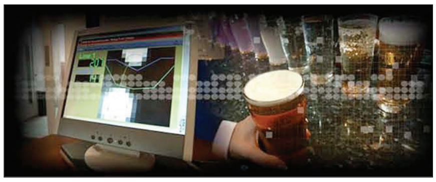
Vianet Group plc

Consolidated Annual Report & Accounts
Year ended 31 March 2016



The market leading provider of real time monitoring systems,
data management services, and actionable insights for the leisure and vending sectors

VENDEXPERT
UNLOCK YOUR EXPERTISE

iDraught

Machine insite

VIANET Americas

HIGHLIGHTS

Financial highlights (including discontinued operations)

- Revenue for the year up 3.8% to £19.24 million (2015: £18.53 million) of which revenue from continuing operations was £14.3 million (2015: £14.4 million)
- Recurring revenues remain strong at 69% (2015: 71%)
- Operating profit pre-ammortisation of intangibles, share option and exceptional costs up 8.2% to £3.44 million (2015: £3.18 million) of which the operating profit from continuing operations is £3.02 million.
- Profit before tax (pre loss on disposal) up 14.2% to £1.95 million (2015: £1.71 million)
- Profit before tax (net of loss on disposal) at £1.57 million (2015: £1.71 million)
- Operational cash generation up 19.2% to £3.42 million (2015: £2.87 million)
- Net cash of £2.01 million (2015: £2.09 million net debt)
- Basic earnings per share (pre deferred tax adjustment) at 5.78 pence (2015: 6.33 pence) was impacted by non-operating exceptional items
- Final dividend of 4.00 pence per share proposed giving a full year total of 5.70 pence per share (2015: 5.70 pence per share)
- Fuel Solutions (sold January 2016 for £3.5 million) adjusted* operating profit £0.42 million (2015: £0.03 million)

* Adjusted operating profit pre amortisation of intangibles, share options and exceptional costs

Divisional highlights

- Leisure delivers resilient adjusted* operating profit of £4.12 million (2015 £4.14 million) despite further fall in the number of installations and Statutory Code uncertainties
- Leisure division signs five year core beer monitoring contract extensions with Star Pubs and Bars, Trust Inns, Punch Taverns, Admiral Taverns
- 455 new beer monitoring installations of which 372 were higher value iDraught™ (2015: 555 and 526 units respectively)
- Vending Solutions adjusted * operating profit of £0.53 million (2015: £0.56 million) after taking account of the c£0.2m cost of new appointments and one-off PCI compliance costs
- Vending Solutions extend footprint with 5,284 new units (2015: 5,072) including a five year contract with Jacobs Douwe Egberts ("JDE")
- Two high calibre appointments to the new roles of Managing Director of Vending Solutions, and Director of Technology & Innovation
- Highest level of Payment Card industry compliance (PCI-DSS level 1) was achieved in September 2015 for Cashless Payment deployment.

CONTENTS

COMPANY INFORMATION

Directors	S W Darling (Chief Executive Officer) J W Dickson (Non-Executive Chairman) M H Foster (Chief Financial Officer) S C Gilliland (Non-Executive Director) retired 31 December 2015 M McGoun (Non-Executive Director) C Williams (Non-Executive Director)
Secretary	M H Foster
Registered office	One Surtees Way Surtees Business Park Stockton on Tees TS18 3HR
Registered number	5345684
Auditors	Grant Thornton UK LLP No 1 Whitehall Riverside West Yorkshire LS1 4BN
Bankers	Lloyds Banking Group plc 1st Floor Black Horse House 91 Sandyford Road Newcastle NE1 8HQ
Nominated Adviser	Cenkos Securities plc 6. 7. 8. Tokenhouse Yard London EC2R 7AS
Stockbroker	Cenkos Securities plc 6. 7. 8. Tokenhouse Yard London EC2R 7AS
Solicitors	Gordons LLP Riverside West Whitehall Road Leeds LS1 4AW
Registrars	Capita IRG The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

CHAIRMAN'S STATEMENT

Introduction

Encouraging progress has been made across the business, and the focus on exploiting growth opportunities in both the Vending and Leisure divisions together with optimising the sale value of the Fuel Solutions division, has positioned Vianet well for future growth.

The sale of the Group's Fuel Solutions division was completed on 31 January 2016, strengthening the Group's cash position and enabling Vianet to focus on the core businesses of Leisure and Vending Solutions and consolidating its financial resources. Whilst Fuel Solutions influenced growth in the period, it is important to note that trading in both the Leisure and Vending divisions has been robust in H2 and into the new financial year. Vianet's core beer flow monitoring operations are evolving to address external market pressures, with innovative new solutions are being developed and introduced to ensure we remain relevant to our core pub industry customers who are themselves adapting to changes in their markets.

Group turnover of £19.24 million (2015: £18.53m) including discontinued operations was 3.8% ahead of last year, whilst operating profit of £3.44 million was up by 8.2%. Group profit before taxation representing profit from continuing operations less the loss from discontinued operations, amounted to £1.57 million (2015: £1.71 million)

Increased exceptional costs of £0.96 million (2015 £0.60 million) included £0.38 million in respect of the VFS disposal as well as £0.29 million of US litigation costs. As outlined in our interim statement, the Group is defending itself in court in the US against certain claims asserted by third parties, as can sometimes occur from transacting business in the US. Following legal advice, the Board considers these claims to lack merit. The majority of costs have already been incurred and whilst this process will result in further legal costs during the new financial year these are not expected to be material.

