipment	14	2,047	1,102	-	-
Investment in subsidiary	12	-	-	33,788	6,527
Investment in associates	12	-	2,528	-	-
Intangible assets	15	6,345	88	-	-
Goodwill	16	33,716	5,448	-	-
Deferred tax asset	9	-	145	-	43
Total non-current assets		42,108	9,307	33,788	6,570
Total assets		94,933	23,949	60,985	6,661
Liabilities					
Current liabilities					
Trade and other payables	17	16,885	9,908	-	5
Constructive obligations – associates	12	50	-	44	-
Income tax payable		736	8	-	-
Loans and borrowings	18	-	1,203	-	-
Total current liabilities		17,670	11,117	44	5
Non-current liabilities					
Loans and borrowings	18	4,671	499	4,671	-
Deferred consideration	13	5,218	-	5,218	-
Deferred tax liability	9	1,527	-	-	-
Total non-current liabilities		11,416	499	9,889	-
Total liabilities		29,086	11,616	9,933	5
Net assets		65,897	12,333	51,052	6,656
Equity					
Equity attributable to owners of the Parent:					
Share capital	22	45,952	1,100	45,952	1,100
Retained earnings		11,686	11,273	4,087	5,556
Foreign currency translation reserve		(429)	(40)	-	-
Share-based payment reserve	28	1,013	-	1,013	-
Total equity attributable to owners of the Parent		58,222	12,333	51,052	6,656
Non-controlling interests		7,675	-	-	-
Total equity		65,897	12,333	51,052	6,656

The accompanying notes form part of these financial statements

Statement of cash flows

For the year ended 31 December 2014

		Group	Group	Company	Company
		2014	2013	2014	2013
	Notes	\$'000	\$'000	\$'000	\$'000
Cash flow from operating activities					
Cash was provided from:					
Receipts from customers		47,094	27,057	50	128
Dividends received		-	-	3,500	4,250
Interest received		459	90	459	-
		48,153	27,147	4,009	4,378
Cash was applied to:					
Operating expenses		(39,285)	(21,407)	(631)	46
Taxes paid		(2,028)	(2,789)	(155)	-
Interest paid		(177)	(106)	(43)	(1)
Lifting costs		(1,825)	-	-	-
		(43,295)	(24,302)	(829)	45
Net cash from operating activities	21	4,857	2,845	3,195	4,423
Cash flows from investing activities					
Cash was applied to:					
Purchase of property, plant and equipment		(903)	(780)	-	-
Purchase of intangible assets		(184)	(72)	-	-
Purchase of non-controlling interests		-	-	-	-
Purchase of investments	13	(12,408)	(2,354)	(440)	-
Advance to associate		(1,500)	-	(1,500)	-
Net cash applied to investing activities		(14,995)	(3,206)	(13,906)	-
Cash flows from financing activities					
Cash was provided from:					
Issue of ordinary shares		37,978	-	37,978	-
Drawdown of bank loans		4,839	-	4,839	-
Cash was applied to:					
Repayment of bank loans		(1,869)	(122)	-	-
Transaction costs on issue of shares		-	-	-	-
Dividends paid to owners of the Parent		(3,500)	(4,404)	(3,500)	(4,404)
Intercompany advances		-	-	(7,518)	-
Net cash provided by financing activities		37,448	(4,526)	31,799	(4,404)
Net movement in cash held		27,310	(4,887)	21,086	19
Cash balance at 1 January		3,436	8,328	66	47
Foreign exchange differences		-	(5)	(169)	-
Cash balance at 31 December		30,746	3,436	20,583	66

The accompanying notes form part of these financial statements

Notes to the financial statements

1 General information

The audited consolidated financial statements of Vista Group International Limited and its subsidiaries (collectively the Group) for the year ended 31 December 2014 were originally approved for issue by the Board of Directors on 27 February 2015 but they were reissued on 13 March 2015 following confirmation of a technical accounting treatment error. Additional details are provided in Note 30 which explains subsequent events.

Vista Group International Limited (the Company or the Parent) is a profit orientated company incorporated and domiciled in New Zealand, and whose shares are publicly traded on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). Vista Group International Limited completed an IPO in August 2014. The Company was previously called Vista Group Limited and before that, VSource Investments Limited. The Company changed its name to Vista Group International Limited on 18 June 2014.

The principal activity of the Group is the sale, support and associated custom development of the Vista Software for the cinema exhibition industry, an online cinema ticketing website and online data analysis and marketing.

2 Statement of compliance

The financial statements for the Company and Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP the Company and Group are tier 1 for-profit entities as defined by the External Reporting Board in its Accounting Standards Framework.

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards (IFRS).

3 Changes in accounting policy

3.1 New and amended standards adopted by the Group

There have been no new and revised accounting standards, interpretations or amendments effective during the year which have a material impact on the Group's accounting policies or disclosures.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards when they become effective.

	Application date of standards	Impact on group financial statements	Application date for the Group
NZ IFRS 9 (2014) <i>Financial Instruments</i> The New Zealand Accounting Standards Board (NZASB) issued the completed version of NZ IFRS 9 <i>Financial Instruments</i>, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and all previous versions of NZ IFRS 9.	1 January 2018	The Directors are currently evaluating the impact of the new standard	1 January 2018

	Application date of standards	Impact on group financial statements	Application date for the Group
NZ IFRS 15 Revenue from Contracts with Customers NZ IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2017	The Directors are currently evaluating the impact of the new standard	1 January 2017
Amendments to NZ IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests The amendments to NZ IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant NZ IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to NZ IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.	1 January 2016	The Directors are currently evaluating the impact of the new standard	1 January 2016

All other standards, interpretations and amendments approved but not yet effective in the current period are either not applicable to the Group or are not expected to have a material impact on the Group's financial statements and therefore have not been included in the analysis above.

4. Summary of significant accounting policies

4.1 Basis of preparation

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

4.2 Basis of consolidation

The Group's financial statements consolidate those of the company, Vista Group International Limited, and its subsidiaries as at 31 December 2014. A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss within the Statement of Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All subsidiaries have a reporting date of 31 December.

In preparing the consolidated financial statements, all inter entity balances and transactions and unrealised profits and losses arising within the consolidated entity have been eliminated in full.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

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

4.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquirer's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

On initial recognition, the assets and liabilities of the acquired subsidiary are included in the Statement of Financial Position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Company's and Group's accounting policies.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss within the Statement of Comprehensive Income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with change in fair value recognised in either profit or loss to other comprehensive income within the Statement of Comprehensive Income.

Goodwill is initially measured at cost, being the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets, including identified intangible assets, of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss within the Statement of Comprehensive Income immediately after acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually irrespective of whether there is any indication of impairment. Any impairment is recognised in profit or loss within the Statement of Comprehensive Income. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

4.4 Investments in associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment

in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

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

4.5 Foreign currency

The financial statements are presented in New Zealand Dollars (NZD), which is the Company's and Group's functional currency. All financial information presented in NZD has been rounded to the nearest thousand dollars (\$'000).

Transactions and balances

Transactions in foreign currencies that are settled in the accounting period are translated at the exchange rates prevailing at the dates of the transactions (spot exchange rate). Transactions in foreign currency that are not settled in the reporting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to NZD at period end exchange rates. Foreign exchange differences arising on their translation are recognised in the profit or loss within the Statement of Comprehensive Income.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into NZD at the rate of exchange prevailing at the reporting date and items within the Statement of Comprehensive Income are translated at average exchange rates prevailing at the dates of the transactions. Any exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the cumulative translation differences recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into NZD at the closing rate.

