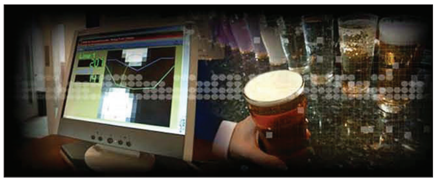
# Vianet Group plc

## Consolidated Annual Report & Accounts
## Year ended 31 March 2013



The market leading provider of real time monitoring systems and data management services for the UK leisure and forecourt sectors viatelemetry

VENDEXPERT®
UNLOCK YOUR EXPERTISE

iDraught

VIANET
FUEL SOLUTIONS

Nucleus

Machine insite

VIANET Americas

# HIGHLIGHTS

- Revenue for the year of £21.09 million (2012: £22.98 million)
- Recurring revenues remained steady at 71% (2012: 70%)
- Gross margins stable at 51% (2012: 53%)
- Operating profit before amortisation of intangibles, share option and exceptional costs of £3.3 million (2012: £3.9 million)
- Profit before tax of £1.8 million (2012: £2.3 million)
- Final dividend of 4.00 pence per share giving a full year total of 5.70 pence per share (2012: 5.67 pence per share)
- 864 new installations, of which 828 were higher value iDraught™
- Vianet Fuel Solutions ("VFS") reduced losses by £0.6 million
- Group administrative costs on a pre-exceptional basis successfully reduced by £0.8 million

# SINCE YEAR END

- Sale of Universe Group plc shareholding raising £0.6 million for a gain on investment of £90,000
- Strategic partnership established with BigOil, the Petrol Retailer Association's vehicle, providing VFS with direct access to members and prospects with approximately 3,500 independent forecourts
- Commenced activity on Gulf contract for VFS forecourt services

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# COMPANY INFORMATION

| | |
|---|---|
| **Directors** | S W Darling (Chief Executive Officer)<br>J W Dickson (Executive Chairman)<br>M H Foster (Finance Director)<br>S C Gilliland (Non-Executive Director)<br>J H Newman (Non-Executive Chairman) (resigned 31 March 2013)<br>D J Noble (Director) (resigned 5 July 2012)<br>C Williams (Non-Executive Director) (appointed 20 May 2013) |
| **Secretary** | M H Foster |
| **Registered office** | One Surtees Way<br>Surtees Business Park<br>Stockton on Tees<br>TS18 3HR |
| **Registered number** | 5345684 |
| **Auditors** | Grant Thornton UK LLP<br>No 1 Whitehall Riverside<br>Leeds<br>LS1 4BN |
| **Bankers** | Bank of Scotland<br>1st Floor<br>Black Horse House<br>91 Sandyford Road<br>Newcastle<br>NE99 1JW |
| **Nominated Adviser** | Cenkos Securities plc<br>6. 7. 8. Tokenhouse Yard<br>London<br>EC2R 7AS |
| **Stockbroker** | Cenkos Securities plc<br>6. 7. 8. Tokenhouse Yard<br>London<br>EC2R 7AS |
| **Solicitors** | Gordons LLP<br>Riverside West<br>Whitehall Road<br>Leeds<br>LS1 4AW |
| **Registrars** | Capita IRG<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU |

# CHAIRMAN'S STATEMENT

As Stewart Darling was only appointed Chief Executive at the start of the current financial year the Board felt it sensible that for this preliminary report alone, the Chief Executive's statement will be consolidated with this, my first Chairman's statement.

During the period under review, good operational progress has been made in developing the Group's key businesses across various markets, including the national launch of iDraught™ USA. A combination of increased investment in the US, delays to new contracts and pressure in the leisure sector had a detrimental impact on financial performance.

The Board is encouraged by recent contract wins in the UK and the improved outlook for 2014. However, the Board is conscious that uncertainty around the Government's proposed Statutory Code for Pub Companies may lead to delays in new orders elsewhere. The actions taken to reduce costs, particularly in the Fuel Solutions business, are also now coming through to operating profits and further cost reduction initiatives are being implemented across the Group. It is against this backdrop and the continued strong cash generation that the Board is maintaining the dividend.

## Results

Full year pre-exceptional operating profit, before amortisation and share based payments, of £3.3 million (2012: £3.9 million) was broadly in line with the revised market expectations following February's trading update.

Revenue for the year of £21.09 million (2012: £22.98 million) was down 8.2%, in the main due to exiting lower margin work in the Leisure and Fuel Solutions divisions, and reduced new installations in the Vending segment. Largely as a result of exiting lower margin compliance cellar inspection activity in the period the revenue in the Leisure division was down 7% at £16.27 million (2012: £17.53 million).

The level of contractual and recurring revenues remains consistent at just over 70% of Group revenue and the recent contract extensions, both in the Group's beer monitoring and vending sectors are expected to ensure that this level of contractual business remains steady in the current financial year.

The Group's overall operating gross margins remained stable at 51% (2012: 53%) and it is pleasing to note that gross margins, net of direct core product and engineering costs, remain at over 60% (2012: 60%) in the Leisure division which was achieved through improved product mix and the reduction in the cost base.

Costs associated with the decision taken in the Fuel Solutions division to exit lower margin Liquefied Petroleum Gas ("LPG") work and the re-launch of its ClearView wet stock management solutions, resulted in a reduction in this division's margins to 21% (2012: 22%).

Group profit before taxation amounted to £1.82 million compared to £2.34 million in 2012. Basic earnings per share post-exceptional costs decreased to 7.12 pence from 8.00 pence in 2012.

## Dividend

Despite the trading performance in the year not matching original expectations, the Board remains confident of the longer term prospects for the Group and is therefore maintaining its progressive dividend policy. The Board is recommending the payment of a final dividend of 4.00 pence per share in respect of the year ended 31 March 2013.

Together with the interim dividend of 1.70 pence per share paid in January 2013, this makes a total dividend of 5.70 pence per share, slightly ahead of the 5.67 pence per share paid in respect of the year ended 31 March 2012.

Subject to approval from shareholders at the Annual General Meeting, to be held on 16 July 2013, the final dividend will be paid on 2 August 2013 to shareholders on the register as at 21 June 2013.

### Board, senior management and corporate governance

The culture and values of the Group help to ensure that everyone at Vianet collectively and individually always 'seeks to do the right thing' and this tone is set from the Board down through the extended leadership team to all staff using the Group's development and review frameworks.

Living and breathing 'doing the right thing' not only underpins Vianet's ethos and corporate governance, but also the reputation for integrity and transparency which is a key component of the Group's customer solutions.

On 15 January 2013 the Group announced a series of Board changes which help position the Group for the next stage of its development across key markets, whilst further reducing the business dependence on myself, and allowing scope for increased focus on proactive investor communication.

At the end of the year James Newman retired as Non-Executive Chairman and the Board would like to thank him for his contribution to the business over the past seven years. Having led Vianet as its CEO since 2003, I have in turn moved to the position of Executive Chairman. Stewart Darling, who has held the role of Chief Operating Officer since 2009, with primary responsibility for the core beer monitoring and vending operations, became CEO.

The transfer of CEO responsibilities to Stewart is going smoothly and will be completed with the handover of executive responsibilities for Vianet Americas towards the end of June, and Fuel Solutions later in the calendar year.

The Group recently announced the appointment of Chris Williams as a new independent Non-Executive Director. Chris will enhance the knowledge and expertise of the Board as Vianet develops its businesses across UK and international markets.

During the year it is the Board's intention to appoint a further independent Non-Executive Director with a technology background to complement the business needs, whilst also improving the balance of the Board.

Following Stewart's promotion, Steve Alton who joined the Group from BT in 2011, has been promoted to the role of Managing Director of Vianet Limited with responsibility for the Leisure division comprising core beer, vending and technology activities.

Responding to the increasing demands of dealing with international blue chip customers, the Group continues to attract and develop high calibre individuals to ensure that the organisational structure is populated with leaders who can take the business forward, particularly in sales and delivery execution.

This series of Board and senior management changes reflects the transformation of Vianet and the strategic changes that have been implemented to enable Vianet to become a growing provider of data management services across a number of sectors.

I would like to thank all of my Board colleagues, senior management and staff for their continued efforts and commitment on behalf of the Group over the past year.

### Strategy and Business Development

The Group's strategic intent remains to extend its data collection, management and support services presence in its selected sectors where there is considerable technical and operational overlap, and to respond to new opportunities as they arise.

There is absolute focus on working in partnership with key customers to introduce product sets which will provide the customer with a compelling and sustainable return on investment and, in turn, cement a profitable long term trading relationship with Vianet.

Utilising the solid financial platform provided by its core beer monitoring business, the Group has made a series of prudent investments in acquiring and developing its product set in the following areas:

- Next generation beer monitoring technology for the wider licensed trade;

- Battle tested, cutting edge data capture and machine to machine transmission technology with potential for application across multiple sectors;

# Chairman's Statement (continued)

- Market-leading end-to-end vending management solutions; and

- A unique 'one stop shop' forecourt product suite and distribution for fuel asset management solutions.

The Group provides solutions for complex customer demands and has established an impressive reputation for its robust and innovative technology, as well as the quality of its support to blue chip customers who demand continuous world class service and data accuracy, and the capacity to provide this level of service to smaller companies as well.

Having transformed the shape of the business, the management and staff are now focussed on successfully exploiting the significant organic growth opportunities which the Board anticipates will transform the earnings of the Group.

## Leisure Solutions

The Leisure Solutions division achieved an operating profit pre-amortisation and exceptional costs of £4.68 million. Amortisation, exceptional and financial costs totalled £0.27 million.

## Core Beer Monitoring

The re-launch of iDraught™, the Group's bar management solution, to drive profit and quality and the introduction of the Group's Nucleus Smart Tills™ EPOS system were received very positively by customers, many of whom have been carrying out extensive evaluations of iDraught™ on new sites and as a replacement for standard legacy Brulines Beer Monitoring systems.

Following a strong period of trading in H1, during which the Group secured contract renewals with several high profile customers, Vianet's core beer monitoring business traded less strongly in H2. This was due to delays to several anticipated iDraught™ installation programmes and a reduced contribution from traditional beer monitoring solutions as a result of bottom end pub disposals and the uncertainty that accompanies the disposal process. In addition, there have been less favourable rates at the point of contract renewals as a result of customers transferring some non-core, lower margin support services back in-house. Whilst there has been increased iDraught™ penetration and good progress in gaining new contracts to monitor gaming machines in the pub sector, this has not been enough to offset these issues.

Nevertheless, overall installation progress was encouraging despite some initial delays to programmes. In total there were 864 new beer monitoring installations, of which 828 were higher value iDraught™. iDraught™ is gaining penetration across the on-premise draught beer market and now accounts for almost fifteen per cent of Leisure Solutions' beer monitoring installation base.

Several major contract extensions, including the introduction of iDraught™, have been secured with customers such as Enterprise Inns, Punch Taverns, and Marstons. Nucleus Smart Tills™ has gained good sales traction with almost 500 installations.

The Board remains confident that the outlook for further growth in the higher value iDraught™ product and service remains promising with many pub retailers conducting extensive evaluations. Overall, the Board does not expect significant further erosion in the number of the Group's installations, currently at approximately 17,500 sites.

## Government's proposed Statutory Code for Pub companies

On 22 April 2013 the Secretary of State for Business, Vince Cable, released a draft consultation document (the "Consultation Document") for a Statutory Code for Pub Companies regarding their dealing with tenants. Contained within the Consultation Document are provisions for controlling the application of beer flow monitoring for managing compliance with contracted beer purchase obligations.

The Group believes these proposals are unjust and that they are not based upon fact or any substantiated evidence. As such the Board intends to formally respond to the Secretary of State to reject the proposals regarding beer flow monitoring and to support the continued legal use of beer monitoring products and services.

The reason given by the Consultation Document for proposing a limitation on the use of beer flow monitoring product is that it is considered 'controversial' by certain parties who have made unproven accusations against our technology.

Vianet's service has been subject to legal scrutiny by the court of law on many occasions and has never been shown to be unfit for purpose and accordingly as a Board, we are extremely disappointed and frustrated by the proposals contained within the Consultation Document.

Supported by strong legal advice from leading counsel we will be responding to the Consultation Document in order to robustly defend the Group's beer monitoring product. We will respond by 14 June 2013 when the Consultation period is due to end. Although, at this stage, the Consultation Document only contains proposals the Board believes that if these proposals were to be implemented into legislation they would likely have a detrimental effect on the Company's business and therefore the Board is prepared to challenge these proposals as forcibly as necessary to prevent them being enacted into legislation. It is somewhat ironic that the measures proposed by the government will reduce transparency in the landlord – lessee relationship, increase the risk to HMRC tax revenues, and undermine beer quality for drinkers.

The Board looks forward to the Government exercising proper due diligence and reviewing the facts and evidence in this consultation and anticipates that if it does so, the proposals will be amended satisfactorily.