Overview

Vianet's UK core beer flow monitoring, including the higher value iDraught™ operation, has strengthened its market position and maintained its contribution to the Group despite further ongoing pub closures. Although there have been no lost contracts, there has been a net loss of c 630 beer monitoring installations.

This loss of pub sites has held back financial performance over the past few years, but continued investment in Vending division growth, innovation in the Leisure division, and the (now sold) Fuel division moving into good profit have offset this drag and help provide an encouraging outlook for the Group as a whole.

Vending Telemetry is benefitting from the Group's increased investment in people and capability during the year which resulted in strong revenue growth during the second half. Prospects for this business remain excellent, particularly for coffee market solutions including development of supply into machine manufacturers, and cashless payment solutions. A significant five year contract with the multinational coffee company JDE has continued to roll out through the period. The division's operating profits remained broadly level at £0.53 million (2015: £0.56 million) despite c. £0.20 million of additional costs associated with new roles including the recruitment of a high calibre Managing Director, and one off PCI Compliance costs.

Impacted by a deferred tax asset provision and exceptional items, basic earnings per share post-exceptional costs (pre-deferred tax asset movements) for the Group reduced to 5.78 pence from 6.33 pence in 2015.

Against this backdrop, coupled with the continued strength of recurring income and the strong prospects for the Group, the Board is proposing to maintain the final dividend at 4.00 pence which, if approved by shareholders, would give a total dividend for the year of 5.70 pence (2015: 5.70 pence). Subject to approval from shareholders at the Annual General Meeting, to be held on 30 June 2016, the final dividend will be paid on 28 July 2016 to shareholders on the register as at 17 June 2016.

Board and Staff

Following his appointment as Chairman of Booker, and with other commitments including the role of senior Non-Executive Director at Mitchells & Butler, Stewart Gilliland retired from the Board on 31 December 2015. Whilst we are delighted for Stewart, it was sad to lose a trusted advisor who had been with Vianet since early 2006.

At the same time, following the sale of VFS, it was agreed that I should complete the transition from Executive to Non-Executive Chairman with effect from January 2016. This has resulted in a five member board consisting of two executive directors and three NEDs.

I am confident that the Board will function well under the new structure and we will continue to evaluate its composition to ensure that it contains the optimum balance of experience and independence to support our day to day operations and also our growth strategies.

The senior management team has been strengthened with two high calibre appointments reporting directly to Stewart Darling, Group CEO. Matt Lane, in the new role of Managing Director of the Vending Solutions division, has extensive experience in the vending sector having recently held the roles of Head of Beverage Solutions and Head of Vending at Nestle Professional UK. David Mountford, who joined as Director of Technology & Innovation in February 2016, brings a wealth of experience in managing, developing and delivering enterprise IT solutions in the manufacturing sector. David was formerly Vice President Information Systems at CSR plc a global semiconductor manufacturer.

The Group's culture, values and frameworks, whereby everyone at Vianet collectively and individually always 'seeks to do the right thing', have been fundamental in gaining support and strengthening the Group's position and reputation, whether dealing with customers, politicians, suppliers or other stakeholders.

The Group continues to engage in large development projects and change programmes and it is pleasing that our people continue to respond with their usual enthusiasm, demonstrating commitment which continues to build the Group's reputation with customers.

I would again like to thank all staff, senior management, and my Board colleagues, for their continued efforts and commitment in driving the Group forward over the past year.

Outlook

Although Vianet's growth and profitability remains influenced by external factors be they legislative, socio-economic, or corporate activities affecting our customers, the Group continues to make good progress through further focus on strong growth opportunities where there has been good momentum into the new financial year.

- The UK beer flow monitoring business continues to evolve and innovate to deliver relevant solutions in a changing business environment and to sustain its resilient earnings performance from the extension of long term contracts. Whilst the backdrop to trading may remain challenging, the rate of pub closures seems to be diminishing and prospects for increased iDraught™ sales are encouraging.

- Vending Solutions should deliver strong profits growth having made excellent progress in developing significant new sales opportunities with major global customers. Its prospects remain excellent and there is real focus on developing our capability to take advantage of both our leading position in coffee vending and our vending contactless payment solutions where sales momentum will continue to grow.

- The Group's financial resources have been strengthened with the sale of VFS, and underpinned by high levels of recurring income, the Group's cash flow is strong.

The Board remains confident that Vianet's long term strategy is the right one, that the Group is well positioned, within the parameters of its influence, to deliver sustained earnings growth, which in doing so should also expand the future strategic options for Vianet.

James Dickson
Chairman

STRATEGIC REPORT

Stewart Darling
Chief Executive Officer

Vianet are the leading provider of real time monitoring systems, data management services, and actionable insights for the leisure and vending sectors. Our mission is to help customers make better decisions through delivering game changing strategic insights and actionable data which give a compelling return on investment to those customers which include most large UK pub companies and multinational gourmet coffee companies such as Jacob Douwe Egbert and Costa Coffee.

This is primarily achieved through developing solutions which are built on an in-depth understanding of the challenges and opportunities faced by our customers in their chosen markets. Through this understanding, we are able to provide data and insight that support better decision making at both operational and strategic levels with the aim of transforming business performance for our customers.