4.6 Revenue

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

Sale of goods

Sale of goods comprises the sale of computer software licences and is recognised when the significant risks and rewards of ownership have been transferred by making the software usable to the licensee. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible non implementation and return of the software.

Rendering of services

Services comprise of maintenance, service and development fees.

The amount of the selling price associated with the maintenance agreement is deferred and recognised as revenue over the period during which the service is performed. This deferred income is included in trade and other payables.

Service and development fees are one off charges and the revenue is recognised when the service is incurred.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Dividend income

Dividend income is recognised on the date the dividend is declared.

4.7 Warranties

A liability for warranties is recognised when products are sold if a warranty is included with the sale. The amount of the liability is estimated using the Group's historical or published New Zealand industry data. If no data exists reasonable estimates are made. If a reasonable estimate cannot be made then no liability is recognised. Any changes to the liability are recognised in the profit or loss within the Statement of Comprehensive Income.

4.8 Government grants

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

4.9 Financial instruments

Financial assets and financial liabilities are recognised when the Company or Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial liabilities are recognised initially at fair value and, in the case of loan and borrowings and payables, net of directly attributable transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified into only one category upon initial recognition: loans and receivables.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Criteria to determine impairment are described below:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less allowance for impairment. The Company's and Group's Trade and Related party receivables fall into this category of financial instruments.

Trade and other receivables are considered for impairment when there is objective evidence that the Company and Group will not be able to collect all amounts due according to their original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

If there is objective evidence that impairment exists for individual loans and receivables, the impairment loss is calculated as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows using the original effective interest rate. Receivables with a short duration are not discounted.

The Company and Group use an allowance account to reduce the carrying amount of trade and other receivables that are considered to be impaired (or in the case of a reversal of a write-down because of an event occurring after the impairment was recognised, an increase), unless there is no reasonable possibility of recovering any cash from the debtor.

Financial liabilities

The Company's and Group's financial liabilities include loans and borrowings and trade and other payables.

All financial liabilities are measured subsequently at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company or Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Borrowing costs are expensed as incurred, unless they are directly attributable to the acquisition, construction or production of an asset.

Trade and other payables represent liabilities for goods and services provided to the Company and Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

4.10 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

4.11 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

- | | |
|-------------------------|----------------------------|
| • Fixtures and fittings | 5 to 7 years straight line |
| • Computer equipment | 2.5 years straight line |

4.12 Intangible assets

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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 profit or loss as the expense category that is consistent with the function of the intangible assets.

Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment.

Development costs

Costs associated with maintaining computer software programmes are recognised as an expense within profit or loss in the Statement of Comprehensive Income as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when all of the following criteria are met:

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Other intangible assets

Other intangible assets are amortised straight line over the following useful economic lives:

- | | |
|--------------------------|----------------|
| • Intellectual property | 10 to 15 years |
| • Customer relationships | 10 years |
| • Software licences | 2.5 years |

4.13 Short-term employee benefits

Short-term employee benefits, including holiday entitlement and sick leave, are current liabilities included in Trade and other payables, measured at the undiscounted amount that the Company and Group expects to pay as a result of the unused entitlement. A defined contribution plan is a post-employment benefit plan. The Group pays fixed contributions to an independent entity for certain employees during their employment. The Group have no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to several plans and insurances for individual employees that are considered defined contribution plans. Contributions to the plans are recognised as an expense in the year that relevant employee services are received.

4.14 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in Trade and other payables when the dividends have been approved.

All transactions with owners of the Parent are recorded separately within equity.

4.15 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company or Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Company or Group that do not yet meet the recognition criteria of an asset are considered contingent assets. In a business combination contingent liabilities would be recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

4.16 Leased assets

All leases are treated as operating leases. Associated costs, such as maintenance and insurance, are expensed as incurred in profit or loss within the Statement of Comprehensive Income.

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

The carrying amounts of the Group's goodwill, intangible assets and property plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss within the Statement of Comprehensive Income.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

4.18 Income Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, both in New Zealand and offshore jurisdictions.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of those temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss within the Statement of Comprehensive Income, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.19 Earnings per share

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

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders outstanding, adjusted for shares held, for the effects of all dilutive potential ordinary shares, which comprise ordinary share settlement arrangement associated with the deferred acquisition of Virtual Concepts Limited (see note 23).

4.20 Share based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The share-based payments comprise of gifted shares and shares that have been sold to employees for consideration less than fair value. No service or performance conditions are attached to these share based payments.

The cost of equity-settled share-based payment transactions is determined by the fair value at the date when the grant is made using the listed share price (or an approximation if listed share price is not available) at the grant date.

That cost is recognised in profit and loss within the Statement of Comprehensive Income, together with a corresponding increase in the share based payment reserve in equity.

5. Critical estimates and judgments used in applying accounting policies

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Goodwill

Goodwill only arises in business combinations. 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 is based, to a considerable extent, on management's judgement (see note 16).

NZ IFRS requires that goodwill is tested for impairment at least annually.

To determine if goodwill is impaired, the carrying value of the identified Cash Generating Unit (CGU) to which the goodwill is allocated, including the allocated goodwill, is compared to its recoverable amount. Recoverable amount in these circumstances is defined as the higher of the CGU's fair value less costs to sell and its value in use. Value in use is the present value of expected future cash flows from the CGU.

Goodwill has been allocated to CGU. This is the lowest level at which goodwill is monitored for internal management reporting purposes.

In determining the recoverable amount of each CGU the value in use calculation is based on a discounted cash flow approach.

Determination of appropriate cash flows and discount rates for the calculation of value in use is subjective and requires a number of assumptions and estimates to be made, including growth in net profit, timing and quantum of future capital expenditures, long term growth rates and the selection of discount rates to reflect the risks involved.

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

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

The key assumptions made in determining the value in use calculations are included in Note 16 as it was not possible to determine the recoverable amount using the fair value less costs to sell approach.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and, hence, results.

Goodwill impairment testing undertaken at 31 December 2014 and 31 December 2013, except for Virtual Concepts Limited (see note 16), none of the goodwill allocated to each CGU had been impaired.

Non consolidation of Virtual Concepts Limited

Prior to the Group acquiring the share capital that it did not then own in Virtual Concepts Limited in August 2014 the Group owned 57% of the share capital. The investment was classified as an associate under NZ IFRS 10 due to the Group not having control over Virtual Concepts Limited as a result of a shareholder agreement and no provision to a casting vote when decisions are made by Directors.

The equity method of accounting was used to prepare the consolidated financial statements. Prior to the adoption of NZ IFRS 10, that came in to effect for accounting periods beginning on or after 1 January 2013, the Group's interest in Virtual Concepts Limited were fully consolidated.

Fair value of the deferred consideration on the acquisition of Virtual Concepts Limited

Part of the consideration payable to acquire the remaining 43% of the share capital of Virtual Concepts Limited was deferred contingent consideration split into two tranches. The first tranche is payable 1 April 2016 and the second tranche is payable on 1 April 2017.

The value of the deferred contingent consideration payable is based on several performance based criteria of Virtual Concepts Limited for the financial periods ending 31 December 2014, 2015 and 2016. The deferred contingent consideration was capped at \$9.8million.

The fair value of the consideration on acquisition was assessed by using a probability weighted average of all possible outcomes.