### Vianet Americas Inc.

As announced in the Interim Results in December 2012, the Group has identified an opportunity to accelerate iDraught™ investment in the USA and extend the Vianet Americas Inc. footprint beyond the Colorado on-premise beer market.

Vianet Americas' roll out delivery capability has advanced significantly, having established a USA team and formed a strategic alliance with Micro Matic USA for nationwide iDraught™ installation, service and sales support.

Following several months of set-up activity, the first phase of a full USA launch commenced in February with initial installations on both full commercial and pilot contracts across ten states with several national USA retail chains, who between them control over 2,000 bars.

The initial results have been encouraging and the second phase of the launch took place at the National Restaurant Association convention in Chicago on 16-19 May 2013.

A loss of over £0.3 million was recorded compared to the small profit originally expected with the Colorado-only business, reflecting the increased start-up costs of the enlarged opportunity. By March 2014, the Group will have a good understanding of the likely scale of the opportunity and be in a position confirm our intentions for the USA.

### Vending Solutions

The Vending Telemetry business continued to trade at around breakeven in H2, although the breakthrough in revenue and profitability from an expected significant order will now not materialise until late 2013/14 at the earliest. Progress in finalising this contract has been held back further by merger and acquisition activity in this customer's sector.

Performance of the Group's Touch & Pay™ cashless and contactless payment solutions, which were used successfully by Coca Cola and VISA at London 2012 Olympic Games, has also been constrained by delays in gaining extension approvals.

Operating loss was £0.05 million pre-amortisation, share based payments and exceptional costs, with amortisation and exceptional costs being £0.20 million. Further initiatives reduced costs during the year to the point where the business will trade at breakeven whilst we await the delivery of the new contracts.

Vending Solutions now offers the full end-to-end product set for vending telemetry, comprising Touch & Pay™ contactless payment solution, Vitel™ data capture and transmission telemetry and VendExpert™ management software. These products allow customers to achieve significant cost savings and sales uplift.

Contactless payment is extremely well-suited to the vending sector as it allows customers to pay for low-value items by presenting their bank card or near field communication ("NFC") enabled mobile phone to a special reader fitted on the front of the vending machine, helping to reduce the time it takes to pay. The growth of contactless-enabled cards in circulation in the UK has been substantial, and the figure of 32 million contactless-enabled cards currently in circulation (source: UK Card Authority). The Group's technology is at the forefront of these developments as we work with large brand owners and vending operators in our aim to become the clear market leader in the provision of telemetry solutions for the global vending market.

### Vianet Fuel Solutions ("VFS")

The Group's Fuel Solutions division continues to benefit from a reduced cost base and some new business gains. Whilst H2 was loss-making, arising from poor trading in December/January and delays to two significant contracts which have now commenced in April, the business did trade at just over breakeven in Q4.

VFS losses were £0.35 million for the full year (as well as £0.35 million exceptional costs), and whilst this is almost £0.6 million better than the previous year, the loss was higher than anticipated primarily due to timing issues relating to new contract activity, which will now be carried forward and benefit the current year.

VFS also exited the non-contributing LPG market which allowed further cost rationalisation. The Board is pleased to report that VFS is gaining new business as the market's only end-to-end solution for forecourt operators. The start to the current year with the improved cost base indicates that VFS will trade positively in 2014.

VFS continues to benefit from its five year contract extension with Morrisons Supermarkets plc ("Morrisons") to provide Facilities and Compliance Management solutions for its estate of over 300 petrol forecourts and 12 distribution centre fuel depots as Morrisons grows its fuel and convenience footprint.

Fuel Solutions now has the only fully integrated 'one-stop-shop' for leading fuel asset management products and services. This has been a key facilitator in securing the Group's long term strategic partnership with BigOil, the Petrol Retailer Association's vehicle, providing VFS with direct access to members and prospects who control approximately 3,500 independent forecourts.

VFS now hosts the revamped Big Oil portal which has been enhanced with our class leading suite of wet stock analysis tools and the creation of a Margin Management toolbox linking daily Platt's prices to the real-time recording of sales, inventory levels and deliveries to create a suite of web-based tools including real time profit reporting.

The initial response has been very positive and positions VFS well to build a robust and exclusive distribution of its products to the independent sector

### Vianet Technology Solutions

Technology Solutions supports and manages the R&D requirement for the Leisure and Fuel divisions together with Group infrastructure. Additionally, utilising the Group's data management expertise is also succeeding in taking its leading data capture and transmission technology to newer markets. Securing relationships with Costa Coffee and Autotime are two such examples of the Group's potential to deliver solutions to new markets.

### Summary and outlook

Within the Leisure division, the re-launch of iDraught™ has been successful with increased penetration achieved within the on-premise draught beer market. Further gains are expected in the current year.

The Group's Vending Solutions business has made excellent progress in developing significant new sales opportunities with major global customers, and although frustrated by delays we remain confident that deeper relationships will develop into significant traction and contract wins.

The Fuel Solutions division has completed its creation of a 'one-stop' solution for the industry and, having cut costs during the last year, is expected to contribute positively to Group profits in the current year.

Having successfully completed a significant period of development and change the Group has moved successfully beyond being a one product company operating in the tenanted pub market, now having the competencies and technology base to benefit from the continued growth in data services globally. The Board looks forward to the future with confidence as all of the divisions within the Group move towards achieving growth and demonstrate the success of our diversification strategy:

- The core Leisure Solutions business already provides visibility of strong earnings and is expected to deliver organic growth as it continues to gain traction for iDraughtTM, Nucleus Smart Tills™ and Machine Insite across the wider licensed on trade market. Although in the early stages the recent national launch of the iDraught™ in the US has the potential to significantly enhance the medium term growth prospects.

- The Vending Solutions business is now trading at break even and is expected to move into strong profit as and when new contracts are realised.

- Fuel Solutions is now trading close to breakeven and the current sales pipeline should take the division into profit this year.

- The Technology Solutions team has identified horizontal market sales opportunities which should allow it to move towards being cost neutral in the medium term.

The Group has transformed the shape of the business over the past few years and whilst there remain short term challenges and economic conditions remain challenging, the markets, products, customers and people are now in place to deliver earnings growth for the Group.

James Dickson
Executive Chairman
11 June 2013

# FINANCIAL REVIEW

## Group trading result

Following the transition from the previous financial year into the distinct Leisure (consisting of core beer, Vending and Technology segments) and Fuel divisions, the integration process continued during the current year, with an on-going cost rationalisation programme which will continue into the new financial year.

The general economic climate is well documented, continues to be very challenging and has impacted both the pub and leisure marketplaces, as well as the fuel sector. Despite this background there has been some good underlying progress in all segments which provides a good platform moving into the new financial year.

Total revenue for the year was £21.09 million (2012: £22.98 million). Operating profit (before amortisation of intangible assets, share based payments, and exceptional items) amounted to £3.3 million (2012: £3.9 million). The results are shown after absorbing much reduced losses in the Fuel Division, Vianet America's new company set up and further investment as well as some Leisure division customers taking some periphery support functions in house. The combined impact of these factors is estimated at approximately £1.3 million.

Blended recurring revenues for the Group are slightly ahead of last year at 71% (2012: 70%), with continued divisional results across all Leisure at 80%, core beer remaining robust at 82% and Fuel Solutions improved to over 40% from near 20% last year.

Exceptional costs of £0.7 million (2012: net £0.5 million) principally relate to the cost of staff rationalisation, fuel product rationalisation and associated exit costs and US set up costs, resulting in Group operating profit (pre intangible asset amortisation and share based payments) of £2.5 million (2012: £3.4 million).

## Divisional performance

The Leisure division achieved revenue of £16.27 million (2012: £17.53 million) and achieved gross margins pre the cost of data management of 60%, in line with last year. The core business delivered 864 (2012: 538) installations of which 828 (2012: 487) were the higher value iDraught™ systems, as well as 36 beer monitoring systems. The active installation base after pub company disposals, change of use and uplifted systems is approximately 17,600 (2012: 18,500) systems. Additionally, 483 Nucleus Smart Tills were added (2012: 300). The pub market has continued to face well documented challenges which will continue but the further growth in iDraught™ penetration in the UK and move into the US enables the Board to be confident about iDraught™ growth, which currently accounts for around 14% of the installation base.

Vending made some solid progress in terms of product development and cost rationalisation offsetting the slower than desired growth in unit sales and revenue. The Chairman's report refers to the impact of major delayed contracts, while other customers have rationalised their estates in light of the economic backdrop. As a result, Vending delivered 475 (2012: 2,576) additional units in the year, the installation base now being near 10,000 configured units in the field. Despite the lower number of installations, the recurring revenue base of over 85% this year coupled with lower cost base allowed a near break-even result for Vending. The market opportunities that we have identified and the products that the Group offers position Vianet well to achieve growth in this space and the Board's confidence in attaining the aspirations in this field is unabated.

The Technology division continues to support the Leisure and Fuel divisions with its Research and Development, in addition to the infrastructure requirements of the Group as well as having its own income streams.

The final part of the Leisure division is the Machine Insite brand which contributed approximately £0.2 million (2012: £0.1 million) this year and growth is further expected in the new financial year.

The Fuel Solutions division operated as one company this year offering a range of key products and services to the forecourt industry. The transition and product offering has taken longer than desired to bed in, and also resulted in the exit from providing an LPG service which was cost and margin prohibitive. Nevertheless, the division delivered a much reduced loss in the period under review. The division contributed £4.8 million (2012: £5.4 million) in revenue and consistent gross margins of 21% which are set to grow following the exit from the LPG market. This resulted in a considerably lower loss for the year before exceptional costs of £0.3 million (2012: £0.9 million) with final quarter trading just in profit. The developments referred to in the Chairman's report for the forthcoming financial year underpin the Board's belief that the division will be profitable for 2014.

## Overall Group results

Group results, before amortisation of intangible assets, share based payments, option costs, and exceptional costs, were an operating profit of £3.3 million as compared to £3.9 million at March 2012. These results are stated after absorbing the reduced Fuel losses, US investment costs, and loss to customers of some periphery services to in house as referred to above of £1.3 million, as well as an improved cost base yielding a year on year reduction in operating expenses of approximately £0.8 million, as previously expected. The results are in line with the Trading Update issued in February 2013.

The table below shows the performance of the Group (under IFRS), pre and post exceptional costs, as follows:

| | **FY 2013 £'000** | **FY 2012 £'000** |
|---|---|---|
| Revenue | 21,085 | 22,975 |
| Gross profit | 10,810 | 12,235 |
| | (51%) | (53%) |
| **Operating profit pre amortisation, share based payments and exceptional costs** | **3,265** | **3,896** |
| PBT post exceptional costs | 1,820 | 2,341 |
| PBT pre-exceptional costs | 2,558 | 3,080 |

## Divisional performance FY 2013

| | **Leisure Division** | | | | | |
|---|---|---|---|---|---|---|
| | **£'000 Core** | **£'000 Vending** | **£'000 Tech** | **£'000 Fuel** | **£'000 Corp** | **£'000 Total** |
| Revenue | 14,490 | 907 | 873 | 4,815 | - | 21,085 |
| Gross Profit | 8,753 | 641 | 397 | 1,019 | - | 10,810 |
| | (60%) | (71%) | (46%) | (21%) | - | (51%) |
| **Operating profit/(loss) pre amortisation, share based payments and exceptional costs** | **4,682** | **(48)** | **(230)** | **(345)** | **(794)** | **3,265** |

# Financial Review (continued)

## Earnings per share

Basic earnings per share for the year ended 31 March 2013 before exceptional costs amounted to 9.84 pence compared to 9.93p at March 2012. Fully diluted earnings per share (before exceptional costs), which takes account of all dilutive share options, amounted to 9.79 pence which compares to 9.83 pence last year.

## Taxation

The Group has attained a tax credit this year driven by the Group's use of historically-acquired losses. The credit of £0.11 million (2012: charge £0.08 million) relates to overprovision in prior periods along with enhanced allowances for research and development expenditure.

## Balance sheet and cash flow

The Group's balance sheet remains healthy with a good working capital base supported by the good cash generative trading performance in the year.

Operationally, the Group generated cash flow of £4.6 million (2012: £1.8 million) impacted by rationalised operating expenses, customer up-front payments and generally improved customer collections. The Leisure business continued to be a healthy generator of cash at over £6.0 million helping to fund the Corporate and Technology segments, US investment and reduced losses in fuel.

In addition to the above, the funds generated in the year were utilised to invest in technology through Research and Development, service borrowings, purchase own shares and fund dividends. During the year, the Group converted the core element of the overdraft to a two year £1.5 million term loan. At the year end, the Group had net borrowings of £3.0 million (2012: net borrowings of £3.4 million), having completed the repayment of the five year £1.7 million term loan supporting the Nucleus Data acquisition of 2008.

The balance sheet and cash generating capacity of the Leisure division remains robust, Fuel is stepping forward, and as such, the Board expects to be able to capture some of the organic growth opportunities that exist.