As the Internet of Things market evolves, we recognise that the fundamental value driver from a customer perspective is data and insight, and not our legacy enablement capability such as hardware and connectivity. Being able to provide customers with powerful data and insight, some of which has never been available to them before, is the key to the strategic growth of the business in the coming years.

However, harnessing the immense power of 'big data' is a transformational change for the business as it requires a significant step change in business capability and competence, and a radically different approach to engaging customers.

This has implications for legacy enablement activities that we have historically managed in-house such as technology infrastructure and component development. As we aim to become world class at delivering strategic insight through big data, we cannot also be world class at managing all of the other enablement activities necessary to deliver the overall solution. Therefore, our strategic approach is to build partnerships with leading providers and partners whose core business capability encompasses this activity such as our new contactless payment solution delivered with Elavon and Creditcall.

Whilst the Group has developed a clear and compelling growth strategy, much work has also been done to ensure that the legacy flow monitoring business stays fit for purpose in relation to the changing needs of our customers, the impact of legislative change and the uncertainty that could well be created as customers rethink their business models.

Operating Review

Leisure Solutions

Whilst progress is being made with our own beer monitoring products and services, the implementation of the Statutory Code continues to cast some uncertainty over leased and tenanted pub companies with a corresponding impact on industry confidence.

Pub companies have adapted to this changing landscape through a number of different strategies such as developing managed estates from high performing or strategically located properties, and creating franchised models with increased operating performance potential and greater transparency. Whilst there is emerging clarity around the direction and ambition of individual pub companies, it is clear that this background has caused investment expenditure to be more targeted towards developing these new models. Despite this, our enhanced toolset is being increasingly adopted as part of these changes as pub companies seek to improve retailing capability and overall quality standards.

Whilst the overall rate of pub closure seems to be slowing and reduced from the previous year, (Vianet pub disposals 2016: 1,100 and 2015:1,400) this resulted in a net loss of approximately 630 standard beer monitoring installations over the financial year with a consequent impact on operating contribution. However, the combination of improved recurring revenues from contract extension negotiations and ad-hoc support activity, combined with 372 iDraught™ sales has resulted in a largely stable income stream for the period under review

The commercial trials of iDraught™ have been successful in terms of the results yielded and operating performance improvement. The challenge for the business is to build growth on the back of this success and we are optimistic for progress this year.

Overall, the Board remains cautiously confident for the prospects for further growth in the higher value iDraught™ products and service but the implementation of the MRO option within the Statutory Code and likely further pubs disposals will continue to dampen this effect.

Vianet Americas Inc.

Vianet Americas has made sales and operating performance progress, albeit at a slower rate than anticipated.

Market analysis clearly indicates that Vianet's iDraught™ solution is substantially ahead of all competitors in the USA, and this advantage, combined with our strategic alliance with Micro Matic USA for nationwide installation, service and sales support, leaves the Board moderately optimistic that we will now see the progress in sales and reduction in trading losses that efforts to date have merited.

Vending Solutions

The Vending Solutions division continued to make very good progress in the period. This progress is attributed to the development of business capability that exploits powerful strategic drivers in the marketplace and securing contracts with major blue chip customers whose businesses are growing as a result of delivering services aligned to these drivers. The successful implementation of this strategy is particularly encouraging when factoring in the impact of vending estate rationalisation which is an inevitable outcome of installing our solution.

Operating profit performance, however, remained broadly flat in the year as a result of enhancing the team's capability including recruiting Matt Lane from Nestle Professional Services to lead the business, and outsourcing cloud based contactless payment processing in order to meet the rigorous demands of PCI accreditation which was achieved in September 2015. This emphasises our strategy of focusing only on those activities which are core to driving value, and outsourcing to partners where they do not. Without these additional costs, operating performance would have been well ahead of last year and we are optimistic for the future growth of this business.

The launch of our new contactless payment solution in September supported by leading industry partners Elavon and CreditCall has given further impetus to providing a solution to the vending market where traditional cash-only payments have long been an inhibitor of consumption, usage and customer experience. The evolution and growth of contactless payment solutions provides a material opportunity to change this dynamic and attract more consumers to vending.

We expect that Vianet's contactless payment solution and significant experience developed in this new and dynamic space could offer exciting growth opportunities in years to come.

FINANCIAL REVIEW

Mark Foster
Chief Financial Officer

Overall Group trading results

Group results overall, before amortisation of intangible assets, share based payments, option costs, and exceptional costs, were up 8.2% to a profit of £3.44 million as compared to £3.18 million in the financial year ended 31 March 2015.

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

	FY2016 £'000	FY2015 £'000
Revenue	19,241	18,530
Gross Profit	11,155	11,010
	58.0%	59.4%
Operating Profit pre amortisation, share based payments and exceptional costs	3,436	3,176
Profit before tax post exceptional costs (post VFS disposal)	1,570	1,709
Profit before tax post exceptional costs (pre VFS disposal)	1,952	1,709
Profit before tax pre-exceptional costs	2,531	2,309

Divisional Performance

FY 2016	£'000 Leisure	£'000 Vending	£'000 Technology	£'000 Fuel Solutions	£'000 Corporate	£'000 Total
Revenue	12,050	2,179	60	4,952	-	19,241
Gross profit	8,558	1,414	39	1,144	-	11,155
	71%	65%	65%	23%	-	58%
Operating profit/(loss) pre amortisation, share based payments and exceptional costs	**4,120**	**527**	**(256)**	**419**	**(1,374)**	**3,436**

Exceptionals

	FY2016 £'000	FY2015 £'000
VFS disposal	382	-
US legal costs	297	90
Other exceptionals	282	510
Total	961	600

Underlying trading related exceptional costs in accordance with Group exceptional policy, have reduced year on year by £228k. Current year costs are predominately related to rationalisation of staff base. VFS disposal costs is the net impact of the disposal of the Fuel division on 31 January 2016. US legal costs are commented on in the Chairman's statement.