To reflect the time value of money the consideration has been discounted to a fair value at a discount rate of 8%.

At the date of acquisition the fair value of the deferred contingent consideration was determined to be \$5.9 million, discounted to \$4.9 million.

At the current reporting date the fair value of the deferred contingent consideration was reassessed and a portion of the discounting reversed. The fair value of the deferred contingent consideration at 31 December 2014 was \$5.2 million.

Further details of the assumptions used to determine the fair value of the deferred contingent consideration are disclosed in Note 13.

6. Revenue

	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Services	9,283	4,179	-	-
Maintenance	21,085	13,931	-	-
Products	16,790	12,052	-	-
Dividend received	-	1	3,500	4,250
Other	-	330	50	100
Total operating revenue	47,158	30,493	3,550	4,350

7. Expenses

7.1 Auditor's remuneration included in administration expenses

	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Auditing financial statements	121	73	-	-
Other assurance work	130	2	-	-
Half-year review	16	-	-	-
Tax return preparation	35	16	-	-
Total auditor's remuneration	302	91	-	-

Included in other assurance work is \$114,216 of fees that related to assurance services provided in respect of the issue of the Group prospectus that were allocated to issue costs expense in the Statement of Comprehensive Income and as a deduction against new share capital raised.

7.2 Employee benefits expense included in operating and administration expenses

	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Wages and salaries	24,800	13,786	-	-
Share-based payment expense	1,013	-	-	-
Defined contribution plans	306	222	-	-
Total employee benefits	26,119	14,010	-	-

7.3 Other expenses

	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Included in finance income:				
Net foreign exchanges differences	(166)	(77)	119	-
Included in administration expenses:				
Depreciation (Note 14)	537	297	-	-
Amortisation and impairment of intangible assets (Note 15)	469	39	-	-
Lease payments recognised as an operating lease expense	1,040	1,250	-	-

8. Income tax

The relationship between the expected tax expense based on the domestic effective tax rate of Vista Group International Limited at 28% (2013: 28%) and the reported tax expense in the Statement of Comprehensive Income can be reconciled as follows, also showing major components of tax expense:

	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Profit before tax	6,260	7,815	2,668	4,359
Exempt income – inter group dividends	-	-	(3,500)	(4,250)
Taxable income	6,260	7,815	(832)	109
Domestic tax rate for Vista Group International Limited	28%	28%	28%	28%
Expected tax expense / (benefit)	1,753	2,188	(233)	31
Foreign subsidiary company tax	47	(21)	-	-
Non-assessable income/non-deductible expenses	878	20	326	-
Prior period adjustment	(61)	86	30	-
Other	7	68	-	-
Deferred taxation not previously recognised	(101)	(102)	-	-
Benefit of deferred tax not recognised	-	(224)	-	-
Tax losses not recognised	-	81	-	-
Actual tax expense	2,523	2,096	123	31

Tax expense comprises:				
Current tax expense	2,508	2,164	80	-
Deferred tax expense	15	(68)	43	31
Tax expense	2,523	2,096	123	31

Vista Entertainment Solutions Limited and Vista Group International Limited have formed an imputation credit group. As at 31 December 2014, the total group has \$1,030,170 (2013: \$3,007,382) of imputation credits available for use in subsequent reporting periods.

9. Deferred tax assets and liabilities

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

Group 2014	Opening balance \$'000	Acquired as part of a business combination \$'000	Recognised in other comprehensive income \$'000	Recognised in statement of financial performance \$'000	Closing balance \$'000
Trade debtors and other receivables	17	-	-	18	33
Employee provisions	87	-	-	73	160
Other financial assets	(2)	-	-	(369)	(371)
Intangible assets	-	(1,057)	-	104	(1,553)
Unused tax losses	43	-	-	161	204
Deferred tax temporary assets/(liabilities)	145	(1,057)	-	(15)	(1,527)

Company 2014	Opening balance \$'000	Recognised in other comprehensive income \$'000	Recognised in statement of financial performance \$'000	Closing balance \$'000
Unused tax losses	43	-	(43)	-
Deferred tax temporary assets/(liabilities)	43	-	(43)	-

Group 2013	Opening balance \$'000	Recognised in other comprehensive income \$'000	Recognised in Statement of financial performance \$'000	Closing balance \$'000
Trade debtors and other receivables	-	-	17	17
Employee provisions	-	-	87	87
Other financial assets	-	-	(2)	(2)
Unused tax losses	74	-	(31)	43
Deferred tax temporary assets/(liabilities)	74	-	71	145

Company 2013	Opening balance \$'000	Recognised in other comprehensive income \$'000	Recognised in Statement of financial performance \$'000	Closing balance \$'000
Unused tax losses	74	-	(31)	43
Deferred tax temporary assets/(liabilities)	74	-	(31)	43

10. Segment reporting

The Group operates in a single vertical film/screen market and is structured through operating subsidiaries that report monthly to the Chief Executive. The Chief Executive is considered to be the chief operating decision maker in terms of NZ IFRS 8 Operating Segments. Revenue is reported via three main sources – Product, Maintenance, and Service and there is no material indirect revenue source. No allocation of costs or assets

is made against those revenue groups that would enable disclosure of segmented information in this way. Geographical information is prepared on non-financial indicators for internal management but not to the extent of full revenue and cost analysis.

On this basis the only segmental information that is prepared and available is the revenue as disclosed in the financial statements and notes. Should the operation of the Group expand to wider market segments and/or the internal reporting needs expanding, more detailed segmental reporting will be required and this change will be reflected and the segment analysis prepared and included in the financial statements.

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

Revenue	Group 2014 \$'000	Group 2013 \$'000
Oceania	11,714	7,400
Asia	6,581	2,633
Americas	13,750	11,048
Europe/Africa	14,713	9,320
Total external revenue	47,158	30,403

No customers exceeded 10% of revenue in 2014 or 2013.

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

Non-current operating assets	Group 2014 \$'000	Group 2013 \$'000
Oceania	24,856	8,625
Asia	64	4
Americas	259	264
Europe/Africa	16,849	214
Total non-current operating assets	42,058	9,307

11. Trade and other receivables

	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Trade receivables	18,778	10,496	-	-
Sundry receivables	819	268	-	-
Prepayments	696	265	-	-
Related party receivables - trading	1,605	237	6,112	-
Total trade and other receivables	21,898	11,266	6,112	-

The Group has recognised a loss of \$261,000 (2013: \$25,878) in respect of bad and doubtful trade receivables during the year ended 31 December 2014. The loss has been included in administration expenses. The impairment allowance included in Trade receivables as at 31 December 2014 was \$444,000 (2013: \$162,489).