**Mark Foster**
**Finance Director**
**11 June 2013**

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2013.

## Principal activities

The company is the holding company of a group, the principal activities of which are those of design, product development, sale and rental of fluid monitoring and machine monitoring equipment, together with the provision of data management and related services, both to the leisure and petrol forecourt trade.

## Review of business and future developments

The directors accept the results for the year ended 31 March 2013 which show a profit before tax and exceptional items of £2.56m (2012 £3.08m).

The results for the year reflect the continued challenging economic circumstances and pressures in the leisure marketplace. The fuel division, while still loss making, has stepped forward significantly with a £0.5m reduction in its losses. Despite the overall lower result compared to last year, recurring revenues and margins remain healthy. With the market opportunities that exist coupled with the on-going rationalisation of the cost reduction measures the Directors are confident of a stronger year going forward. The group re-alignment in to two larger and stronger trading divisions is a reflection of the Directors' confidence and belief in our growth plans.

The Chairman's Statement and the Financial Review provide further detail on the performance of the Group together with an indication of future prospects.

## Business risk

The directors have considered areas of potential risk to the business to assess its future. On the basis of their review they consider the results and business projections taking into account market conditions that the business is of sound financial footing and has a sustainable operating future. In particular they note that the business has achieved an acceptable result in the year despite the difficult trading conditions, reduced losses in the Fuel division, impact of cost rationalisation and overall market confidence in liquidity and credit.

The directors do not consider there to be any other material business risks other than general slowdown associated with the current economic climate to a degree mitigated by the reduction in the cost base throughout the year.

Non financial risks are summarised in the Chairman's Statement on pages 2 to 7.

## Key performance indicators

| | Target | Actual 2013 | Actual 2012 |
|---|---|---|---|
| Percentage of revenue from recurring income streams[1] | 70% | 71% | 70% |
| Gross Margin[2] | 50% | 51% | 53% |
| Employee Turnover[3] | 2% | 3% | 3% |

**Notes to KPIs**

[1]Percentage of revenue from recurring income streams = recurring income streams as a percentage of all income streams. Group trading companies aim to increase shareholder value through growth in revenue, linked to profitability (see Gross Margin below). Source data is taken from management information. The recurring contractual nature of the company's income stream has led to continued improvement in performance versus target.

[2]Gross Margin = Gross profit as a percentage of revenue. Group trading companies aim to generate sufficient profit for both distribution to shareholders and re-investment in the company, as measured by Gross Margin. Source data is taken from the audited financial statements.

[3]Employee Turnover = Group trading companies aim to be seen as a good, attractive employers with positive values and career prospects.

# Report of the Directors (continued)

### Financial risk management

The Group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk, exchange rate movement and liquidity risk.

While the Group does have a debt exposure, the positive cash generation from operations of the Group means we do not have material exposures in any of the areas identified above and consequently do not use derivative instruments to manage these exposures.

The Group's main financial instruments comprise principally of sterling cash and bank deposits, bank loans and overdrafts together with trade receivables and trade payables that arise directly from its operations. The Group's exposure to foreign exchange risk is minimal due to the low balances held which are disclosed in note 19.

The main risks arising from the Group's financial instruments can be analysed as follows:

### Price risk

The Group holds listed equity investments as follows:

| | 2013 | 2012 |
|---|---|---|
| Universe Group plc – ordinary shares of 5p | 13,209,754 | 13,209,754 |

The Group has no significant exposure to securities price risk. The Group sold its investment in Universe Group plc on 16 April 2013 at a price of 4.75p per share realising a profit on disposal of £90,049.

### *Credit risk*

The Group's principal financial assets are bank balances, cash, inventory, and trade receivables which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### *Liquidity risk*

The Group's policy has been to ensure continuity of funding through arranging facilities for operations via medium-term loans and additional revolving credit facilities to aid short-term flexibility.

### *Cash flow interest rate risk*

Interest bearing assets comprise cash and bank deposits, all of which earn interest at a rate of Bank of England base rate or above. The interest rate on the bank loan and overdraft are at market rates. The Group's policy is to maintain other borrowings at fixed rates to fix the amount of future interest cash flows. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

## Dividends

The directors recommend the payment of a final dividend of 4.00p per share (2012: final 4.00p), taking the full year dividend to 5.70p. (2012: 5.67p)

## Directors and their interests

The current directors of the company are shown below.

Those directors serving at the end of the period had interests in the share capital of the company at 31 March as follows:

| | **Ordinary shares of 10p each 2013** | **Ordinary shares of 10p each 2012** |
|---|---|---|
| S W Darling | - | - |
| J W Dickson | 4,287,219 | 3,946,552 |
| M H Foster | 75,000 | 75,000 |
| S C Gilliland | 26,000 | 26,000 |
| C Williams | - | - |

## Directors' emoluments

Details of Directors' emoluments for the year are as follows:

| | **Salary and fees 2013 £'000** | **Other emoluments 2013 £'000** | **Total emoluments 2013 £'000** | Salary and fees 2012 £'000 | Other emoluments 2012 £'000 | Total emoluments 2012 £'000 |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| J W Dickson | **167** | **43** | **210** | 159 | 41 | 200 |
| M H Foster | **142** | **30** | **172** | 130 | 28 | 158 |
| S W Darling | **129** | **29** | **158** | 116 | 28 | 144 |
| D J Noble | **59** | **6** | **65** | 114 | 26 | 140 |
| **Non-executive** | | | | | | |
| J H Newman | **44** | **-** | **44** | 36 | - | 36 |
| S C Gilliland | **32** | **-** | **32** | 30 | - | 30 |
| **Total** | **573** | **108** | **681** | 585 | 123 | 708 |

1. Executive remuneration is determined by the remuneration committee consisting of non-executive Directors JH Newman (resigned 31 March 2013) replaced by C Williams on 20 May 2013 and S C Gilliland
2. No payments were made to any Director in respect of compensation for loss of office in 2013 or 2012
3. Other emoluments received consist of the provision for private medical care, bonuses, motor car allowances and pension contributions
4. J H Newman's fees were paid to Westwood on Derwent Limited, a company of which he is a Director
5. S Gilliland fees are paid to SMDH Consulting Limited, a company of which he is a Director
6. Pension contributions represent payments made to defined contribution schemes. Payments made are disclosed within other emoluments. Non-executive Directors are not entitled to retirement benefits
7. JH Newman resigned on 31 March 2013

## Directors' share options

Details of the share options held by Directors are as follows:

| | At 1 April 2012 | At 31 March 2013 | Option price | Date granted |
|---|---|---|---|---|
| J W Dickson | 75,000 | **75,000** | 123.0p | October 2006 |
| | 31,000 | **31,000** | 96.5p | January 2011 |
| M H Foster | 150,000 | **150,000** | 67.2p | March 2006 |
| | 65,000 | **65,000** | 123.0p | October 2006 |
| | 31,000 | **31,000** | 96.5p | January 2011 |
| S W Darling | 100,000 | **100,000** | 125.0p | April 2009 |
| | 31,000 | **31,000** | 96.5p | January 2011 |
| S C Gilliland | 24,000 | **24,000** | 123.0p | October 2006 |
| | 30,000 | **30,000** | 102.5p | September 2009 |
| J H Newman | 36,000 | **-** | 123.0p | October 2006 |
| | 30,000 | **-** | 102.5p | September 2009 |

Share options are exercisable between nil and ten years from the date of the grant.

The market price of the Company's shares at the end of the financial year was 87.5p and the range of market prices during the year was between 87.5p and 124p.

## Joint Ownership Plan

The following awards over shares in the Company were made to the following Executive Directors of the Company on 25 September 2009 by a Joint Ownership Plan.

| Director | Number of Plan shares in which the Director has an interest |
|---|---|
| J W Dickson | 100,000 |
| M H Foster | 100,000 |
| S W Darling | 100,000 |

Awards were made by the Company's Remuneration Committee through the Company's employee benefit trust operated by Halifax EES Trustees International Limited. The awards are subject to EPS performance targets and dependant on performance vest on 31 March 2014. No value has been paid on grant of the Plan shares and participants are entitled to growth over the Plan term.

## Donations

Charitable donations of £nil (2012: £nil) were made during the year. No political donations were made (2012: £nil).

## Substantial Shareholdings

The Company has been informed that on 23 May 2013 the following shareholders (excluding Directors) held substantial holdings of the issued ordinary shares of the company:

| | Holding of Ordinary shares Number | Issued Share capital % |
|---|---|---|
| AXA Framlington | 3,625,000 | 13.04 |
| ISIS Equity Partners | 2,693,982 | 9.70 |
| Octopus Investments Limited | 1,694,533 | 6.10 |
| Lazard Asset Management | 1,321,294 | 4.80 |
| Downing LLP | 1,017,650 | 3.70 |
| IS Partners AG | 1,000,000 | 3.60 |
| Amati Global Investors | 978,871 | 3.50 |
| Brewin Dolphin | 789,608 | 3.00 |
| Western Standard Partners | 776,000 | 3.00 |
| Artemis Fund Managers | 735,000 | 3.00 |

## Going Concern

The Directors, after having made appropriate enquiries, including (but not limited to) a review of the Group's budget for 2013/2014, and cash generating capacity at least 12 months from the date of signing (underpinned by long term contracts in place and historical results), have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

## Payment of Payables

The Group's policy is to settle invoices promptly according to terms and conditions as far as it is practicable. Trade payables at the balance sheet date represented 45 days purchases (2012: 45 days). As the company is a holding company it has no trade payables and accordingly no disclosure is made of the year end creditor days for the company.

## Employees

The Group places great importance on the involvement of its employees, the majority of whom are able to work closely with their managers on a daily basis. Employees are encouraged to be involved in the Group's performance through the use of share options. Employees have frequent opportunities to meet and have discussions with management. The Group aims to keep employees regularly informed of the financial and economic factors affecting the performance of the Group and its objectives in part through the Group intranet and website and in part through regular communication.

The quality and commitment of our people overall has continued to play a major role in our business performance. This has been demonstrated in many ways, including improvements in customer satisfaction, contract gains and continued profitability, the development of customer offering and the flexibility they have shown in adapting to changing business requirements and new ways of working. Employees' performance is aligned to company goals through an annual performance review process that is carried out with all employees. Employee turnover was 3%, in line with the threshold we have set.

The Group's policy is that, where it is reasonable and practicable within existing legislation, all employees, including disabled persons are treated in the same way in matters relating to employment, training and career development.

## Research and Development

The Group has a continuing commitment to levels of research and cost of ensuring systems perform optimally which reflect the need to be at the forefront of technological advance to ensure future growth. During the year expenditure on research and development was £753,000 (2012: £740,000) all of which £753,000 has been recognised as an asset on the balance sheet (2012: £740,000)

# Report of the Directors (continued)

## Annual General Meeting

The Annual General Meeting will be held on 16 July 2013 at 9am, at the offices of Vianet Group plc, One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR.

## Post balance sheet events

On 16 April 2013 the Group disposed of its 13,209,754 shareholding in Universe Group plc at a price of 4.75p per share realising a profit on disposal of £90,049.

## Directors' Indemnity

Qualifying third party indemnity provisions are in force for the benefit of the directors

## Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the parent company has elected to prepare company statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards/IFRS have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Audit Partner Rotation

The external auditor is required to rotate the lead audit partner responsible for the Group and subsidiary audit every five years in accordance with Ethical Standard 3 (ES3) 'Long association with the audit engagement', issued by the Auditing Practices Board. However, in certain circumstances it is permissible to extend that tenure.

The Board believes that following significant changes to the composition of the group, with five acquisitions made since April 2010, audit quality would be compromised by introducing a new audit partner, because of the understanding of the transactions that the incumbent partner has.

With the group still in the transitional phase of integration, the group needs to draw on the incumbent's experience and deep understanding of the business, so as to ensure that impairment reviews and other sensitive estimates relating to the acquisitions are challenged robustly, but from a position of knowledge.

As a result, the Board and Audit Committee consider that now is not the right time for the lead audit partner to change. Grant Thornton UK LLP and the Company have agreed to extend the term of the lead audit partner, in line with ES3, for one year to 31 March 2013.

### Auditor

Grant Thornton UK LLP has indicated its willingness to continue in office. A resolution for its re-appointment as independent auditor will be proposed at the AGM.

### Approval

The report of the directors was approved by the Board on 11 June 2013 and signed on its behalf by:

Mark H Foster
Director

# CORPORATE GOVERNANCE STATEMENT

## General Principle

The Group is committed to high standards of corporate governance in all its activities. Whilst the company is not required to comply with the 2010 UK Corporate Governance Code, the Board recognises the value of the Code and has regard to its requirements as far as practicable and appropriate for a public company of its size and nature.

## The Board

The Board consists of three Executive and two Non-Executive Directors as follows:

### Executive Directors

Stewart W Darling (Chief Executive Officer)
James W Dickson (Executive Chairman)
Mark H Foster (Finance Director & Company Secretary)

### Non-Executive Directors

Stewart C Gilliland
Chris Williams (appointed 20 May 2013)

All directors have access to the advice and services of the Company Secretary.