Group trading result

The financial year under review featured a robust performance in Leisure, underlying growth in Vending post senior leadership investment cost, with a good increase in the Fuel Solutions contribution up to the date of disposal of 31 January 2016, and reduced losses in the US.

The Group continues to seek ongoing cost rationalisation, has maintained margins, has invested for growth, and added key people where needed.

Group turnover of £19.24 million (2015: £18.53m) was 3.8% ahead of last year, whilst operating profit of £3.44 million was up by 8.2%. In particular, the Vending division's operating profits remained constant post the recruitment of the Managing Director and other up-scaling costs at £0.53 million (2015: £0.56 million).

Group profit before taxation amounted to £1.57 million (2015: £1.71 million) and was impacted by increased exceptional costs of £0.96 million (2015 £0.60 million) which included £0.38 million in respect of the VFS disposal. Pre this factor, the Group profit before taxation was up 14.2% at £1.95 million.

Blended recurring revenues for the Group are slightly behind last year at 69% (2015: 71%) due to product mix.

Divisional performance

Leisure

	2016	2015
Turnover	12,050	12,146
Operating profit/(loss) pre amortisation, share based payments and exceptional costs	4,120	4,136
New unit sales – UK pubs	455	555
Net estate – UK pubs	c14,900	c15,500
iDraught™ penetration – UK	22.5%	19.6%

The Leisure division, consisting of the core beer monitoring business (including the US), and gaming machine monitoring. Gross margins remained consistent around 70%. New iDraught™ growth is reflected in the above results (372 units, 2015: 526 units). Performance was satisfactory set against further pub disposals of c 1,100 (2015: c 1,400) which saw a net reduction in estate of c630.

The final part of the Leisure division is Machine Insite brand which contributed a robust £0.20 million (2015: £0.22 million) this year.

Vending

	2016	2015
Turnover	2,179	2,105
Operating profit/(loss) pre amortisation, share based payments and exceptional costs	527	559
New unit sales	5,284	5,702
Net estate	c19,000	c14,200

The division's operating profits remained broadly level at £0.53 million (2015: £0.56 million) despite c£0.20 million of additional costs associated with new roles including the recruitment of a high calibre Managing Director, and one off PCI Compliance costs.

Vending made progress in the year with additional growth in unit sales as shown above which includes cashless growth of 553 units (2015: 888 units). Growth during the year is reflected in the estate figures. Recurring revenue mix has increased to c55% (2015: c45%)

Financial Review (continued)

Technology

During 2016/2017 the Technology division will transfer to a main stream cost centre servicing the Group (historically this has been absorbed throughout the Divisions)

Fuel Solutions

The discontinued impact of Vianet Fuel Solutions Limited, and at the end of January 2016, was a pre-exceptional profit of £0.42m (2015: £0.03m)

Taxation

The Group has continued to utilise available tax losses during the year resulting in no tax being paid (2015: £nil). The Group will continue to utilise the available tax losses carried forward into FY2016. In the financial year under review, the tax line includes a deferred tax asset provision release of £0.54 million (2015: £0.42 million) recognising the impact of the tax losses available and being utilised.

Earnings per share

Earnings per share has been impacted by the recognition of the deferred tax assets provision referred to above, realising the losses carried by the Group and the unwinding of that provision in FY2014.

The exceptional cost of £382k resulting from the loss on disposal of Vianet Fuel Solutions impacted overall basic earnings per share. Excluding this one-off non-operating exceptional cost the overall basic earnings per share before exceptional costs would have increased to 7.28 pence for FY2016 as compared to 7.00 pence for FY2015.

The underlying earnings per share pre the deferred tax asset provision and exceptional items is 9.32 pence for FY2016 compared to 8.55 pence for FY2015. Fully diluted earnings per share (before exceptional costs), which takes account of all outstanding share options, amounted to 9.27 pence in FY2016 which compares to 8.54 pence in the prior financial year.

Balance sheet and cash flow

The Group balance sheet remains consistently strong.

The Group generated operating cash flow of £3.42 million (2015: £2.87 million) an increase of 19.2%, with positive working capital movement. Despite the effects of a challenging core beer market and continued pub company disposal programmes, coupled with reduced losses in the US, the Leisure business overall had a very healthy operational cash generation of c£5.1 million.

Excluding the funds generated from the sale of Vianet Fuel Solutions Limited, the cash generated in FY2016 were utilised to invest in the Group's technology through research and development, service borrowings and fund dividends. At the year end, the Group had borrowings of £1.59 million (2015: £2.5 million), and post the VFS disposal, net cash of £ 2.01 million (2015: £2.09 million net debt).

The balance sheet and cash generating capacity of Vianet Limited (post disposal of Vianet Fuel Solutions Limited) provides a solid platform to pursue the significant growth opportunities that will generate shareholder value.