12. Group information

Investment in subsidiaries

The financial statements of the Group include:

Name	Principal activity	Country of incorporation	Shareholding 2014 %	Shareholding 2013 %	Company 2014 \$'000	Company 2013 \$'000
Vista Entertainment Solutions Limited	Software development and licensing	New Zealand	100	100	6,527	6,527
Virtual Concepts Limited	Provision of online loyalty data analytics and marketing	New Zealand	100	57	18,308	-
Movio Limited	Provision of online loyalty data analytics and marketing	New Zealand	100	-	-	-
Movio (USA) Inc	Non-trading	USA	100	-	-	-
MACOS International BV	Software development and licensing	Netherlands	50.1	-	8,963	-
VSPHub GmbH	Digital film distribution royalty management	Germany	45	-	-	-
Vista Entertainment Solutions (UK) Limited	Software licensing	England	100	100	-	-
Vista Entertainment Solutions (USA) Inc	Software licensing	USA	100	100	-	-
Vista Entertainment Solutions Shanghai Limited	Software licensing	China	100	100	-	-
Book My Show Limited	Online cinema ticketing website	New Zealand	74	100	-	-
Book My Show (NZ) Limited	Online cinema ticketing website	New Zealand	74	100	-	-
Vista Group Limited	Dormant	New Zealand	100	-	-	-
					33,785	6,527

Financial information of subsidiaries that have material non-controlling interests are provided below (in \$000's):

Proportion of equity interest held by non-controlling interests

Name	Country of incorporation & operation	2014
MACCS International BV	The Netherlands	49.9%

Accumulated balances of material non-controlling interest

Name	2014
MACCS International BV	7,640

Profit/(loss) allocated to material non-controlling interest

Name	2014
MACCS International BV	(210)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of the profit or loss for 2014:	MACCS International BV
Revenue	4,234
Cost of sales	(3,305)
Administrative expenses	(1,079)
Finance costs	(5)
Profit before tax	(155)
Income tax	23
Profit for the year from continuing operations	(132)
Other comprehensive income	4
Total comprehensive income	(128)
Attributable to non-controlling interests	(66)
Dividends paid to non-controlling interests	-

Summarised statement of financial position as at 31 December 2014	MACCS International BV
Current Assets	2,028
Property, plant and equipment and other non-current financial assets (non-current)	365
Trade and other payable (current)	(1,137)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	-
Total equity	1,254
Attributable to:	
Equity holders of Parent	1,320
Non-controlling interest	(66)

Summarised cash flow information for year ending 31 December 2014:		MACCS International IVF
Net cash from operating activities		(133)
Net cash from investing activities		-
Net cash from financing activities		-
Net increase/(decrease) in cash and cash equivalents		(133)

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

Investments accounted for using the equity method

Name of the associate	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group (%)		Company 2014	Company 2013
			2014	2013	\$'000	\$'000
Virtual Concepts Limited (VCL)	NZ	Provision of online loyalty data analytics and marketing	100*	57	-	-
Número Limited	NZ	Box office analytics	50	-	(44)	-
					(44)	-

In the 2013 financial year the Group owned 57% of the shares in VCL. The investment in VCL was classified as an associate under NZ IFRS 10 due to the Group not having control over VCL. The Group's interest in VCL was accounted for using the equity method in the Group's financial statements. In August 2014 the Group acquired an additional 43% shareholding in VCL increasing its shareholding in VCL to 100% and therefore at 31 December 2014 is fully consolidated.

The Group has a 50% interest in Número Limited, which is a start-up business that is accounted for using the equity method in the consolidated financial statements. Número has a wholly owned subsidiary, Número (Aust) Pty Limited.

The following table illustrates the summarised financial information of the Group's investment in Número Limited:

	2014	2013
	£'000	£'000
Current assets	478	-
Non-current assets	627	-
Total assets	1,105	-
Current liabilities	1,605	-
Non-current liabilities	-	-
Total liabilities	1,605	-
Net assets	(500)	-
Proportion of the Group's ownership	50.1%	-
Constructive obligation to settle associate losses	(50)	-
Revenue		
Profit / (loss) for the period	(360)	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(360)	-
Group's share of the profit for the period	(490)	-

A reconciliation of the above summarised financial information to the carrying amount of the investment in associates is set out below:

	2014	2013
	£'000	£'000
Opening carrying value	2,528	174
Investment in associate	440	2,600
Acquisition of control in Virtual Concepts Limited	(2,528)	-
Share of loss from associate	(490)	(251)
(Constructive obligation) investment in associate	(50)	2,528

Nunero Limited had no contingent liabilities or capital commitments as at 31 December 2013 and 2014.

13. Business combinations

Acquisitions in 2014

Acquisition of 50.1% of MACCS International BV

In April 2014, Vista Group acquired 25.1% of the share capital of MACCS International BV ("MACCS") with an option to acquire a further 25% of the shares for a total consideration of EUR5.75 million (\$9.27 million) for the 50.1%. All share capital acquired was from the existing owners of MACCS. MACCS has a 90% investment in VPF Hub GmbH, a German-registered Company.

The option to acquire the 25% shareholding in MACCS was deemed to be substantive and the existing shareholders agreement provides sufficient power to the Company to determine that the Company controls MACCS from the date of the agreement. The shareholder's agreement permits the Company to make certain

operating and strategic decisions, when there is a deadlock, for fixed consideration to the remaining shareholders.

Hence the results of MACCS have been consolidated from April 2014.

The fair value of the identifiable assets and liabilities of MACCS, translated at the NZD/Euro exchange rate as at the date of acquisition were:

	Fair Value recognised on acquisition €'000
Property, plant and equipment	419
Intangible assets	5,637
Trade debtors	1,181
Cash and cash equivalents	831
Other current assets	657
Total Assets	8,675
Trade creditors	475
Deferred tax liability	1,410
Other current liabilities	1,100
Total Liabilities	2,985
 Total identifiable net assets at fair value	 5,690
The acquisition date fair value of the non-controlling interest measured at fair value	(12,883)
Goodwill arising on acquisition (Note 16 before exchange differences)	11,911
Purchase consideration transferred	4,918

	Cash flow on acquisition €'000
Net cash acquired with the subsidiary	831
Cash paid	(4,976)
Net cash flow on acquisition	(4,087)

The fair value of the trade receivables amounts to \$1,181 million. The gross amount of the trade receivables is \$1,250 million.

The Group elected to measure the non-controlling interest in the acquiree at fair value. The fair value of the non-controlling interest was determined by using a consistent valuation methodology used to value the controlling interest less a discount of 10% to reflect the lack of control exercised by the non-controlling interest.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of intangible assets.

From the date of acquisition until 31 December 2014 MACCS contributed \$4,234 million revenue and \$(0.155) million to net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue for the Group would have been \$48,609 million and net profit before tax for the period would have been \$6,506 million for the year ended 31 December 2014.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of MACCS with those of the Group. The goodwill, the intellectual property and customer relationship intangible assets are not deductible for income tax purposes.

Transaction costs of \$74,228 have been expensed and are included in administrative expenses in the statement of profit or loss and are part of the operating cash flows in the Statement of Cash Flows.

In September 2014 the option to acquire a further 25% of the voting share capital was exercised, increasing the Group's ownership in MACCS to 50.1%. Cash consideration of \$4.4m (EUR2.75m) was paid to the non-controlling shareholders.

Acquisition of the remaining 43% of the share capital of Virtual Concepts

On 11 August 2014 the Group acquired the remaining 43% of the ordinary shares of Virtual Concepts Limited (VCL), an unlisted company based in New Zealand and specialising in online loyalty data analytics and marketing in exchange for cash and Group shares. VCL owns 100% of the share capital of Movio Ltd. The Group acquired a controlling interest in VCL because it complements the range of products that the Group currently offers its clients.

From the date of acquisition, VCL contributed \$2.304 million of revenue and \$0.201 million to the profit before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the latest annual reporting period, the unaudited, pro-forma revenue from continuing operations would have been \$49.270 million and the profit before tax from continuing operations for the Group would have been \$6.178 million.