There is a clear division of responsibilities between the Chairman, who is responsible for the running of the Board, and the Chief Executive Officer, who, together with the other Executive Directors, are responsible for running the business.

The Board meets regularly, with no less than ten meetings planned in any one calendar year. Each director is provided with sufficient information to enable them to consider matters in good time for meetings and enable them to discharge their duties properly. There is a formal schedule of matters reserved for Board approval. In principle the Board agrees the Group business plan, determines overall Group Strategy, acquisition, investment, human resource and health and safety policies, as well as approval for major items of capital expenditure.

All directors have access to independent professional advice at the Group's expense. The directors continually ensure they are trained in association with duties and responsibilities of being a director of a listed company.

The independent non-executive directors bring an independent judgement to the management of the Group. They are free from any business or other relationships which could interfere with the exercise of their judgement. The non-executive directors fulfil a key role in corporate accountability.

## Board Committees

The Group has established a number of committees, details of which are set out below and all of which operate with defined Terms of Reference:

### Audit Committee

This consists of:

Stewart C Gilliland
Chris Williams (appointed 20 May 2013)

It meets at least three times in any year, and is usually attended as a minimum by the Chief Executive Officer and Finance Director, as well as the Group's External Auditor.

The Audit Committee has terms of reference (which are available for inspection) to report on matters such as the Group's annual accounts, interim reports, major accounting issues and developments, the appointment of external auditor and their fee, the objectivity of the auditor, the Group's statement on internal control systems and the scope and findings of external audit.

### Remuneration Committee

This consists of:

Stewart C Gilliland (Chairman)
Chris Williams (appointed 20 May 2013)

The Remuneration Committee has terms of reference (which are available for inspection) and meets at least twice per year, reviewing and advising upon the remuneration and benefit packages of the Executive Directors and other senior management. The remuneration of the Chairman and non-executive Director is decided upon by the full Board.

The Remuneration policy is to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value.

The remuneration of the Executive Directors consists of a basic salary and benefits, performance related bonuses and share options. The non-Executive Directors are eligible for performance related share options.

### Nominations Committee

This consists of:

James W Dickson (Chairman)
Stewart C Gilliland
Chris Williams (appointed 20 May 2013)

The Committee met as required during the course of the year. The Committee has terms of reference which are available for inspection.

### Internal Control and Risk Management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, and recognises these systems are designed to manage rather than eliminate the risk of material loss.

The Board monitors risk through ongoing processes and provides assurance that the significant risks faced by the Group are being identified, evaluated and appropriately managed.

The main elements of the internal control systems are:

- management structure with clearly identified responsibilities
- budget setting process including longer term forecast review
- comprehensive monthly financial reporting system, with comparison to budget, supported by written report from the Chief Executive Officer and Finance Director
- report to the Audit Committee from the external auditor stating the material findings arising from the audit. This report is also considered by the main Board and action taken where appropriate

- a framework for capital expenditure and controls including authorisation procedures and rules relating to delegation of authority

- risk management policies to manage issues relating to health and safety, environment, legal compliance, insurance and security

- day to day hands on involvement of the Executive Directors

As a result of the above systems and controls, and due to its current size, the Group does not operate an internal audit function, but is keeping its position under review.

## Shareholder Communication

The Group places a high level of importance on communicating with its shareholders and welcomes and encourages such dialogue within the regulations governed by the London Stock Exchange. The Board are keen to encourage the participation of a broad base of both institutional and private investors in the Group. Communication with shareholders will be maintained through the Annual General Meeting, annual and interim reports, press releases and periodic presentations.

## Share Options

The share option plans in existence at 31 March 2013 were the EMI plan, the Executive plan, the Employee Plan, the Employee Company Share Option Plan and an Executive Joint Ownership Plan. Share options will be issued at appropriate intervals in order to motivate and retain Executive Directors, senior management and other key staff whilst aligning their interests with those of the Group's shareholders. Such grants are approved by the Remuneration Committee.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIANET GROUP PLC

We have audited the group financial statements of Vianet Group plc for the year ended 31 March 2013 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

### Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group company financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Other matter

We have reported separately on the parent company financial statements of Vianet Group plc for the year ended 31 March 2013.

Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Leeds

11 June 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

| | Note | Before Exceptional 2013 £000 | Exceptional 2013 £000 | Total 2013 £000 | Total 2012 £000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 3 | 21,085 | - | 21,085 | 22,975 |
| Cost of sales | | (10,275) | - | (10,275) | (10,740) |
| **Gross profit** | | 10,810 | - | 10,810 | 12,235 |
| Administration and other operating expenses | | (7,545) | (738) | (8,283) | (8,828) |
| **Operating profit pre amortisation and share based payments** | | 3,265 | (738) | 2,527 | 3,407 |
| Intangible asset amortisation | | (591) | - | (591) | (952) |
| Share based payments | | (52) | - | (52) | (57) |
| **Operating profit post amortisation and share based payments** | | 2,622 | (738) | 1,884 | 2,398 |
| Finance income | 6 | - | - | - | 5 |
| Finance costs | 7 | (64) | - | (64) | (62) |
| **Profit before taxation** | | 2,558 | (738) | 1,820 | 2,341 |
| Income tax expense | 8 | 110 | - | 110 | (82) |
| **Profit after tax and total comprehensive income for the year attributable to the owners of the parent** | 5 | 2,668 | (738) | 1,930 | 2,259 |
| **Earnings per share** | | | | | |
| – Basic | 9 | 9.84p | (2.72)p | 7.12p | 8.00p |
| – Diluted | 9 | 9.79p | (2.71)p | 7.08p | 7.90p |

The accompanying accounting policies and notes form an integral part of these financial statements.

Details of the exceptional items are included in note 4.

# CONSOLIDATED BALANCE SHEET

at 31 March 2013

| | Note | 2013 £000 | 2012 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 11 | 17,723 | 17,723 |
| Other intangible assets | 12 | 2,179 | 1,990 |
| Property, plant and equipment | 13 | 3,812 | 3,662 |
| Investments | 14 | 533 | 533 |
| **Total non-current assets** | | 24,247 | 23,908 |
| **Current assets** | | | |
| Inventories | 15 | 1,875 | 1,903 |
| Trade and other receivables | 16 | 3,661 | 4,157 |
| Tax asset | | 140 | 213 |
| Cash and cash equivalents | | 1,196 | 105 |
| | | 6,872 | 6,378 |
| **Total assets** | | 31,119 | 30,286 |
| **Equity and liabilities** | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 4,548 | 3,400 |
| Borrowings | 18 | 899 | 1,985 |
| | | 5,447 | 5,385 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 2,146 | 1,526 |
| Deferred tax | 20 | 157 | 157 |
| | | 2,303 | 1,683 |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 21 | 2,827 | 2,825 |
| Share premium account | | 11,182 | 11,174 |
| Share based payment reserve | | 345 | 333 |
| Own shares | | (1,381) | (1,154) |
| Merger reserve | | 310 | 310 |
| Retained profit | | 10,086 | 9,730 |
| **Total equity** | | 23,369 | 23,218 |
| **Total equity and liabilities** | | 31,119 | 30,286 |

The Group financial statements were approved by the Board of Directors on 11 June 2013 and were signed on its behalf by:

**J Dickson**
**Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

| | Share capital £000 | Share premium account £000 | Own shares £000 | Share based payment reserve £000 | Merger reserve £'000 | Retained profit £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **At 1 April 2011** | 2,825 | 11,174 | (1,154) | 276 | 310 | 9,008 | 22,439 |
| Dividends | - | - | - | - | - | (1,537) | (1,537) |
| Share based payments | - | - | - | 57 | - | - | 57 |
| Transactions with owners | - | - | - | 57 | - | (1,537) | (1,480) |
| Profit and total comprehensive income for the year | - | - | - | - | - | 2,259 | 2,259 |
| Total comprehensive income less owners transactions | - | - | - | 57 | - | 722 | 779 |
| **At 31 March 2012** | 2,825 | 11,174 | (1,154) | 333 | 310 | 9,730 | 23,218 |
| At 1 April 2012 | 2,825 | 11,174 | (1,154) | 333 | 310 | 9,730 | 23,218 |
| Dividends | - | - | - | - | - | (1,547) | (1,547) |
| Issue of shares | 2 | 8 | - | - | - | - | 10 |
| Exercised options re own shares | - | - | 134 | (3) | - | (64) | 67 |
| Purchase of own shares | - | - | (361) | - | - | - | (361) |
| Share based payments | - | - | - | 52 | - | - | 52 |
| Share option forfeitures | - | - | - | (37) | - | 37 | - |
| Transactions with owners | 2 | 8 | (227) | 12 | - | (1,574) | (1,779) |
| Profit and total comprehensive income for the year | - | - | - | - | - | 1,930 | 1,930 |
| Total comprehensive income less owners transactions | 2 | 8 | (227) | 12 | - | 356 | 151 |
| **At 31 March 2013** | 2,827 | 11,182 | (1,381) | 345 | 310 | 10,086 | 23,369 |

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2013

| | 2013 £000 | 2012 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | 1,930 | 2,259 |
| **Adjustments for** | | |
| Interest receivable | - | (5) |
| Interest payable | 64 | 62 |
| Income tax expense | (110) | 82 |
| Amortisation of intangible assets | 591 | 701 |
| Impairment | - | 250 |
| Depreciation | 410 | 448 |
| Exceptional item | - | (808) |
| Payment of deferred consideration | (18) | (12) |
| Loss on sale of property, plant and equipment | 19 | 8 |
| Share based payments | 52 | 57 |
| **Operating cash flows before changes in working capital and provisions** | 2,938 | 3,042 |
| Change in inventories | 28 | 797 |
| Change in receivables | 496 | 517 |
| Change in payables | 1,166 | (2,368) |
| Change in provisions | - | (164) |
| | 1,690 | (1,218) |
| **Cash generated from operations** | 4,628 | 1,824 |
| Income taxes refunded | 183 | - |
| Income taxes paid | - | (853) |
| **Net cash generated from operating activities** | 4,811 | 971 |
| **Cash flows from investing activities** | | |
| Proceeds on disposal of property, plant and equipment | 18 | 21 |
| Purchases of property, plant and equipment | (597) | (495) |
| Purchases of intangible assets | (856) | (740) |
| Disposal of intangible assets | 76 | - |
| Purchase of subsidiary undertakings | - | (377) |
| Cash acquired with subsidiary | - | 39 |
| **Net cash used in investing activities** | (1,359) | (1,552) |
| **Cash flows from financing activities** | | |
| Interest payable | (64) | (62) |
| Interest received | - | 5 |
| Issue of share capital | 10 | - |
| Purchase of own shares | (361) | - |
| Proceeds from disposal of own shares | 67 | - |
| Repayments of borrowings | (435) | (511) |
| New borrowings | 1,500 | - |
| Dividends paid | (1,547) | (1,537) |
| **Net cash used in financing activities** | (830) | (2,105) |
| Net increase/(decrease) in cash and cash equivalents | 2,622 | (2,686) |
| Cash and cash equivalents at beginning of period | (1,426) | 1,260 |
| **Cash and cash equivalents at end of period** | 1,196 | (1,426) |

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

## 1. Significant accounting policies

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). IFRS includes Interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements have been prepared on the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the principle accounting policies set out below. The measurement bases and principal accounting policies of the Group are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The Directors, after having made appropriate enquiries, including (but not limited to) a review of the Group's budget for 2013/2014, and cash generating capacity at least 12 months from the date of signing (underpinned by long term contracts in place and historical results), have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### 1.2 Subsidiaries

The consolidated financial statements incorporate the results, assets, liabilities and cash flows of the company and each of its subsidiaries for the financial year ended 31 March 2013.

Subsidiaries are entities controlled by the Group. Control is deemed to exist when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results, assets, liabilities and cash flows of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

### 1.3 Business combinations

For business combinations occurring since 1 January 2010, the requirements of IFRS 3R have been applied. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition date fair values.

### 1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods provided in the normal course of business, net of all related discounts and sales tax.

## 1. Significant accounting policies (continued)

### Leisure including Vending and Technology

#### Sale of dispense monitoring equipment

The revenue from the sale is recognised at the point of installation when the transfer of risk and reward is made to the customer.

#### Sale of support service packs

The revenue is recognised over the support term of the length of the service contract in accordance with the respective customer's agreements.

#### Machine & vending monitoring sale of equipment

The revenue from the sale is recognised at the point of installation when the transfer of risk and reward is made to the customer.

#### Machine monitoring licence and support, vending service revenue

The revenue is recognised over the support term of the length of the service contract in accordance with the respective customer's agreements.

#### Machine monitoring data management services

The revenue is recognised over the support term of the length of the service contract in accordance with the respective customer's agreements.

#### Interest income

Interest income is accrued on a time basis using the effective interest method.