Business risk

The Board and senior management review business risk on a regular basis. 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, and will benefit from the disposal of the Fuel division, cost rationalisation and overall market confidence in liquidity and credit.

The directors consider that other material business risks are limited to:

The potential impact of the proposed Statutory Code but the impact of which will be planned and managed when there is increased clarity on the outcomes.

The potential for a Cyber security breach where data security is compromised resulting in unauthorised access to information which is sensitive and/or proprietary to Vianet or its customers. This threat is in common with most technology businesses, however both short term and long term mitigation plans are in place. Payment Card Industry Data Security Standard (PCI DSS – Level 1) highest level of compliance has already been achieved to support the Group's cashless payment solutions.

The Board potentially failing to ensure that the business builds a capable architecture and software development infrastructure to meet our growth demands and expectations. This risk is mitigated by ongoing evolution of our systems architecture, infrastructure, people and security protocols.

Key performance indicators

	Target	Actual 2016	Actual 2015
Percentage of revenue from recurring income streams[1]	70%	69%	71%
Gross Margin[2]	50%	58%	59%
Employee Turnover[3]	2%	2.7%	2%

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 employer with positive values and career prospects.

Summary and Outlook

Following the review of operations, it is clear to the Board that delivering world class strategic insight and actionable data to customers is where greatest value can be driven. Supporting our customers with data and insight that allows them to make even better and more informed decisions will underpin the growth of the business in the coming years and we will focus our energy and investment to achieve that objective.

This will require new investment in the technologies and competencies essential to developing world class big data capability, as well as continued investment in our people and teams. Developing great people, culture and values has always been at the core of what we do and the simple philosophy for leading the business is that only great people can deliver great strategies, relationships and products.

As a result of continuing uncertainty due to the impact of the implementation of the industry MRO option, Vianet's traditional beer monitoring business will likely remain under some pressure from pub closures and disposals, and reduced investment expenditure. However the Board expects this to be, at least partially, offset by continued growth in iDraught™ installations plus other initiatives.

Financial Review (continued)

Vending Solutions continues to enjoy great traction in the marketplace particularly in the quality coffee segment where consumption growth is being driven by rampant consumer demand. With the addition of our new contactless payment solution, and the leadership of Matt Lane with his industry knowledge and relationships, the Vending business is in good health and poised for further growth.

Focusing on delivering even greater value to customers through world class strategic insight and actionable data, together with rigorous cost management of Vianet's legacy business and service provision, should deliver the desired benefits and performance for customers and shareholders alike. In what has continued to be a challenging business environment, the Group has continued to make good underlying progress and built a solid foundation, which positions Vianet well for future profitable growth.

Stewart Darling
Chief Executive Officer
6 June 2016

REPORT OF THE DIRECTORS

Directors left to right, Chris Williams non-executive, Mark Foster CFO, Stewart Darling CEO, James Dickson non-executive Chairman, Mike McGoun non-executive

The directors present their report and the audited financial statements for the year ended 31 March 2016.

Going Concern

The Directors, after having made appropriate enquiries, including (but not limited to) a review of the Group's budget for 2016/2017, 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.

Financial Instruments

Information about the use of financial instruments by the company and its subsidiaries and the Group's financial risk management policies is given in note 17

Environment

The Group's policy with regard to the environment, and in particular Health and Safety requirements, is to ensure that the Group's operational subsidiaries understand and effectively operate in such a way that they comply with all the legal requirements relating to the Health and Safety environments in which they operate. During the period covered by this reports no Group company has incurred any fine or penalties or been investigated for any breach of Health and Safety regulations.

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, despite several changes in personnel in the previous 12 months. 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 2.7%, 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 are at the forefront of technological advance 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 £746,000 (2015: £707,000) all of which has been recognised as an asset on the balance sheet (2015: £707,000)

Dividends

The directors recommend the payment of a final dividend of 4.00p per share (2015: final 4.00p), taking the full year dividend to 5.70p. (2015: 5.70p)

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 19. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation.

The Directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights

Details of employee share schemes are set out in note 22 and no person has any special rights of control over the company's share capital and all issued shares are fully paid

Directors' Indemnity

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

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 2016	**Ordinary shares of 10p each 2015**
S W Darling	33,244	-
J W Dickson	4,658,420	4,487,860
M H Foster	228,000	78,000
C Williams	9,250	9,250
M McGoun	-	-

Directors' emoluments

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

	Salary and fees 2016 £'000	**Other emoluments 2016 £'000**	**Total emoluments 2016 £'000**	Salary and fees 2015 £'000	Other emoluments 2015 £'000	Total emoluments 2015 £'000
Executive						
M H Foster	**266**	**33**	**299**	211	32	243
S W Darling	**293**	**36**	**329**	220	34	254
Non-executive						
J W Dickson	**173**	**32**	**205**	151	55	206
S C Gilliland	**28**	**-**	**28**	38	-	38
C Williams	**30**	**-**	**30**	30	-	30
M McGoun	**30**	**-**	**30**	30	-	30
Total	**820**	**101**	**921**	680	121	801