The Group issued 2,924,791 ordinary shares as part consideration for the acquisition of the remaining 43% interest in Virtual Concepts Limited. The fair value of the shares was calculated with reference to the quoted price of the shares of the Company on listing date to the NZX, which was \$2.35 each. The fair value of the consideration therefore given was \$6.874 million.

Transaction costs of \$34,000 have been expensed and included in administrative expenses for the Company and Group during the period ended 31 December 2014.

The following table summarises the consideration transferred to acquire VCL and the amounts of identified assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest in VCL at the acquisition date.

The fair value of the purchase consideration transferred and determination of goodwill:

	\$'000
Cash	3,948
Shares issued at fair value	6,874
Cash/Shares - contingent deferred consideration (see below)	5,009
Purchase consideration transferred	15,831
The acquisition date fair value of the equity interest in the acquiree by the acquirer immediately before the acquisition date	10,982
Acquisition date fair value of identifiable assets	(1,340)
Goodwill	25,465

Contingent consideration

As part of the purchase agreement with the previous owners of VCL, a contingent consideration amount has been agreed.

There will be additional cash and share payments to the previous owners of VCL depending on the business meeting certain performance criteria in the 2014, 2015 and 2016 financial periods. The deferred consideration is split into two tranches, with the first tranche payable on 31 March 2016 and the second tranche payable 31 March 2017.

The consideration is payable in cash and shares, with a minimum of 30% payable in cash. However the Group has the flexibility to increase the percentage of cash payable to between 30% and 100%. The maximum gross contingent consideration payable is \$9.75 million.

As at the acquisition date, the gross liability was \$5.9 million, which discounted by \$1.0 million to give a net fair value of the contingent consideration of \$4.9 million. A discount rate of 8% was used.

A significant increase (decrease) in the probability of VCL achieving the performance targets would result in higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate and own non-performance risk would result in lower (higher) fair value of the liability.

A reconciliation of the initial fair value measurement of the contingent consideration liability and what has been reported at the balance date is provided below:

Deferred consideration	\$'000
Liability recognised at the date of the business combination	4,946
Unwinding of discount during the reporting period (including in interest expense)	272
As at 31 December 2014	5,218

As of 31 December 2014 there were no changes in the recognised amounts or range of outcomes for the contingent consideration recognised as a result of VCL.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of VCL as at the date of acquisition were:

	Fair value recognised on acquisition \$'000
Assets	
Property, plant and equipment	168
Cash and cash equivalents	465
Trade receivables	587
Other current assets	391
Intangible assets	1,169
Total Assets	2,760
Liabilities	
Trade payables	84
Other current liabilities	1,023
Deferred tax liability	327
Total Liabilities	1,434
Total identifiable net assets at fair value	1,346
The acquisition date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date	(10,982)
Goodwill arising on acquisition (Note 16)	25,465
Purchase consideration transferred	15,829

	Cash flow on acquisition \$'000
Net cash acquired with the subsidiary	465
Cash paid	(3,948)
Net cash flow on acquisition	(3,481)

The fair value of the assets acquired includes trade receivables of \$0.587 million.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of intangible assets.

The goodwill of \$25.465 million comprises the value of expected revenue synergies arising from the acquisition. None of the goodwill or the intangible assets recognised are expected to be deductible for income tax purposes.

As a result of the entity obtaining control over VCL, the Company's previously held 57% is required under NZ IFRS 3 Business Combinations to be re-measured to its fair value. This technical accounting requirement results in a one-off gain of \$8.5 million having to be recognised in profit or loss within the Statement of Comprehensive Income. In turn this transaction requires the Group to recognise an additional \$8.5 million of goodwill. However, as required by NZ IAS 36 Impairment of Assets, after taking into consideration another four months of trading activity and wider developments within the industry sector, the amount of goodwill initially recognised was subjected to an impairment test at 31 December 2014 (see Note 16).

The fair value of the non-controlling interest in VCL, was based on a valuation using revenue multiples for annual recurring and non-recurring forecast revenue as appropriate for a SaaS (Software as a Service) business in the IT sector, allowing for adjustments due to the lack of control or marketability of the non-controlling interest.

VCL has no contingent liabilities or capital commitments at 31 December 2014, and the purchase price allocation process has been completed, subject to any final adjustments that might arise within the 12 month of the acquisition date as provided for in NZ IFRS 3.

	Group 2014 \$'000	Group 2013 \$'000
Net cash paid on acquisition of MACCS	(4,567)	-
Net cash paid on acquisition of VCL	(3,481)	-
Net cash paid at time of acquisition of controlling interest in subsidiaries	(7,566)	-
Cash paid on acquisition of a further 25% of MACCS	(4,400)	-
Net cash paid for acquisition of interests in subsidiaries	(11,954)	-
Net cash paid for acquisition of associates	(440)	(2,354)
Total purchase of investments	(12,400)	(2,354)

14. Property, plant and equipment

	Fixtures and fittings \$'000	Computer equipment \$'000	Total \$'000
Group 2014			
Gross carrying amount			
Balance 1 January	1,098	1,451	2,549
Additions	473	430	903
Acquisition through business combinations	591	543	1,134
Disposals	-	-	-
Exchange differences	(7)	(11)	(18)
Balance 31 December	2,155	2,413	4,568
Accumulated depreciation and impairment			
Balance 1 January	(447)	(1,000)	(1,447)
Current year depreciation	(142)	(396)	(537)
Acquisition through business combinations	(228)	(318)	(546)
Depreciation written back on disposal	-	-	-
Exchange differences	5	4	9
Balance 31 December	(812)	(1,709)	(2,521)
Carrying amount 31 December	1,343	704	2,047
Group 2013			
Gross carrying amount			
Balance 1 January	789	992	1,781
Additions	309	459	768
Disposals	-	-	-
Balance 31 December	1,098	1,451	2,549
Accumulated depreciation and impairment			
Balance 1 January	(373)	(777)	(1,150)
Current year depreciation	(74)	(223)	(297)
Disposals	-	-	-
Balance 31 December	(447)	(1,000)	(1,447)
Carrying amount 31 December	651	451	1,102

There was no impairment losses on property, plant and equipment for the Group during the year ended 31 December 2014 (2013: \$Nil).

15. Intangible assets

	Software licenses	Intellectual property	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
Group 2014				
Cost				
Balance 1 January 2014	229	-	-	229
Additions – internally developed	184	-	-	184
Disposals	-	-	-	-
Exchange Differences	(80)	(53)	(130)	(263)
Acquisition through business combinations	1,803	1,401	3,543	6,607
Balance 31 December 2014	2,136	1,408	3,413	6,957
Accumulated amortisation and impairment				
Balance 1 January 2014	(143)	-	-	(143)
Amortisation	(138)	(53)	(268)	(459)
Disposals	-	-	-	-
Impairment	-	-	-	-
Balance 31 December	(281)	(53)	(268)	(602)
Carrying amount 31 December 2014	1,855	1,345	3,145	6,345
Group 2013				
Cost				
Balance 1 January 2013	157	-	-	157
Additions – internally developed	72	-	-	72
Balance 31 December 2013	229	-	-	229
Accumulated amortisation and impairment				
Balance 1 January 2013	(104)	-	-	(104)
Amortisation	(39)	-	-	(39)
Balance 31 December 2013	(143)	-	-	(143)
Carrying amount 31 December 2013	86	-	-	86

The Group has expensed \$4,649,500 of aggregated research and development expenditure associated with software development for 2014 (2013: \$2,182,677).