#### Rental income

Income from equipment leased to customers is accounted for on a straight-line basis over the period to which it relates. These arrangements are operating leases, where the risk and reward of the unit, which is capitalised, remains with the Group.

#### Deferred income

Deferred income is released over the term of the service contract to which it releates.

### Fuel Solutions

#### Fuel loss management and prevention (wetstock analysis)

The revenue is recognised over the support term of the length of the service contract in accordance with the respective customer's agreements.

#### Pump dispense calibration and verification services

The revenue from the sale is recognised at the point of calibration and verification when the transfer of risk and reward is made to the customer.

#### Facilities management, engineering and project management solutions

The revenue is recognised over the support term of the length of the service contract in accordance with the respective customer's agreements.

## 1. Significant accounting policies (continued)

**Fuel management systems, tank gauging and lining solutions and liquefied petroleum gas and forecourt services**

The revenue from the sale is recognised at the point of work being completed when the transfer of risk and reward is made to the customer.

**Interest income**

Interest income is accrued on a time basis using the effective interest method.

**Rental income**

Income from equipment leased to customers is accounted for on a straight-line basis over the period to which it relates. These arrangements are operating leases, where the risk and reward of the unit, which is capitalised, remains with the Group.

### 1.5 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

### 1.6 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary. Goodwill is not amortised, but tested at least annually for impairment, and carried at cost less accumulated impairment losses. Impairment losses are immediately recognised in profit or loss and are not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Tests have been undertaken using commercial judgements and a number of assumptions and estimates have been made to support the carrying amount, assessed against discounted cash flows. The details of these assumptions are set out in note 11.

### 1.7 Intangible assets

**Acquisition as part of a business combination**

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill at their fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets acquired as part of a business combination and recognised by the Group include customer contracts.

After initial recognition, intangible assets acquired as part of a business combination are carried at cost less accumulated amortisation and any impairment losses recognised in administrative expenses in the statement of comprehensive income.

## 1. Significant accounting policies (continued)

### Amortisation

Intangible assets are amortised on a straight-line basis, to reduce their carrying value to their residual value, over their estimated useful lives. The following useful lives were applied during the year:

| | |
|---|---|
| Customer contracts and relationships | expected length of relationship |
| Patents | expected length of patent |
| Order book | expected length of contract |

Methods of amortisation, residual values and useful lives are reviewed, and if necessary adjusted, at each balance sheet date.

### 1.8 Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably

Development costs not meeting the criteria for capitalisation are expensed as incurred.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

Directly attributable costs include employee (other than directors) costs incurred on development and directly attributable overheads. The costs of internally generated software developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired licences. However, until completion of the development project, the assets are subject to impairment testing only.

Capitalised development costs are amortised over the life of the product within cost of sales, which is usually no more than five years.

### 1.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price of property, plant and equipment together with any directly attributable costs.

## 1. Significant accounting policies (continued)

Subsequent costs are included in an asset's carrying value or recognised as a separate asset, when it is probable that future economic benefits associated with the additional expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the statement of comprehensive income when incurred.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of assets to their residual values over their estimated useful lives using a method that reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group.

Depreciation is charged in equal annual instalments over the following periods:

| | |
|---|---|
| Freehold land and property | 50 years |
| Plant and machinery | 4 years |
| Equipment and vehicles | 4 years |
| Fixtures and fittings | 4 years |
| Rental systems | Term of hire |

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in the consolidated statement of comprehensive income.

### 1.10 Impairment

At each balance sheet date, the Group assesses whether there is any indication that its assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the income statement.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

Goodwill is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit by first reducing the carrying amount of any goodwill allocated to the cash-generating unit, and then reducing the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

## 1. Significant accounting policies (continued)

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss. Impairment losses on goodwill are not subsequently reversed.

### 1.11 Operating leases

The costs of all operating leases are charged to the profit or loss on a straight-line basis at existing rental levels. Incentives to sign operating leases are recognised in the profit or loss in equal instalments over the term of the lease.

### 1.12 Own shares

The costs of purchasing own shares are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Such amounts are shown in a separate reserve. Neither the purchase nor sale of own shares leads to a gain or loss being recognised.

### 1.13 Inventories

Inventories are stated at the lower of cost and net realisable value on a first in first out (FIFO) basis. Cost of finished goods and work in progress includes materials and direct labour.

Net realisable value is the estimated selling price, which would be realised after deducting all estimated costs of completion, and costs incurred in marketing, selling and distributing such inventory.

### 1.14 Taxation

The tax expense represents the sum of current tax and deferred tax.

#### Current tax

Current tax is based on taxable profit for the year and is calculated using tax rates enacted or substantively enacted at the balance sheet date. Taxable profit differs from accounting profit either because items are taxable or deductible in periods different to those in which they are recognised in the financial statements or because they are never taxable or deductible.

#### Deferred tax

Deferred tax on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the balance sheet liability method.

Using the balance sheet liability method, deferred tax liabilities are recognised in full for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, if the deferred tax asset or liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit, it is not recognised.

Deferred taxation is measured at the tax rates that are expected to apply when the asset is realised or the liability settled based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax amounts and when they relate to the same tax authority and the Group intends to settle its current tax amounts on a net basis.

Current and deferred tax are recognised in the profit or loss except when they relate to items recognised directly in equity, when they are similarly taken to equity.

## 1. Significant accounting policies (continued)

### Pension Costs

The Group operates a defined contribution pension scheme. The assets of these schemes are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the scheme for the year.

### 1.15 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

The particular recognition and measurement methods adopted for the Group's financial instruments are disclosed below:

#### Investments

Investments are carried at fair value and are reviewed for impairment by reference to traded share prices.

#### Trade receivables and Cash and cash equivalents

Trade receivables and cash and cash equivalents are categorised as loans and receivables, which are recognised initially at fair value and are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Trade payables and borrowings

Trade payables and borrowings are recorded initially at fair value, net of direct issue costs, and subsequently are recorded at amortised cost using the effective interest method.

### 1.16 Dividends

Final dividends are recognised as a liability in the period in which they are approved by the company's shareholders. Interim dividends are recognised when they are paid.

### 1.17 Employee share option schemes

All share-based payment arrangements granted after 7 November 2002 are recognised in the financial statements. IFRS 2 has been applied to grants before 7 November 2002 only where the group has disclosed publicly the fair value of those equity instruments, determined as at the grant date in accordance with IFRS 2.

All goods and services received in exchange for the grant of any share-based payment, including awards made under the Joint Ownership Plan (an equity settled scheme) are measured at their fair values. Where employees are rewarded using share-based payments the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit or loss with a corresponding credit to "Share based payment reserve".

## 1. Significant accounting policies (continued)

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

### 1.18 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Own shares reserve" represents the costs/ proceeds of purchasing/ selling own shares.
- "Merger reserve" represents the excess over nominal value of fair value of consideration attributed to equity shares issued in part settlement for subsidiary company shares acquired.
- "Retained earnings reserve" represents retained profits.

### 1.19 New IFRS standards and interpretations not applied

New standards and interpretations currently in issue but not effective that will have an impact on the financial statements are listed below. These will affect presentation only:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Instruments (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (effective 1 January 2013)
- Deferred Tax Recovery of Underlying assets – Amendments to IAS12 Income Taxes (effective 1 January 2012)
- IAS 27 (revised) Separate Financial Statements (effective 1 January 2013)
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosure and presentational requirements.

## 1. Significant accounting policies (continued)

### 1.20 Exceptional Items

The Group seeks to highlight certain items as exceptional operating income or costs. These are considered to be exceptional in size and/or nature rather than indicative of the underlying trading of the Group. These may include items such as acquisition costs, restructuring costs, material profits or losses on disposal of property, plant and equipment, profits or losses on the disposal of subsidiaries and inventory write downs associated with acquisition balance sheets. All of these items are charged or credited before calculating operating profit or loss. Material profits or losses on disposal of property, plant and equipment are shown as separate items in arriving at operating profit or loss whereas other exceptional items are charged or credited within operating costs and highlighted by analysis. The Directors apply judgement in assessing the particular items, which by virtue of their size and nature are disclosed separately in the Statement of Comprehensive Income and the notes to the financial statements as exceptional items. The Directors believe that the separate disclosure of these items is relevant to understanding the Group's financial performance.

## 2. Critical accounting judgements and key sources of estimation uncertainty

### 2.1 Significant judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may however differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or further information. Such changes are recognised in the period in which the estimate is revised.

Certain accounting policies are particularly important to the preparation and explanation of the Group's financial information. Key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities over the next twelve months are set out below.

#### Impairment of intangible assets and property, plant and equipment

The Group tests goodwill at least annually for impairment, and whenever there is an indication that the asset may be impaired. All other intangible assets and property, plant and equipment are tested for impairment when indicators of impairment exist. Impairment is determined with reference to the higher of fair value less costs to sell and value in use. Value in use is estimated using adjusted future cash flows. Significant assumptions are made in estimating future cash flows about future events including future market conditions and future growth rates. Changes in these assumptions could affect the outcome of impairment reviews. See notes 11 to 13.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination including customer contracts and customer lists are recognised when they are identifiable or arise from contractual or other legal rights and their fair value can be reliably measured. Fair value is estimated using risk adjusted future cash flows. Significant assumptions are made in estimating future cash flows about future events including future market conditions and future growth rates. Changes in these assumptions could affect fair values.

#### Income taxes

The determination of the Group's tax liabilities requires the interpretation of tax law. The Group obtains appropriate professional advice from its tax advisors in relation to all significant tax matters. The directors believe that the judgements made in determining the Group's tax liabilities are reasonable and appropriate, however, actual experience may differ and materially affect future tax charges.

## 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

### Development costs

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Recognition is based on judgements at the time expenditure is incurred. In addition, all internal activities related to the research and development of new software products are continuously monitored by the directors.

## 3. Segment reporting

### Business segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. The segment operating results are regularly reviewed by the Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance. Leisure services is analysed in to three segments – Leisure, Vending and Technology highlighting the three key divisions within leisure. Vending and Technology do not meet the quantitative thresholds required for segmental reporting. However, these have been split out for the first time this year as management believes this information is useful to the users of the financial statements.

The products/services offered by each operating segment are:

Leisure: design, product development, sale and rental of fluid monitoring and machine monitoring equipment together with the provision of data management and related services.

Fuel Solutions: wetstock analysis and related services.

The inter-segment sales are immaterial. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities comprise items such as cash and cash equivalents, taxation, and borrowings. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

## 3. Segment reporting (continued)

### 2013

| Continuing Operations (post exceptional items) | Leisure Services £'000 | Vending £'000 | Technology £'000 | Fuel Solutions £'000 | Corporate £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Total revenue | 14,490 | 907 | 873 | 4,815 | - | 21,085 |
| Pre-exceptional segment result | 4,563 | (231) | (264) | (397) | (1,049) | 2,622 |
| Exceptional costs | (128) | (17) | (11) | (350) | (232) | (738) |
| Post exceptional segment result | 4,435 | (248) | (275) | (747) | (1,281) | 1,884 |
| Finance income | - | - | - | - | - | - |
| Finance costs | (23) | - | - | (1) | (40) | (64) |
| Profit/(loss) before taxation | 4,412 | (248) | (275) | (748) | (1,321) | 1,820 |
| Taxation | | | | | | 110 |
| Profit for the year from continuing operations | | | | | | 1,930 |
| **Other information** | | | | | | |
| Additions to property, plant, equipment and intangible assets | 579 | 247 | 293 | 207 | 30 | 1,356 |
| Depreciation and amortisation | 368 | 322 | 151 | 159 | 1 | 1,001 |

| | Leisure Services £'000 | Vending £'000 | Technology £'000 | Fuel Solutions £'000 | Corporate £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Segment assets | 10,748 | - | - | 1,800 | 32 | 12,580 |
| Unallocated assets | - | - | - | - | 18,539 | 18,539 |
| **Total assets** | 10,748 | - | - | 1,800 | 18,571 | 31,119 |
| Segment liabilities | 6,686 | - | - | 638 | 269 | 7,593 |
| Unallocated liabilities | - | - | - | - | 157 | 157 |
| **Total liabilities** | 6,686 | - | - | 638 | 426 | 7,750 |

The asset base of the Leisure division cannot be split across Vending and Technology.