1. Executive remuneration is determined by the remuneration committee consisting of non-executive Directors C Williams, M McGoun and J W Dickson.
2. No payments were made to any Director in respect of compensation for loss of office in 2016 or 2015
3. Other emoluments received consist of the provision for private medical care, motor car allowances and pension contributions.
4. S Gilliland's fees were paid to SMDH Consulting Limited, a company of which he is a Director. S Gilliland retired on 31 December 2015
5. C William's fees are paid to MCHD Investments Limited, a company of which he is a Director
6. M McGoun's fees are paid to Noble Adamson Limited, a company of which he is a Director
7. 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.
8. J W Dickson moved to non-executive terms on 1 February 2016

Directors' share options

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

	At 1 April 2015	**At 31 March 2016**	**Option price**	**Date granted**
J W Dickson	75,000	**75,000**	123.0p	October 2006
	18,600	**18,600**	96.5p	January 2011
M H Foster	150,000	**-**	67.2p	March 2006
	18,600	**18,600**	96.5p	January 2011
	135,000	**135,000**	85.0p	May 2014
	-	**124,000**	103.0p	December 2015
S W Darling	18,600	**18,600**	96.5p	January 2011
	285,000	**285,000**	85.0p	May 2014

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 98.0p and the range of market prices during the year was between 85.0p and 105.5p.

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.

Substantial Shareholdings

The Company has been informed that on 25 May 2016 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 Investment Managers UK	3,365,000	12.03%
Livingbridge	2,693,982	9.63%
Helium Fund Management	2,132,000	7.62%
Lazard Asset Management	1,396,922	4.99%
Hargreaves Lansdown Asset Management	1,285,394	4.60%
Octopus Investments	1,269,533	4.54%
Downing LLP	1,017,650	3.64%
Barclays Wealth and Investment Management	830,051	2.97%
Artemis Fund Managers Limited	735,000	2.63%
Unicorn Asset Management	625,200	2.24%

Annual General Meeting

The Annual General Meeting will be held on 30 June 2016 at 11.30am, at the offices of Grant Thornton UK LLP, No 1 Whitehall Riverside, Leeds, LS1 4BN.

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 to prepare group 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 company and 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 or IFRSs 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; and

- 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.

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 6 June 2016 and signed on its behalf by:

Mark 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 and does not seek to comply with the 2010 UK Corporate Governance Code, the Board recognises the value of the Code and has regard to its principles as far as practicable and appropriate for a public company of its size and nature.

The Board

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

Executive Directors

S W Darling (Chief Executive Officer)
M H Foster (Chief Financial Officer and Company Secretary)

Non-Executive Directors

J W Dickson (Chairman)
M McGoun
C Williams

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 Director, are responsible for running the business.

The Board meets regularly, with no less than eight meetings planned over 10 days 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, people and development 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:

C Williams (Chairman)
J W Dickson
M McGoun

It meets at least twice in any year, and is usually attended as a minimum by the Chief Executive Officer and the Chief Financial Officer, 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:

M McGoun (Chairman)
J W Dickson
C Williams

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 Directors 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:

J W Dickson (Chairman)
C Williams
M McGoun

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 Chief Financial Officer
- 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 2016 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 2016 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 set out on page 14 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2016 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 Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the group 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 2016.

M Overfield

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Leeds

6 June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Note	Before Exceptional 2016 £000	Exceptional 2016 £000	Total 2016 £000	Total 2015 £000
Continuing operations					
Revenue	3	14,290	-	14,290	14,358
Cost of sales		(4,279)	-	(4,279)	(4,423)
Gross profit		10,011	-	10,011	9,935
Administration and other operating expenses		(6,994)	(439)	(7,433)	(7,280)
Operating profit pre amortisation and share based payments from continuing operations		3,017	(439)	2,578	2,655
Operating profit pre amortisation and share based payments from discontinued operations		419	(522)	(103)	(79)
Operating profit pre amortisation and share based payments		**3,436**	**(961)**	**2,475**	**2,576**
Intangible asset amortisation		(661)	-	(661)	(586)
Share based payments		(28)	-	(28)	(37)
Total administration expense		(7,683)	(439)	(8,122)	(7,903)
Operating profit post amortisation and share based payments		2,328	(439)	1,889	2,032
Net finance costs	6	(44)	-	(44)	(65)
Profit from continuing operations before tax	5	2,284	(439)	1,845	1,967
Income tax expense	7	(553)	-	(553)	(419)
Profit from continuing operations		1,731	(439)	1,292	1,548
Discontinued operations:					
Revenue	3	4,951	-	4,951	4,172
Loss on disposal of subsidiary		-	(382)	(382)	-
Other administration expenses		(724)	(140)	(864)	(1,153)
Operating profit pre amortisation and share based payments from discontinued operations		419	(522)	(103)	(79)
Share based payments		(15)	-	(15)	(8)
Intangible asset amortisation		(157)	-	(157)	(171)
Loss from discontinued operations:		247	(522)	(275)	(258)
Profit and other comprehensive income for the year		1,978	(961)	1,017	1,290
Earnings per share					
Continuing Operations					
– Basic	8			4.76p	5.73p
– Diluted	8			4.73p	5.73p
Discontinued Operations					
– Basic	8			(1.02)p	(0.96)p
– Diluted	8			(1.01)p	(0.95)p