There were no impairment losses associated with recognised intangible assets for the Group during the 12 month period ended 31 December 2014 (2013: \$Nil). None of the Group's intangible assets have been pledged as security for loans and borrowings.

16. Goodwill

The net amount of goodwill can be analysed as follows:

	Group 2014 \$'000	Group 2013 \$'000
Gross carrying amount		
Opening balance	5,446	5,446
Acquired through business combinations	37,376	-
Exchange differences	(608)	-
Disposals	-	-
Closing balance	42,216	5,446
Accumulated impairment		
Opening balance	-	-
Impairment loss recognised on VCL	6,500	-
Closing balance	-	-
Carrying amount 31 December	33,716	5,446

	Group 2014 \$'000	Group 2013 \$'000
Vista Entertainment Solutions Limited (VESL)	5,446	5,446
Virtual Concepts Limited (VCL)	16,365	-
MACCS International BV (MACCS)	11,305	-
Goodwill allocation at 31 December	33,716	5,446

The Directors are of the opinion that the goodwill amounts generated as a result of the business combinations above have an indefinite useful life, as the operations of entities acquired are expected to generate revenues for the group into the foreseeable future.

The Directors have carried out an annual impairment review of goodwill allocated to the CGUs, in order to ensure that recoverable amounts exceed aggregate carrying amounts. Because of the importance of this calculation in light of the technical accounting treatment error that was identified in Note 30 in relation to VCL, the Directors took independent expert advice to support certain assumptions and their assessment of the carrying amount at 31 December 2014.

Given the increase in goodwill (see note 13) the carrying amount exceeded the recoverable amounts therefore impairment had to be recognised at 31 December 2014.

Key assumptions made in determining the value in use calculation for each CGU are as follows:

Discount rate

A discount rate of 12% has been applied to VESL and MACCS. A discount of 16% has been applied to VCL. The difference in these discount rates represents the perceived risk of these investments. With these risk weightings, the value in use model produces a positive outcome for VESL and MACCS, and the fair value

model applied to VCL results in an impairment of \$8.5 million (see Note 13).

Budgeted net profit

In each of the three CGUs the cash flow projections use amounts based on financial budgets and forecasts approved by the Board, covering the next 4 years for MACCS and VESL and 5 years for VCL. The budgeted revenue is based on known and targeted opportunities in each year and a conservative zero growth rate has been applied to VESL and MACCS. For VCL a 3% growth rate was assumed recognizing the future potential of this investment.

The goodwill impairment testing undertaken as at 31 December 2014 produced the following results. The sensitivity analysis showed that:

- For VESL there is no reasonable sensitivity that would result in the carrying value exceeding recoverable amount
- For MACCS the recoverable amount exceeds carrying amount by \$3.168 million. A 4% increase in the discount rate would result in the carrying value exceeding the recoverable amount
- For VCL the carrying amount equals its recoverable amount.

There are no other reasonable sensitivities that would result in the carrying value exceeding the recoverable amount.

17. Trade and other payables

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade payables	912	430	-	-
Current accruals	2,218	1,437	-	0
Provided licence and maintenance income	12,210	7,875	-	-
Employee benefits	1,545	906	-	-
Related party payables - trading	-	-	-	-
Total trade and other payables	16,885	10,648	-	0

18. Loans and borrowings

In November 2013, the Group established a \$2.0m commercial credit facility with ASB Bank Limited to fund working capital requirements. The interest rate is floating at 6.25% per annum.

In March 2014, the Group established a EUR 3.0 million facility to acquire 25.1% of the share capital of MACCS BV.

The loan facility agreement with ASB Banking Group is secured by a general security agreement under which the Bank has a security interest in all the Group's tangible assets.

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Current	-	1,203	-	-
Non-current	4,671	499	4,671	-
Total loans and borrowings	4,671	1,702	4,671	-

19. Other equity reserves

Foreign currency translation reserve (FCTR)

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

Share based payment reserve

The share based payment reserve is used to record any equity share based incentives where the value of the cash received for the equity is lower than the value of the equity at the time of the allocation of the equity. The reserve value represents the difference between the value at the time of allocation and the cash received.

20. Earnings per share and dividends

Earnings per share

Both the basic and diluted earnings per share (EPS) have been calculated using the profit attributable to shareholders of the Parent as the numerator, i.e. no adjustments to profit were necessary in 2014 or 2013.

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

	Group	
	2014 £000	2013 £000
Profit attributable to ordinary shareholders of the Parent for basic earnings	3,904	5,714
Profit attributable to ordinary shareholders of the Parent adjusted for the effect of dilution	3,904	5,714
Weighted average number of shares	2014	2013
	000s	000s
Weighted average number of shares in basic earnings per share	68,123	59,750
Shares deemed to be issued for no consideration in respect of share-based payments	-	-
Weighted average number of shares used in diluted earnings per share	68,123	59,750

The number of shares on issue throughout 2013 was 10,000. There was a share split in July 2014 which increased the shares on issue to 59,750,000, so this number has been used in the calculation of weighted average number of shares in 2013.

No diluted EPS amounts have been provided because the ordinary share settlement arrangement that is associated with the deferred acquisition of Virtual Concepts Limited is anti-dilutive.

Dividends

Total dividends of \$3,500,000 were declared and paid by the Company, prior to the IPO in August 2014, in the year ended 31 December 2014 (2013: \$4,350,000).

Month	Company 2014 \$'000
May (\$350 per share)	3,500
Total dividends	3,500

Month	Company 2013 \$'000
February (\$185 per share)	1,850
May (\$100 per share)	1,000
August (\$150 per share)	1,500
Total:	4,350

21. Reconciliation of net surplus to cash flows

	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Net profit / (loss) after tax	3,727	5,718	2,845	4,328
Non-cash items				
Amortisation	489	38	-	-
Depreciation	557	297	-	-
Share based payment expense	1,213	-	-	-
Unwinding of discount on deferred consideration	209	-	209	-
Share of loss from associate	557	-	521	-
Allowance for bad debts	261	26	-	-
	3,806	392	740	-
Movements in working capital				
(Decrease) / increase in accounts payable	5,232	888	(63)	(181)
(Increase) / decrease in short-term advances	(1,500)	99	7	100
(Increase) / decrease in accounts receivable	(6,322)	(3,426)	145	(43)
Increase / (decrease) in taxation receivable	854	(768)	(179)	77
Net change in working capital	(1,996)	(3,226)	(90)	85
Net cash flows from operating activities	4,537	2,892	2,195	4,433

22. Contributed equity

	Group and Company 2014 No of shares, '000	Group and Company 2013 No of shares, '000	Group and Company 2014 \$ '000	Group and Company 2013 \$ '000
Shares issued and fully paid:				
Beginning of the year	10	10	1,100	1,100
Share number split July 2014	58,700	-	-	-
Share issues August 2014	20,063	-	44,952	-
Share issues December 2014	100	-	-	-
Total shares authorised at 31 December	79,873	10	45,952	1,100

On 11 August 2014, the Company issued 20,063,069 ordinary shares to new shareholders and employees.

On 23 December 2014, the Company issued 100,000 ordinary shares to employees.

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.