## 3. Segment reporting (continued)

### 2012

| Continuing Operations (post exceptional items) | Leisure Services £'000 | Vending £'000 | Technology £'000 | Fuel Solutions £'000 | Corporate £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Total revenue | 14,978 | 1,455 | 1,098 | 5,444 | - | 22,975 |
| Pre-exceptional segment result | 5,507 | 276 | (4) | (956) | (1,686) | 3,137 |
| Exceptional costs | (348) | (185) | (80) | (504) | 378 | (739) |
| Post exceptional segment result | 5,159 | 91 | (84) | (1,460) | (1,308) | 2,398 |
| Finance income | 2 | - | - | 1 | 2 | 5 |
| Finance costs | (37) | - | - | (4) | (21) | (62) |
| Profit before taxation | 5,124 | 91 | (84) | (1,463) | (1,327) | 2,341 |
| Taxation | | | | | | (82) |
| Profit for the year from continuing operations | | | | | | 2,259 |
| **Other information** | | | | | | |
| Additions to property, plant, equipment and intangible assets | 307 | 364 | 440 | 124 | 355 | 1,590 |
| Depreciation and amortisation | 447 | 286 | 168 | 498 | - | 1,399 |

| | Leisure Services £'000 | Vending £'000 | Technology £'000 | Fuel Solutions £'000 | Corporate £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Segment assets | 7,945 | - | - | 1,882 | 1 | 9,828 |
| Unallocated assets | - | - | - | - | 20,245 | 20,245 |
| **Total assets** | 7,945 | - | - | 1,882 | 20,246 | 30,073 |
| Segment liabilities | 5,529 | - | - | 1,050 | 119 | 6,698 |
| Unallocated liabilities | - | - | - | - | 157 | 157 |
| Total liabilities | 5,529 | - | - | 1,050 | 276 | 6,855 |

### Analysis of revenue by category

| | 2013 £000 | 2012 £000 |
|---|---|---|
| **Continuing operations** | | |
| Sale of goods | | |
| - leisure | 3,077 | 2,614 |
| - fuel | - | - |
| Rendering of services | | |
| - leisure | 13,193 | 14,917 |
| - fuel | 4,815 | 5,444 |
| Finance income | | |
| - leisure | - | 5 |
| - fuel | - | - |
| | 21,085 | 22,980 |

## 4. Exceptional items

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Deferred consideration release | - | (808) |
| Corporate restructuring and transitional costs | 738 | 1,297 |
| | 738 | 489 |

Exceptional items include subsidiary office closure costs, group people restructuring costs, business segment closure costs and new company start up costs.

## 5. Profit for the year

The following items have been included in arriving at profit for the year:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Employee benefits expense (note 22) | 8,238 | 9,045 |
| Depreciation of property, plant and equipment (note 13) | 410 | 448 |
| Amortisation of intangible assets (note 12) | 591 | 701 |
| Loss on disposal of property, plant and equipment | 19 | 8 |
| Operating lease rentals payable | 300 | 243 |
| Impairment of goodwill | - | 250 |

### Auditor's remuneration

| Services to the company and its subsidiaries | 2013 £000 | 2012 £000 |
|---|---|---|
| Fees payable to the company's auditor for the audit of the annual financial statements | 12 | 16 |
| Fees payable to the company's auditor and its associates for other services: | | |
| Audit of the financial statements of the company's subsidiaries pursuant to legislation | 39 | 37 |
| Other services relating to tax - compliance and advice | 20 | 16 |
| Other services – principally IFRS advice, half year reporting and accounting advice | 73 | 103 |
| | 144 | 172 |

## 6. Finance income

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Interest on bank deposits | - | 5 |
| | - | 5 |

## 7. Finance costs

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Interest payable on bank borrowings | 64 | 62 |
| | 64 | 62 |

## 8. Taxation

### Analysis of (credit)/charge in period

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Current tax (credit)/expense | | |
| – UK corporation tax on profits of the period | - | 298 |
| – Amounts in respect of prior periods | (110) | 10 |
| | (110) | 308 |
| Deferred tax expense: | | |
| – Temporary differences | - | (226) |
| Income tax (credit)/expense | (110) | 82 |

### Reconciliation of effective tax rate

The tax for the period is lower (2012 lower) than the standard rate of corporation tax in the UK (24%/26%). The differences are explained below:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Profit before taxation | | |
| – Continuing operations | 1,820 | 2,341 |
| Profit before taxation multiplied by rate of corporation tax in the UK of 24% (2012: 26%) | 437 | 609 |
| Effects of: | | |
| Other expenses not deductible for tax purposes | 38 | 21 |
| Amortisation of intangibles | 149 | 36 |
| Utilisation of losses | (691) | - |
| Disposal of investment | - | - |
| Adjustments for prior years | (110) | 10 |
| Research and development | (486) | (247) |
| Amortisation of intangibles | - | (547) |
| Movement on losses not recognised | 553 | 200 |
| Total tax (credit)/expense | (110) | 82 |

## 9. Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated on the basis of profit for the year after tax divided by the weighted average number of shares in issue in the year plus the weighted average number of shares which would be issued if all the options granted were exercised

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

| | | 2013 | | | 2012 | |
|---|---|---|---|---|---|---|
| | Earnings £000 | Basic earnings per share | Diluted earnings per share | Earnings £000 | Basic earnings per share | Diluted earnings per share |
| Profit attributable to equity shareholders | 1,930 | 7.12p | 7.08p | 2,259 | 8.00p | 7.90p |

| | 2013 Number | 2012 Number |
|---|---|---|
| Weighted average number of ordinary shares | 27,098,352 | 28,248,164 |
| Dilutive effect of share options | 172,940 | 330,000 |
| Diluted weighted average number of ordinary shares | 27,271,292 | 28,578,164 |

## 10. Ordinary dividends

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Final dividend for the year ended 31 March 2012 of 4.0p (year ended 31 March 2011: 3.98p) | 1,089 | 1,083 |
| Interim dividend paid in respect of the year of 1.70p (2012: 1.67p) | 458 | 454 |
| Amounts recognised as distributions to equity holders | 1,547 | 1,537 |

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2013 of 4.00p per share. If approved by shareholders, it will be paid on 2 August 2013 to shareholders who are on the register of members on 21 June 2013. Total dividend payable 5.70p (2012: 5.67p).

## 11. Goodwill

| Group | 2013 £000 | 2012 £000 |
|---|---|---|
| Cost | | |
| At 1 April | 17,973 | 17,618 |
| Additions | - | 355 |
| At 31 March | 17,973 | 17,973 |
| Accumulated impairment losses | | |
| At 1 April | (250) | - |
| Impairment loss during period | - | (250) |
| At 31 March | (250) | (250) |
| Net book amount 31 March | 17,723 | 17,723 |

Goodwill is tested for impairment annually or when events or changes in circumstances that the carrying amount may not be recoverable. The goodwill impairment test is performed by comparing the carrying value of the CGU and associated goodwill with the aggregate recoverable amount.

## 11. Goodwill (continued)

The carrying value of goodwill is allocated to the following cash generating units:

| | 2013<br>£000 | 2012<br>£000 |
|---|---|---|
| Leisure Services | 15,503 | 15,503 |
| Technology | - | - |
| Vending | - | - |
| Fuel Solutions | 2,220 | 2,220 |
| Carrying amount 31 March | 17,723 | 17,723 |

Following a restructure undertaken during the year the goodwill has been allocated to the relevant CGU's and the prior year information presented on the same basis.

The recoverable amounts attributed are based on value in use calculations. The key assumptions made in undertaking the value in use calculations are set out below.

Budgeted profit and cash flow forecasts for the financial year ending 31 March 2014 were extrapolated for a six year period using sector growth assumptions and used as the basis for the impairment review. The key assumption included within these is a return/improvement in profitability in the future of a number of subsidiary companies, based on committed (medium to long term contracts) and pipeline orders.

Basis of budgets and assumptions are based around historical track record and committed medium to long term contracts.

Sector growth assumptions, applied to the leisure services segments: 3% based on estimates of specific industry rates, where available.

Sector growth assumptions, applied to the fuel solutions segments: between 3% and 7.5% based on estimates of specific industry rates, where available.

Discount rate assumptions, applied to both the leisure services and fuel solutions segments: 10% based on management's view of risks specific to the group.

If sector growth assumption rates were applied at 0% and a discount rate assumption of 10% was applied, the leisure services segment would require no impairment, but the fuel solutions segment would require an impairment of £489,000.

If sector growth assumption rates were applied at 3% and a discount rate assumption of 15% was applied, the leisure services segment would require no impairment, but the fuel solutions segment would require an impairment of £1,133,000.

If sector growth assumption rates were applied at 0% and a discount rate assumption of 15% was applied, the leisure services segment would require no impairment, but the fuel solutions segment would require an impairment of £1,452,000.

The Directors are confident that the restructuring and exit of loss making services in fuel solutions result in no impairment being required. This is continually reviewed by the Directors.

## 12. Other intangible assets

| Group | Capitalised development £000 | Order book £000 | Customer contracts £000 | Patents £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2011 | 1,112 | 281 | 1,826 | 21 | 3,240 |
| Arising from business combinations | - | - | 310 | 3 | 313 |
| Internally generated development costs | 740 | - | - | - | 740 |
| **At 31 March 2012** | **1,852** | **281** | **2,136** | **24** | **4,293** |
| Internally generated development costs | 829 | - | - | 27 | 856 |
| Disposals | (76) | - | - | - | (76) |
| **At 31 March 2013** | **2,605** | **281** | **2,136** | **51** | **5,073** |
| **Amortisation** | | | | | |
| At 1 April 2011 | 108 | 144 | 1,341 | 9 | 1,602 |
| Charge for the year | 210 | 107 | 382 | 2 | 701 |
| **At 31 March 2012** | **318** | **251** | **1,723** | **11** | **2,303** |
| Charge for the year | 362 | 27 | 199 | 3 | 591 |
| **At 31 March 2013** | **680** | **278** | **1,922** | **14** | **2,894** |
| **Net book amount** | | | | | |
| **At 31 March 2013** | **1,925** | **3** | **214** | **37** | **2,179** |
| **At 31 March 2012** | **1,534** | **30** | **413** | **13** | **1,990** |

Where appropriate, intangible assets identified in business combinations have been recognised in accordance with the provisions of IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets). Intangible assets have only been recognised where they have identifiable future economic benefits that are controlled by the entity, it is probable that these benefits will flow to the entity and their fair value can be measured reliably.

The £829,000 of capitalised development costs represents expenditure that fulfils the requirement of IAS 38. These costs will be amortised over the future commercial life of the product, commencing on the sale of the first commercial unit.

## 13. Property, plant and equipment

| Group | Freehold Land and buildings £000 | Plant, vehicles and equipment £000 | Fixtures and fittings £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2011 | 3,104 | 588 | 2,101 | 5,793 |
| Additions | 6 | 89 | 400 | 495 |
| Disposals | - | (110) | - | (110) |
| **At 31 March 2012** | **3,110** | **567** | **2,501** | **6,178** |
| Additions | 1 | 329 | 267 | 597 |
| Disposals | - | (41) | (24) | (65) |
| **At 31 March 2013** | **3,111** | **855** | **2,744** | **6,710** |
| **Accumulated depreciation** | | | | |
| At 1 April 2011 | 289 | 256 | 1,605 | 2,150 |
| Charge for the year | 61 | 94 | 293 | 448 |
| Disposals | - | (82) | - | (82) |
| **At 31 March 2012** | **350** | **268** | **1,898** | **2,516** |
| Charge for the year | 60 | 92 | 258 | 410 |
| Disposals | - | (18) | (10) | (28) |
| **At 31 March 2013** | **410** | **342** | **2,146** | **2,898** |
| **Net book amount** | | | | |
| **At 31 March 2013** | **2,701** | **513** | **598** | **3,812** |
| **At 31 March 2012** | **2,760** | **299** | **603** | **3,662** |

## 14. Investments

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Valuation: | | |
| Other shares | | |
| At 1 April | 533 | 533 |
| At 31 March | 533 | 533 |

The Group held 13,209,754 ordinary 5p shares in Universe Group plc, an AIM listed company which represents 7.04% (2012: 11.52%) of the share capital as at 31 March 2013. See post balance sheet note 26.

## 15. Inventories

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Raw materials | 2,054 | 2,208 |
| Write down on raw materials | (272) | (472) |
| Work in progress | 93 | 167 |
| | 1,875 | 1,903 |

No reversal of previous write-downs was recognised as a reduction of expense in 2012 or 2013. In 2013 £3,199,743 (2012: £4,473,573) was included in the statement of comprehensive income under cost of sales. None of the inventories are pledged as securities for liabilities.

The Group's inventories are comprised of products, which are not generally subject to rapid obsolescence on account of technological, deterioration in condition or market trends. Consequently management considers that there is little risk of significant adjustments to the Group's inventory assets within the next financial year.

## 16. Trade and other receivables

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Trade receivables | 3,184 | 3,683 |
| Other receivables | 36 | 18 |
| Prepayments and accrued income | 441 | 456 |
| | 3,661 | 4,157 |

The directors consider that the carrying amount of trade and other receivables approximates their fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment.

All trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £14,504 (2012: £19,792) has been recorded accordingly (note 19)

In addition some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Not more than three months | 1,012 | 1,458 |
| More than three months but not more than six months | 97 | 66 |
| More than six months but not more than one year | 34 | 107 |
| More than one year | - | 5 |
| | 1,143 | 1,636 |

## 17. Trade and other payables

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Trade payables | 929 | 1,210 |
| Other taxation and social security | 723 | 728 |
| Accruals and deferred income | 2,829 | 1,100 |
| Deferred consideration | 67 | 362 |
| | 4,548 | 3,400 |

The directors consider that the carrying amount of trade and other payables approximates their fair value.