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 2016

	Note	2016 £000	2015 £000
Assets			
Non-current assets			
Goodwill	10	15,503	17,723
Other intangible assets	11	1,982	2,436
Property, plant and equipment	12	3,143	3,537
Total non-current assets		20,628	23,696
Current assets			
Inventories	13	1,810	1,897
Trade and other receivables	14	3,564	4,187
Tax asset	18	482	1,024
Cash and cash equivalents		3,605	548
		9,461	7,656
Total assets		30,089	31,352
Equity and liabilities			
Liabilities			
Current liabilities			
Trade and other payables	15	4,016	3,947
Borrowings	16	489	1,043
		4,505	4,990
Non-current liabilities			
Borrowings	16	1,103	1,594
		1,103	1,594
Equity attributable to owners of the parent			
Share capital	19	2,843	2,831
Share premium account		11,287	11,198
Share based payment reserve		217	209
Own shares		(1,221)	(1,381)
Merger reserve		310	310
Retained profit		11,045	11,601
Total equity		24,481	24,768
Total equity and liabilities		30,089	31,352

The Group financial statements were approved by the Board of Directors on 6 June 2016 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 2016

	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 2014	2,827	11,182	(1,381)	293	310	11,721	24,952
Dividends	-	-	-	-	-	(1,539)	(1,539)
Issue of shares	4	16	-	-	-	-	20
Share based payments	-	-	-	45	-	-	45
Share option forfeitures	-	-	-	(129)	-	129	-
Transactions with owners	4	16	-	(84)	-	(1,410)	(1,474)
Profit and total comprehensive income for the year	-	-	-	-	-	1,290	1,290
Total comprehensive income less owners' transactions	-	-	-	(84)	-	(120)	(184)
At 31 March 2015	2,831	11,198	(1,381)	209	310	11,601	24,768
At 1 April 2015	2,831	11,198	(1,381)	209	310	11,601	24,768
Dividends	-	-	-	-	-	(1,549)	(1,549)
Issue of shares	12	89	-	-	-	-	101
Share based payments	-	-	-	43	-	-	43
Share option forfeitures	-	-	-	(35)	-	35	-
Exercise of options	-	-	160	-	-	(59)	101
Transactions with owners	12	89	160	8	-	(1,573)	(1,304)
Profit and total comprehensive income for the year	-	-	-	-	-	1,017	1,017
Total comprehensive income less owners' transactions	12	89	160	8	-	(556)	(287)
At 31 March 2016	2,843	11,287	(1,221)	217	310	11,045	24,481

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the year		1,017	1,290
Adjustments for			
Net interest payable		44	65
Income tax expense		553	419
Amortisation of intangible assets		818	757
Depreciation		449	492
Payment of deferred consideration		(22)	(20)
(Profit)/loss on sale of property, plant and equipment		(207)	14
Share based payments		43	45
Operating cash flows before changes in working capital and provisions		2,695	3,062
Change in inventories		(34)	(46)
Change in receivables		(338)	(352)
Change in payables		1,099	205
		727	(193)
Cash generated from operations		3,422	2,869
Income taxes refunded		-	-
Net cash generated from operating activities		3,422	2,869
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		-	21
Proceeds on disposal of subsidiary division		3,400	-
Cash disposed with subsidiary	24	(90)	-
Purchases of property, plant and equipment		(383)	(363)
Purchases of intangible assets		(855)	(787)
Net cash used in investing activities		2,072	(1,129)
Cash flows from financing activities			
Net interest payable		(44)	(65)
Issue of share capital		101	20
Share options exercised		100	-
Repayments of borrowings		(486)	(1,067)
New borrowings		-	1,000
Dividends paid		(1,549)	(1,539)
Net cash used in financing activities		(1,878)	(1,651)
Net increase/(decrease) in cash and cash equivalents		3,616	89
Cash and cash equivalents at beginning of period		(11)	(100)
Cash and cash equivalents at end of period		3,605	(11)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

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 principal 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 2016/2017, 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 2016.

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 parent 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

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 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 length of the service contract in accordance with the respective customer's agreements.

Machine monitoring data management services

The revenue is recognised over 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 relates.

Fuel Solutions

Fuel loss management and prevention (wetstock analysis)

The revenue is recognised over 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 of 1 January 2010 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 10.

1.7 Intangible assets: business combinations

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, patents and order book.

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	2 to 5 years
Patents	10 years
Order book	2 to 5 years

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

1.8 Intangible assets: 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.

Capitalised development costs are amortised over the life of the product within cost of sales, which is usually no more than five years. However, until completion of the development project, the assets are subject to impairment testing only.

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 profit or loss 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 buildings	50 years
Plant, vehicles and equipment	4 years
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 profit or loss.

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 profit or loss.

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.

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. Significant accounting policies (continued)

1.11 Operating leases

The costs of all operating leases are charged to the profit or loss on a straight-line basis. 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 an average pricing 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, calculated on an undiscounted basis, 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.

1.15 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. Significant accounting policies (continued)

1.16 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:

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, short term overdrafts, 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.

1.17 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.

1.18 Employee share option schemes

All share-based payment arrangements are recognised in the financial statements 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".

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. Significant accounting policies (continued)

1.19 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.

1.20 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 date 1 January 2018) IIFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)
- Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)
- Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017)
- Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)
- Amendments to IAS 12: Recognition of Deferred Tax assets for Unrealised Losses (effective 1 January 2017)

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)

1.21 Exceptional Items

The Group seeks to highlight certain items as exceptional operating income or costs. These are considered to be exceptional in size, frequency and/or nature rather than indicative of the underlying day to day trading of the Group. These may include items such as acquisition costs, restructuring costs, employee exit and transition costs, legal costs, material profits or losses on disposal of property, plant and equipment, profits or losses on the disposal of subsidiaries. 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 significant 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 10 to 12.