23. Categories of financial assets and liabilities

Assumptions used in determining fair value of financial assets and liabilities

Cash and cash equivalents

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

Trade, related party and other receivables

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

Trade, related party and other payables

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

Loan and advances

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

Borrowings

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

		Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
	Note				
Financial assets – fair value					
Loans and receivables					
Trade receivables	11	18,778	10,486	-	-
Related party receivables – non trading	11	1,605	237	8,112	-
		20,383	10,723	8,112	-
Financial liabilities – fair value					
At amortised cost					
Related party payables – trading	17	-	-	-	-
Trade payables	17	912	430	-	-
Loans and borrowings	18	4,671	1,702	4,671	-
		5,583	2,132	4,671	-

24. Operating lease commitments

At 31 December 2014, the Group had operating lease commitments in respect of property and equipment. At 31 December 2014, total future minimum payments under non-cancellable operating leases were payable as follows:

Group	2014 Total future minimum payments \$'000	2013 Total future minimum payments \$'000
Less than one year	1,073	621
Between one and five years	3,801	2,374
More than five years	70	473
	4,944	3,468

Company	2014 Total future minimum payments \$'000	2013 Total future minimum payments \$'000
Less than one year	-	-
Between one and five years	-	-
More than five years	-	-
	-	-

25. Capital commitments

There were no capital commitments for Company and Group at 31 December 2014 (2013: \$Nil).

26. Related parties

The Company and Group's related parties include its subsidiaries and other related parties.

All of the related party transactions during the period were made on normal commercial terms and no amounts owed by related parties have been provided for, written off or forgiven during the period (2013: \$Nil).

The types of related party transactions undertaken during the period were dividends and directors' fees.

26.1 Company related party disclosures

Entity	Nature of transaction	2014		2013	
		Transaction	Receivable/ payable	Transaction	Receivable/ payable
		\$'000	\$'000	\$'000	\$'000
Transactions with subsidiaries:					
Wala Entertainment Solutions Limited	Dividends	3,500	-	4,350	-
Wala Entertainment Solutions Limited	Payments made on behalf of	-	-	-	-
Moxio Limited	Intracompany Loan	272	217	(344)	48
Virtual Concepts Limited	Intracompany Loan	-	-	(87)	-
Transactions with associates:					
Summit Limited	Intracompany Loan	1,600	1,600	100	100

The amounts receivable/payable are unsecured and no guarantees are in place. No interest is charged on amounts owing between Group subsidiary entities. No balances receivable are impaired as at 31 December 2014 (2013: \$Nil).

26.2 Other related parties

During the prior year the loan to Invista Share Nominee Limited was fully repaid.

Group & Company	Nature of relationship	2014		2013	
		Transaction \$'000	Receivable/ payable \$'000	Transaction \$'000	Receivable/ payable \$'000
Invista Share Nominee Limited	Common shareholders	-	-	13	-

26.3 Compensation of key management personnel

The Company and Group have a related party relationship with its key management personnel. Key management personnel include the Company's board of directors.

Key management personnel remuneration includes the following expenses:

	2014	2013
Company and group	\$'000	\$'000
Salaries including bonuses	2,100	1,172
Share based payments:	595	-

27. Government grants

During the reporting period the Group received \$677,000 (2013: \$366,325) from the New Zealand Government to assist with Research & Development. There are no unfulfilled conditions or contingencies attached to these grants.

28. Share based payments

Vista Group Employee Gift Plan

The Company offered to eligible employees a limited number of fully paid ordinary shares in Vista Group International Limited for no consideration. No vesting conditions were attached to the offer.

Vista Group Employee Offer Plan

Vista Group International Limited offered to eligible employees fully paid ordinary shares in Vista for \$1.55 per share, being a 20% discount of the final listing share price of \$2.35. The Offer Plan involved a minimum of 500 shares per application. No vesting conditions were attached to the offer. No vesting conditions were attached to the offer.

Vista Group Employee Reward and Retention Offer Plan

In August 2014 Vista Group International Limited offered to certain employees 31,915 fully paid ordinary shares in the Company valued at \$2.35 per share for no consideration. In addition in December 2014 Vista Group International Limited offered to certain employees 160,000 fully paid ordinary shares in Vista valued at \$3.80 per share for no consideration. Both Offers Plans were made under the existing escrow arrangements. No vesting conditions were attached to the offer.

The expense recognised for employee services received during the year is shown in the following table:

	2014	2013
	\$'000	\$'000
Expense arising from share-based payment transactions	1,013	-
Total expense	1,013	-

29. Contingent liabilities

There were no contingent liabilities for the Company or the Group at 31 December 2014 (2013: \$Nil).

30. Subsequent events

Following the release of its audited financial statements on 27 February 2015, and after the market closed on both the NZX and ASX, Group management was advised by its auditor that there may be a technical accounting treatment error in these financial statements.

The press release that was issued on 2 March 2015 indicated that if an adjustment was required, it would result in the Group having to increase the value of Goodwill in the Statement of Financial Position of the Group; the resulting increase to reported profit would then flow through to the Group Statement of Comprehensive Income to retained earnings.

This exercise was completed on 11 March 2015, and as noted in the Statement of Comprehensive Income and in Note 13 an additional amount of \$8.5 million was recognised in goodwill as a gain on acquisition. The additional goodwill that was recognised was then subject to an impairment test at 31 December 2014, as required by NZ IAS 36, and as described in Note 16, the Directors, working with its external advisors determined that an impairment expense of \$8.5 million also needed to be reported in profit or loss within the Statement of Comprehensive Income.

None of these adjustments triggered any taxable events and there was no effect on profit, total comprehensive income, Statement of Financial Position or cash flows.

After the annual reporting date the Group announced that it has entered a conditional agreement to acquire US cinema software company Ticketsoft, including access to all customers, intellectual property and employees. The terms of the agreement are confidential, however it is subject to commercially sensitive conditions that the Vendor is confident it can meet.

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

31. Capital management policies and procedures

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

The Company and Group monitors capital requirements to ensure that it meets its lending covenant obligations and to maintain an efficient overall financing structure.

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

Group	2014 \$'000	2013 \$'000
Consolidated shareholders' funds	65,867	12,313
Consolidated assets	95,103	23,949
Capital ratio	69%	52%

32. Financial instruments risk

The Group is exposed to three main risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 23. The main types of risks are currency risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively monitoring and securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Foreign currency risk

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

To mitigate the Group's exposure to foreign currency risk, non-NZD cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. The Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

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

	USD	GBP	EUR
	\$'000	\$'000	\$'000
31 December 2014			
Financial Assets	10,254	3,255	4,154
Financial Liabilities	(3,304)	(1,533)	(8,341)
Total exposure	6,950	1,722	(4,187)
31 December 2013			
Financial Assets	6,771	5,351	1,411
Financial Liabilities	(1,172)	(1,651)	(355)
Total exposure	5,599	3,700	1,056

The following table illustrates the sensitivity of profit or loss and equity in regards to the Group's financial assets and financial liabilities and the USD/NZD exchange rate the GBP/NZD exchange rate and the EUR/NZD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the NZD/USD exchange rate for the year ended at 31 December 2014 (2013: 10%). A +/- 10% change is considered for the NZD/GBP exchange rate (2013: 10%). A +/- 10% change is considered for the NZD/EUR exchange rate (2013: 10%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

	Profit/Equity	Profit/Equity	Profit/Equity
	USD	GBP	EUR
	\$'000	\$'000	\$'000
31 December 2014			
10% strengthening in NZD	(533)	(157)	379
10% weakening in NZD	773	191	(402)

	Profit/Equity	Profit/Equity	Profit/Equity
	USD	GBP	EUR
	\$'000	\$'000	\$'000
31 December 2013			
10% strengthening in NZD	(402)	(210)	-
10% weakening in NZD	602	376	-

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

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, as summarised in Note 23.