## 18. Borrowings

| Current | 2013 £000 | 2012 £000 |
|---|---|---|
| Bank overdraft | - | 1,531 |
| Bank loans | 898 | 444 |
| Hire purchase | 1 | 10 |
| | 899 | 1,985 |

| Non-current | 2013 £000 | 2012 £000 |
|---|---|---|
| Bank loans | 2,146 | 1,525 |
| Hire purchase | - | 1 |
| | 2,146 | 1,526 |

Bank loans are denominated in £ sterling and bear interest based on Bank of Scotland Base Rate plus a rate of between 1% and 3%. The bank loans are secured by a fixed charge over the land and buildings of the Group.

The weighted average effective interest rates on the Group's borrowings were as follows:

| | 2013 % | 2012 % |
|---|---|---|
| Bank overdrafts – floating rates | 2.5 | 2.5 |
| Bank borrowings – floating rates | 1.5 | 1.5 |

The maturity profile of the Group's non-current bank loans and hire purchase was as follows:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Between one and two years | 900 | 130 |
| Between two and five years | 438 | 436 |
| More than five years | 808 | 960 |
| | 2,146 | 1,526 |

The Group's bank borrowings bear interest at floating rates, which represent prevailing market rates. The Directors have not considered the impact of interest on these commitments given the levels of cash in the Group and facilities the Group has. The cash generative nature of the Group and hence any interest rate change would be mitigated to a degree by interest earned. The directors consider therefore that the carrying amount of bank borrowings approximates their fair value.

## 19. Financial Instruments

The Group is exposed on a minimal basis to market risk through its use of a US Dollar and a Euro account. The Group's risk management is co-ordinated by the directors who focus actively on securing the Group's short to medium term cash flows through regular review of all the operating activities of the business. 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 sensitivity

Exposures to currency exchange rates arise from the Group's overseas activities, all of which are denominated in US Dollars and Euros.

Due to the non material nature of the Group's exposure to foreign currency risk, sensitivity analyses to movement in exchange rates are not produced.

Foreign currency denominated financial assets and liabilities are set out below.

| | 2013<br>$000 | 2012<br>$000 |
|---|---|---|
| Financial assets | 351 | 33 |
| Financial liabilities | - | - |
| | 351 | 33 |

| | 2013<br>€000 | 2012<br>€000 |
|---|---|---|
| Financial assets | 36 | 21 |
| Financial liabilities | - | - |
| | 36 | 21 |

The Group has no long term foreign exchange exposure.

At the beginning and end of the year, the Group had no unexpired forward foreign exchange contracts.

### Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date and which are set out below.

| | 2013<br>£000 | 2012<br>£000 |
|---|---|---|
| Cash and cash equivalents | 1,196 | 105 |
| Trade and receivables | 3,184 | 3,683 |
| | 4,380 | 3,788 |

The Group continuously monitors credit risk of customers and other counterparties and incorporates this information into its credit risk controls. The Group takes up trade references on all new customers and its policy is to deal only with credit worthy companies.

The movement on the bad debt provision in the period is analysed below. The Group provides for bad debts on a specific basis with reference to the age profile of the trade receivables held at the year end

## 19. Financial Instruments (continued)

### Credit risk analysis (continued)

| | £000 |
|---|---|
| Bad debt provision at 31 March 2012 | 20 |
| Amounts utilised | (20) |
| Amounts provided | 15 |
| Bad debt provision at 31 March 2013 | 15 |

Management considers that all the above financial assets are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

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. The credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with a high quality external credit rating.

### Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring all scheduled cash outflows. Liquidity needs are monitored in various time bands, on a day-to-day and week to week basis, as well as on the basis of a rolling eight week projection. Longer term needs are monitored as part of the Group's regular rolling monthly reforecasting process.

### Loans and receivables

| Current Assets | 2013 £000 | 2012 £000 |
|---|---|---|
| Cash and cash equivalents | 1,196 | 105 |
| Trade and receivables | 3,184 | 3,683 |
| | 4,380 | 3,788 |

| Non-Current Assets | 2013 £000 | 2012 £000 |
|---|---|---|
| Available for sale financial assets | 533 | 533 |
| | 533 | 533 |

| Current Liabilities | 2013 £000 | 2012 £000 |
|---|---|---|
| Financial liabilities measured at amortised cost | 1,827 | 3,184 |
| **Non Current Liabilities** | | |
| Financial liabilities measured at amortised cost | 2,146 | 1,526 |
| | 3,973 | 4,710 |
| Net financial assets/(liabilities) | 940 | (389) |

The Directors have not disclosed an interest rate sensitivity analysis note given the levels of cash in the Group, and the cash generative nature of the Group, hence any interest rate change would be mitigated to a degree by interest earned.

The carrying value of the above assets and liabilities is equal to their fair value.

### 19. Financial instruments (continued)

#### Capital management policies and procedures

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting periods under review is set out below.

| | 2013<br>£000 | 2012<br>£000 |
|---|---|---|
| Total equity | 23,369 | 23,218 |
| Less cash equivalents | (1,196) | (105) |
| | 22,173 | 23,113 |

The Group is not subject to external imposed capital requirements, other than the minimum capital requirements and duties regarding reduction of capital as imposed by the Companies Act 2006 for all public limited companies.

### 20. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 24% (2012: 26%).

The movement on the deferred tax account is as shown below:

| | 2013<br>£000 | 2012<br>£000 |
|---|---|---|
| At 1 April | 157 | 303 |
| Profit and loss charge | - | (226) |
| Acquisition | - | 80 |
| At 31 March | 157 | 157 |

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

#### Net deferred tax liability

| Group | £000 |
|---|---|
| At 31 March 2013 | 157 |
| At 31 March 2012 | 157 |

Deferred tax has been recognised during the year in respect of tax losses in certain of the group's subsidiaries as the directors believe there is sufficient certainty over the extent and timing of their recovery to do so. Included in the amount of £157k (2012: £157k) are amounts of £nil relating to tax losses (2012: £nil).

## 21. Issued share capital

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Issued and fully paid | | |
| Ordinary shares of 10p each: 28,268,164 (2012: 28,248,164) | 2,827 | 2,825 |

### Own shares

The Group accounts for its own shares held by the Trustees of the employee option scheme as a deduction from shareholders equity. At 31 March 2013, the Trust owned 818,470 shares (2012: 818,470 shares) with a nominal value of £81,847 (2012: £81,847).

At 31 March 2013, Vianet Group plc owned 456,000 shares (2012: 216,000 shares) with a nominal value of £45,600 (2012: £21,600), all held in treasury.

Dividends payable on these shares have been waived.

No shares have been conditionally gifted to certain employees as at 31 March 2013.

## 22. Employees and directors

### Employee benefit expense during the period

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Wages and salaries | 7,246 | 7,879 |
| Social security costs | 735 | 863 |
| Pension costs | 205 | 246 |
| Share based payments | 52 | 57 |
| | 8,238 | 9,045 |

### Average monthly number of people (including directors) employed

| | 2013 Number | 2012 Number |
|---|---|---|
| Sales | 12 | 11 |
| Engineering | 81 | 68 |
| VRS | 7 | 7 |
| Management | 11 | 14 |
| Administration | 146 | 160 |
| | 257 | 260 |

### Key management personnel - Directors

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Short term employment benefits | 614 | 634 |
| Pension contributions | 67 | 74 |
| | 681 | 708 |

During the year four (2012: four) directors had benefits accruing under defined contribution pension schemes.

## 22. Employees and directors (continued)

### Highest paid director

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Short term employment benefits | 181 | 174 |
| Pension contributions | 29 | 26 |
| | 210 | 200 |

## 23. Operating lease commitments

The Group lease various motor vehicles and property under non-cancellable operating leases. The leases have been entered into under normal commercial terms.

Total future minimum lease payments under non-cancellable operating leases:

| Group 2013 | Motor Vehicles £000 | Land and Buildings £000 | 2013 Total £000 | 2012 Total £000 |
|---|---|---|---|---|
| Within one year | 232 | 75 | 307 | 348 |
| After one year and less than five years | 236 | 130 | 366 | 304 |
| | 468 | 205 | 673 | 652 |

## 24. Share-based payments

There are five share option plans in place the EMI Plan, the Executive Plan, the Employee Plan, an Employee Company Share Option Plan and an Executive Joint Ownership Plan. Under the share option plans, the directors can grant options over shares in the company to employees. Options are granted with a fixed exercise price equal to the market value of the shares at the date of grant. The contractual life of an option is 10 years. Options granted under the EMI share option plans will become exercisable immediately, and options granted under the Executive Plan and the Employee Plan will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment.

Details of share options outstanding during the period (including those held by directors) are set out below:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price p | Number of share options | Weighted average exercise price p |
| At 1 April | 1,926,250 | 102.9 | 1,884,250 | 105.2 |
| Granted | - | - | 110,000 | 82.6 |
| Exercised | (140,000) | 54.9 | - | - |
| Forfeited | (165,000) | 118.6 | (68,000) | 134.0 |
| At 31 March | 1,621,250 | 105.4 | 1,926,250 | 102.9 |
| Exercisable at 31 March | 1,021,750 | 115.2 | 1,136,750 | 108.0 |

## 24. Share-based payments (continued)

| Name of director / senior employee | Date of grant | Number of options | Exercise price | Exercise date | Weighted average share price at date of exercise | Gain on exercise | Exercise period |
|---|---|---|---|---|---|---|---|
| D J Noble | 31/03/06 | 80,000 | 50.0p | 11/01/13 | 101.0p | £40,800 | 01/04/06 to 31/03/16 |
| M H Foster | 31/03/06 | 150,000 | 67.2p | - | - | - | 01/04/06 to 31/03/16 |
| D J Noble | 31/03/06 | 40,000 | 67.2p | 18/01/13 | 101.0p | £13,520 | 01/04/06 to 31/03/16 |
| J W Dickson | 26/10/06 | 75,000 | 123.0p | - | - | - | 27/10/09 to 26/10/16 |
| M H Foster | 26/10/06 | 65,000 | 123.0p | - | - | - | 27/10/09 to 26/10/16 |
| S C Gilliland | 26/10/06 | 24,000 | 123.0p | - | - | - | 27/10/09 to 26/10/16 |
| S Darling | 07/04/09 | 100,000 | 125.0p | - | - | - | 08/04/12 to 07/04/19 |
| S C Gilliland | 25/09/09 | 30,000 | 102.5p | - | - | - | 26/09/12 to 25/09/19 |
| J W Dickson | 27/01/11 | 31,000 | 96.5p | - | - | - | 28/01/14 to 27/01/20 |
| M H Foster | 27/01/11 | 31,000 | 96.5p | - | - | - | 28/01/14 to 27/01/21 |
| S Darling | 27/01/11 | 31,000 | 96.5p | - | - | - | 28/01/14 to 27/01/21 |

## 24. Share-based payments (continued)

The fair value per option and the assumptions used in the calculation were as follows:

| | |
|---|---|
| Share price at grant date | 34.8p (March 2006) |
| | 123.0p (October 2006) |
| | 147.5p (December 2006) |
| | 148.5p (January 2008) |
| | 154.0p (July 2008) |
| | 155.5p (August 2008) |
| | 123.0p (November 2008) |
| | 125.0p (April 2009) |
| | 102.5p (September 2009) |
| Exercise price | 50.0p (March 2006) |
| | 67.2p (March 2006) |
| | 123.0p (October 2006) |
| | 147.5p (December 2006) |
| | 148.5p (January 2008) |
| | 151.5p (July 2008) |
| | 151.5p (August 2008) |
| | 132.5p (November 2008) |
| | 143.8p (January 2010) |
| | 126.5p (April 2010) |
| | 119.0p (June 2010) |
| | 115.0p (September 2010) |
| | 111.0p (November 2010) |
| | 96.5p (January 2011) |
| | 102.0p (February 2011) |
| Shares under option | 1,621,250 |
| Vesting period – EMI Options (years) | 0 |
| Vesting period – Executive/Employee Scheme (years) | 3 |
| Option life (years) | 10 |
| Expected life (years) | 3 |
| Expected volatility | 30% |
| Risk free rate – 31 March 2006 | 4.39% |
| Risk free rate – 19 October 2006 | 4.75% |
| Risk free rate – 6 December 2006 | 4.58% |
| Expected dividends expressed as a dividend yield | 3% |
| Fair value per option – EMI Options (50.0p) | 3.2p |
| Fair value per option – EMI Options (67.2p) | 1.3p |
| Fair value per option – Executive/Employee Scheme (123.0p) | 25.0p |
| Fair value per option – Executive/Employee Scheme (147.5p) | 30.0p |

## 24. Share-based payments (continued)

Expected volatility was determined by discounting the weighted average volatility of comparable listed companies to a comparable private company volatility. The share price of £0.348 was agreed with HMR&C as the fair value of Vianet Group plc shares at the time of grant of the EMI options. The fair value of the other shares was as per market value at date of grant as shown above. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The fair value on the EMI Plan, the Executive Plan, the Employee Plan and the Employee Company Share Option Plan were all calculated under the Black Scholes model.