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

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality.

At each reporting date the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at each reporting date, analysed by the length of time past due, are:

	2014	2013
	\$'000	\$'000
Not more than 3 months	6,571	2,047
Between 3 months and 4 months	720	250
Over 4 months	1,843	1,718
	<u>9,134</u>	<u>4,015</u>

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

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. Approximately 10% of the Group's debt will mature in less than one year at 31 December 2014 (2013: 11%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

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

	On-demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	+ 5 years \$'000	Total \$'000
2014						
Loans and borrowings	-	-	-	4,871	-	4,871
Other financial liabilities	-	1,548	-	-	-	1,548
Trade and other payables	-	912	-	-	-	912
	-	2,458	-	4,871	-	7,129
2013						
Loans and borrowings	1,200	-	-	409	-	1,709
Other financial liabilities	-	966	-	-	-	966
Trade and other payables	-	430	-	-	-	430
	1,200	1,396	-	409	-	3,005

33. Net tangible assets per share

	2014	2013
Net tangible assets per share (\$/share)	\$1,188	\$1,827.20

Net tangible assets per share represents the total net assets divided by the number of ordinary shares on issue at the reporting date, adjusted for the effect of intangible assets and deferred tax balances.

34. Cash and cash equivalents

	Group 2014 \$'000	Group 2013 \$'000	Company 2014 \$'000	Company 2013 \$'000
Cash and cash equivalents	25,653	3,408	15,501	68
Term deposits	8,034	-	6,067	-
Total cash and cash equivalents	33,747	3,408	21,568	68

35. Comparison to Prospective Financial Information (PFI)

Statement of comprehensive income

	Group	
	2014 Actual \$'000	2014 PFI \$'000
Revenue	47,153	45,244
Total revenue	47,153	45,244
Less expenses:		
Sales and marketing expenses	3,374	3,758
Operating expenses	22,032	22,040
Administration expenses	12,812	12,506
Other costs	1,826	1,756
Total expenses	40,044	38,060
Operating profit	6,594	6,377
Loss Finance costs	(422)	(480)
Plus Finance income	625	457
Less Share of loss from associate	(537)	(348)
Plus gain resulting on realising the previously held equity accounted 57% share of VCL when it became a subsidiary	8,500	-
Less impairment of goodwill at 31 December 2014 that was initially recognised when VCL became a subsidiary	(8,500)	-
Profit before tax	6,260	5,951
Less tax expense	2,523	2,204
Profit for the year	3,737	3,747
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	81	-
Total comprehensive income for the year	3,818	3,747
Attributable to:		
Owners of the Parent	3,304	3,490
Non-controlling interests	(175)	307
	3,129	3,797

The increase in revenue was driven by a strong finish to the year from VESL through implementations of its cinema management software.

The inclusion of the expense related to the share based payments in 2014 (\$1,013,000) was in addition to the expenses provided for in the PFI.

The technical accounting treatment of recognising the goodwill on the previously held interest in VCL at acquisition and the impairment of goodwill as a result of the 31 December 2014 impairment test were not recognised in the PFI. The outcome of the recognition under the treatments was a zero profit effect.

Statement of financial position

Assets	Group	
	2014 Actual	2014 PFI
	\$'000	\$'000
Current assets		
Cash and cash equivalents	30,746	32,098
Trade and other receivables	21,898	18,548
Income tax receivable	231	-
Total current assets	52,875	48,646
Non-current assets		
Property, plant and equipment	2,047	2,697
Investment in associate	(50)	162
Intangible assets	6,345	6,672
Goodwill	33,716	33,972
Total non-current assets	42,058	43,503
Total assets	94,933	92,149
Liabilities		
Current liabilities		
Trade and other payables	16,885	14,730
Income tax payable	735	264
Loans and borrowings	-	629
Total current liabilities	17,620	15,623
Non-current liabilities		
Deferred consideration	5,218	5,173
Deferred tax liability	1,527	1,868
Loans and borrowings	4,671	4,823
Total non-current liabilities	11,416	11,864
Total liabilities	29,036	27,487
Net assets	65,897	64,662
Equity		
Equity attributable to owners of the Parent		
Share capital	45,952	45,985
Retained earnings	11,686	10,411
Foreign currency translation reserve	(428)	-
Share based payments reserve	1,013	-
Total equity attributable to owners of the Parent	58,223	56,396
Non-controlling interests	7,674	8,266
Total equity	65,897	64,662

Receivables were above the PFI levels due to the higher trading levels in the last quarter of the year. This was also reflected in current liabilities due to higher levels of pre-billed maintenance and license revenue.

Statement of cash flows

	Group	
	2014 Actual	2014 PFI
	\$'000	\$'000
Cash flow from operating activities		
Cash was provided from:		
Receipts from customers	47,094	44,354
Taxes received	-	-
Dividends received	-	-
Interest received	458	458
	<u>48,153</u>	<u>44,812</u>
Cash was applied to:		
Operating expenses	(39,305)	(34,305)
Taxes paid	(2,028)	(1,800)
Interest paid	(177)	(239)
Litigating costs	(1,820)	(1,700)
	<u>(43,330)</u>	<u>(38,044)</u>
Net cash from operating activities	<u>4,823</u>	<u>6,768</u>
Cash flows from investing activities		
Cash was provided from:		
Sale of investments	-	-
	<u>-</u>	<u>-</u>
Cash was applied to:		
Purchase of fixed assets	(903)	(1,799)
Purchase of software	(164)	-
Purchase of investments	(12,408)	(13,677)
Advance to Associate	(1,505)	-
	<u>(14,979)</u>	<u>(15,476)</u>
Net cash applied to investing activities	<u>(14,979)</u>	<u>(15,476)</u>
Cash flows from financing activities		
Cash was provided from:		
Proceeds from issue of shares, net of transaction costs	37,978	38,060
Proceeds from borrowings	4,839	4,823
	<u>42,817</u>	<u>42,883</u>
Cash was applied to:		
Repayment of bank loans	(1,889)	(1,117)
Dividends paid	(3,500)	(3,786)
	<u>(5,389)</u>	<u>(4,903)</u>
Net cash provided by financing activities	<u>37,428</u>	<u>37,980</u>
Net movement in cash held	<u>27,310</u>	<u>28,662</u>
Cash balance at 1 January	3,438	3,436
Foreign exchange differences	-	-
Cash balance at 31 December	<u>30,748</u>	<u>32,098</u>

Cash inflows and outflows from trading showed some variation to PFI. This was as a result of general timing differences in receipts and payments from the original PFI forecast.

Statement of changes in equity

	Group	
	2014 Actual £'000	2014 IFFI £'000
Opening balance at 1 January	12,333	12,333
Profit for the year	3,913	3,747
Other comprehensive income	81	-
Share of loss non-controlling interests	(178)	-
Total comprehensive income for the year	3,816	3,747
Equity attributable to non-controlling interests	7,861	7,869
Acquisition of subsidiary	-	(762)
Transactions with shareholders		
Contribution by new shareholders from the issue of new share capital:	40,000	40,000
Dividends paid to shareholders	(3,500)	(3,500)
IPO and listing costs charged against equity	(2,021)	(1,940)
Share based payments reserve	1,013	-
FCFR Acquisition of non-controlling interests	(476)	-
Increase in share based deferred consideration	6,673	6,625
Closing balance at 31 December	66,897	64,662