The Group recognised an expense of £52,000 (2012: £57,000) in relation to equity settled share-based payment transactions in the year.

Joint Ownership Plan

The following awards over shares in the Company were made to the following Executive Directors of the Company on 25 September 2009 by a Joint Ownership Plan.

| Director | Number of Plan shares in which the Director has an interest |
|---|---|
| J W Dickson | 100,000 |
| M H Foster | 100,000 |
| S Darling | 100,000 |

Awards were made by the Company's Remuneration Committee through the Company's employee benefit trust operated by Halifax EES Trustees International Limited. The awards are subject to EPS performance targets and dependant on performance vest on 31 March 2014. No value has been paid on grant of the Plan shares and participants are entitled to growth over the Plan term. The fair value on the Joint Ownership plan was calculated under the Black Scholes model.

## 25. Related party transactions

IAS 24 (Related party transactions) requires the disclosure of the details of material transactions between reporting entities and related parties. Transactions with group entities are eliminated on consolidation. J H Newman, a non-executive director invoiced Vianet Group plc for fees totalling £43,371 (2012: £43,601). As at 31 March 2013, there was £nil outstanding (2012: £3,821). S Gilliland, a non-executive director invoiced Vianet Group plc for fees totalling £29,025 (2012: £34,161). As at 31 March 2013, there was £2,500 outstanding (2012: £2,485).

## 26. Events after the balance sheet date

On 16 April 2013 the Group disposed of its entire shareholding in Universe Group plc at a price of 4.75p per share realising a profit on disposal of £90,049.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIANET GROUP PLC

We have audited the parent company financial statements of Vianet Group plc for the year ended 31 March 2013 which comprise the Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

### Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

# Independent auditor's report to the members of Vianet Group plc (continued)

## Other matter

We have reported separately on the group financial statements of Vianet Group plc for the year ended 31 March 2013.

Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Leeds

11 June 2013

# COMPANY BALANCE SHEET

at 31 March 2013

| | Note | 2013 £000 | 2012 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments in subsidiaries | 2 | 5,170 | 20,323 |
| Other intangible assets | 3 | 22 | - |
| Property, plant and equipment | 4 | 7 | - |
| Investments | 5 | 533 | 533 |
| | | 5,732 | 20,856 |
| **Current assets** | | | |
| Debtors | 6 | 14,831 | 2,998 |
| Cash at bank and in hand | | 4 | - |
| | | 14,835 | 2,998 |
| **Creditors: amounts falling due within one year** | 7 | (239) | (667) |
| **Net current assets** | | 14,596 | 2,331 |
| **Net assets** | | 20,328 | 23,187 |
| **Capital and reserves** | | | |
| Ordinary share capital | 8 | 2,827 | 2,825 |
| Share premium | 9 | 11,182 | 11,174 |
| Share based payment reserve | 9 | 345 | 333 |
| Own shares | 9 | (1,081) | (851) |
| Merger reserve | 9 | 310 | 310 |
| Retained earnings | 9 | 6,745 | 9,396 |
| **Total equity** | 9 | 20,328 | 23,187 |

The balance sheet was approved by the Board on 11 June 2013 and signed on its behalf by:

**J W Dickson**
**Director**
**Company number: 5345684**

The accompanying accounting policies and notes form an integral part of the financial statements.

# NOTES TO THE COMPANY BALANCE SHEET

## 1. Principal accounting policies

### 1.1 Basis of preparation

This balance sheet has been prepared under the historic cost convention and in accordance with UK Generally Accepted Accounting Practice.

The principal accounting policies of the company are set out below and have remained unchanged from the previous year.

### 1.2 Taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS19 deferred tax is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

### 1.3 Investments

Investments in subsidiary undertakings and other entities are stated at cost net of impairments.

### 1.4 Employee share option schemes

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "share based payment" reserve.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

### 1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price of property, plant and equipment together with any directly attributable costs.

Subsequent costs are included in an asset's carrying value or recognised as a separate asset, when it is probable that future economic benefits associated with the additional expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the consolidated statement of comprehensive income when incurred.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of assets to their residual values over their estimated useful lives using a method that reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group.

Depreciation is charged in equal annual instalments over the following periods:

Fixtures and fittings 4 years

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in the consolidated statement of comprehensive income.

### 1.6 Intangible Assets

#### Separately acquired intangible assets

The Group does not operate any purchased computer software. All such software is licensed and expensed.

#### Amortisation

Intangible assets are amortised on a straight-line basis, to reduce their carrying value to their residual value, over their estimated useful lives. The following useful lives were applied during the year:

Patents 4 years

Methods of amortisation, residual values and useful lives are reviewed, and if necessary adjusted, at each balance sheet date.

## 2. Investments in subsidiary

| Company | 2013 £000 | 2012 £000 |
|---|---|---|
| **Cost and net book amount:** | | |
| Shares in subsidiaries | | |
| At 1 April | 20,323 | 20,323 |
| Additions | 85 | - |
| Transfer to group undertakings | (15,238) | - |
| At 31 March | 5,170 | 20,323 |

The company owns the whole of the issued ordinary share capital of the following operating subsidiaries:

## 2. Investments in subsidiary (continued)

| Subsidiary | Shareholding | Country of incorporation | Principal activity |
|---|---|---|---|
| Brulines Trustee Company Limited | 100% | UK | Employee Trust |
| Edis Limited | 100% | UK | Dormant |
| Bruline Limited | 100% | UK | Dormant |
| Nucleus Data Limited | 100% | UK | Dormant |
| Nucleus Data Holdings Limited | 100% | UK | Dormant |
| Vianet Americas Inc | 100% | USA | Leisure Solutions |
| Vianet Fuel Solutions Limited | 100% | UK | Forecourt Solutions |
| Vianet Limited | 100% | UK | Leisure Solutions |

On 1 April 2012 the company transferred the entire share capital of Energy Level Systems and Retail & Forecourt Solutions to Vianet Fuel Solutions at investment value. The company also transferred the entire share capital of Brulines Limited, Machine Insite Limited, Coin Metrics Limited and Viatelemetry Limited to Vianet Limited at investment value.

No impairment of the investments was carried out as the trade of each business was hived in to its respective new owner.

Energy Level Systems Limited, Retail & Forecourt Solutions Limited and LBI Installations Limited are indirect investments via Vianet Fuel Solutions Limited in Fuel solutions. Brulines Limited, Machine Insite Limited, Coin Metrics Limited, Viatelemetry Limited and Lookout Solutions Limited are indirect investments via Vianet Limited in Leisure.

## 3. Other intangible assets

| | Patents £000 |
|---|---|
| **Cost** | |
| At 1 April 2011 | - |
| Additions | - |
| **At 31 March 2012** | **-** |
| Additions | 23 |
| **At 31 March 2013** | **23** |
| **Amortisation** | |
| At 1 April 2011 | - |
| Charge for the year | - |
| **At 31 March 2012** | **-** |
| Charge for the year | 1 |
| **At 31 March 2013** | **1** |
| **Net book amount** | |
| **At 31 March 2013** | **22** |
| **At 31 March 2012** | **-** |

## 4. Property, plant and equipment

| | Fixtures and fittings £000 |
|---|---:|
| **Cost** | |
| At 1 April 2011 | - |
| Additions | - |
| Disposals | - |
| **At 31 March 2012** | **-** |
| Additions | 8 |
| Disposals | - |
| **At 31 March 2013** | **8** |
| | |
| **Accumulated depreciation** | |
| At 1 April 2011 | - |
| Charge for the year | - |
| Disposals | - |
| **At 31 March 2012** | **-** |
| Charge for the year | 1 |
| Disposals | - |
| **At 31 March 2013** | **1** |
| | |
| **Net book amount** | |
| **At 31 March 2013** | **7** |
| **At 31 March 2012** | **-** |

## 5. Investment

| **Company** | **2013 £000** | **2012 £000** |
|---|---:|---:|
| Cost and net book amount: | | |
| Other shares | | |
| At 1 April | 533 | 533 |
| Additions | - | - |
| At 31 March | 533 | 533 |

The Group currently held 13,209,754 ordinary 5p shares in Universe Group plc, an AIM listed company which represents 7.04% (2012: 11.52%) of its share capital as at 31 March 2013. See note 26 in Group accounts.

## 6. Debtors

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Amounts due from subsidiaries | 14,796 | 2,998 |
| Other debtors | 21 | - |
| Other taxation | 14 | - |
| | 14,831 | 2,998 |

All intercompany debt is repayable on demand, however Vianet Group plc will not insist on repayment in the next twelve months.

## 7. Creditors: amounts falling due within one year

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Amounts owed to subsidiaries | - | 547 |
| Other payables | 35 | 54 |
| Accruals and deferred income | 204 | 66 |
| | 239 | 667 |

## 8. Issued share capital

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Issued and fully paid | | |
| Ordinary shares of 10p each: 28,268,164 (2012: 28,248,164) | 2,827 | 2,825 |

### Allotments during the year

Since the end of the financial year no shares have been issued under the share option scheme.

## 9. Reserves

| | Share capital £000 | Share premium £000 | Own shares £000 | Share based payment reserve £000 | Merger reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **At 1 April 2011** | 2,825 | 11,174 | (851) | 276 | 310 | 5,898 | 19,632 |
| Profit for the year | - | - | - | - | - | 5,035 | 5,035 |
| Share based payment | - | - | - | 57 | - | - | 57 |
| Dividends | - | - | - | - | - | (1,537) | (1,537) |
| **At 31 March 2012** | 2,825 | 11,174 | (851) | 333 | 310 | 9,396 | 23,187 |
| Loss for the year | - | - | - | - | - | (1,093) | (1,093) |
| Share capital issued | 2 | 8 | - | - | - | - | 10 |
| Purchase own shares | - | - | (321) | - | - | - | (321) |
| Share option exercise | - | - | 91 | (3) | - | (48) | 40 |
| Share based payment | - | - | - | 52 | - | - | 52 |
| Share option forfeiture | - | - | - | (37) | - | 37 | - |
| Dividends | - | - | - | - | - | (1,547) | (1,547) |
| **At 31 March 2013** | 2,827 | 11,182 | (1,081) | 345 | 310 | 6,745 | 20,348 |

## 10. Dividends

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Final dividend for the year ended 31 March 2012 of 4.0p (year ended 31 March 2011: 3.98p) | 1,089 | 1,083 |
| Interim dividend paid in respect of the year of 1.70p (2012:1.67p) | 458 | 454 |
| Amounts recognised as distributions to equity holders | 1,547 | 1,537 |

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2013 of 4.00p per share. If approved by shareholders, it will be paid on 2 August 2013 to shareholders who are on the register of members on 21 June 2013.

## 11. Employees and directors

Employee benefit expense during the period

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Wages and salaries | 387 | - |
| Social security costs | 49 | - |
| Pension costs | 47 | - |
| Share based payments | 52 | - |
| | 535 | - |

Average monthly number of people (including directors) employed

| | 2013 Number | 2012 Number |
|---|---|---|
| Management | 4 | - |
| | 4 | - |

## 12. Directors

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Directors' emoluments | 412 | 315 |
| Pension contribution | 46 | 43 |
| | 458 | 358 |

The amounts in respect of the highest paid director are as follows:

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Directors' emoluments | 181 | 174 |
| Pension contribution | 29 | 26 |
| | 210 | 200 |

Other Directors' emoluments see Group accounts, Report of the Directors.

## 13. Share-based payments

The company disclosures required under UK GAAP are identical to those required under IFRS. See Group accounts, note 24 for details.

## 14. Parent Company Profit and Loss Account

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the financial year was £1,093,000 (2012: profit £5,035,000).

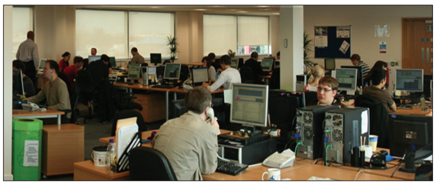
## 15. Related Party Transactions

Non-executive director payments were incurred in the company during this year.

J H Newman, a non-executive director invoiced Vianet Group plc for fees totalling £43,371 (2012: £43,601). As at 31 March 2013, there was £nil outstanding (2012: £3,821). S Gilliland, a non-executive director invoiced Vianet Group plc for fees totalling £29,025 (2012: £34,161). As at 31 March 2013, there was £2,500 outstanding (2012: £2,485).

See Group accounts, Report of the Directors for details of non-executive directors' emoluments.

The company has taken advantage of the FRS 8 exemption not to disclose related party transactions between wholly owned group undertakings as these will be eliminated within the consolidated financial statements.

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