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 is further analysed into three segments – Leisure Services, Vending and Technology highlighting the three key divisions within Leisure. Vending and Technology do not meet the quantitative thresholds required for segmental reporting but the directors believe that it is important to separately disclose its results given the importance of its activity to the group.

The products/services offered by each operating segment are:

Leisure Services: design, product development, sale and rental of fluid monitoring equipment, data management and related services

Vending: design product development, sale and rental of machine monitoring equipment, data management and related services.

Technology: provision of data management and technology related services

Fuel Solutions: wet stock 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, certain intangible assets, 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)

2016

Continuing Operations (post exceptional items)	**Leisure Services £000**	**Vending £000**	**Technology £000**	**Fuel Solutions £000**	**Corporate £000**	**Total £000**
Total revenue	12,051	2,179	60	-	-	14,290
Pre-exceptional segment result	3,946	240	(428)	-	(1,430)	2,328
Exceptional costs	(438)	-	(49)	-	48	(439)
Post exceptional segment result	3,508	240	(477)	-	(1,382)	1,889
Finance costs	(30)	-	-	-	(14)	(44)
Profit/(loss) before taxation	3,478	240	(477)	-	(1,396)	1,845
Taxation						(553)
Profit for the year from continuing operations						1,292
Other information						
Additions to property, plant, equipment and intangible assets	345	529	145	-	20	1,039
Depreciation and amortisation	469	285	239	-	49	1,042

	Leisure Services £000	**Vending £000**	**Technology £000**	**Fuel Solutions £000**	**Corporate £000**	**Total £000**
Segment assets	25,938	-	-	-	3,669	29,607
Unallocated assets	-	-	-	-	482	482
Total assets	25,938	-	-	-	4,151	30,089
Segment liabilities	5,161	-	-	-	447	5,608
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	5,161	-	-	-	447	5,608

The asset base of the leisure division cannot be split across Leisure Services, Vending and Technology, so has been allocated to Leisure Services.

Discontinued Operations (post exceptional items)	**Leisure Services £000**	**Vending £000**	**Technology £000**	**Fuel Solutions £000**	**Corporate £000**	**Total £000**
Total revenue	-	-	-	4,951	-	4,951
Pre-exceptional segment result	-	-	-	247	-	247
Exceptional costs	-	-	-	(522)	-	(522)
Post exceptional segment result	-	-	-	(275)	-	(275)
Finance costs	-	-	-	-	-	-
Profit/(loss) before taxation	-	-	-	(275)	-	(275)
Taxation						-
Profit for the year from continuing operations						(275)
Other information						
Additions to property, plant, equipment and intangible assets	-	-	-	133	-	-
Depreciation and amortisation	-	-	-	225	-	-

3. Segment reporting (continued)

2015

Continuing Operations (post exceptional items)	**Leisure Services £000**	**Vending £000**	**Technology £000**	**Fuel Solutions £000**	**Corporate £000**	**Total £000**
Total revenue	12,146	2,105	107	4,172	-	18,530
Pre-exceptional segment result	3,957	293	(318)	(151)	(1,407)	2,374
Exceptional costs	(336)	(41)	(66)	(105)	(52)	(600)
Post exceptional segment result	3,621	252	(384)	(256)	(1,459)	1,774
Finance costs	(36)	-	-	-	(29)	(65)
Profit/(loss) before taxation	3,585	252	(384)	(256)	(1,488)	1,709
Taxation						(419)
Profit for the year from continuing operations						1,290
Other information						
Additions to property, plant, equipment and intangible assets	257	302	209	233	69	1,070
Depreciation and amortisation	422	277	247	243	60	1,249

	Leisure Services £000	**Vending £000**	**Technology £000**	**Fuel Solutions £000**	**Corporate £000**	**Total £000**
Segment assets	25,686	-	-	4,421	220	30,327
Unallocated assets	-	-	-	-	1,025	1,025
Total assets	25,686	-	-	4,421	1,245	31,352
Segment liabilities	5,387	-	-	893	304	6,584
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	5,387	-	-	893	304	6,584

The asset base of the Leisure division cannot be split across Leisure Services, Vending and Technology, so has been allocated to Leisure Services.

3. Segment reporting (continued)

Analysis of revenue by category

	2016 £000	2015 £000
Continuing operations		
Sale of goods		
- leisure	1,993	2,260
Rendering of services		
- leisure	12,297	12,098
	14,290	14,358
Geographical analysis		
- United Kingdom	13,308	13,121
- Rest of Europe	749	1,005
- United States/Canada	231	198
- Other	2	34
	14,290	14,358

	2016 £000	2015 £000
Discontinued operations		
Rendering of services		
- fuel	4,951	4,172
	4,951	4,172
Geographical analysis		
- United Kingdom	4,852	4,133
- Rest of Europe	99	39
	4,951	4,172

4. Exceptional items

	2016 £000	2015 £000
Disposal of VFS subsidiary	382	-
US litigation	297	90
Corporate restructuring and transitional costs	282	510
	961	600

Corporate restructuring and transitional costs have reduced year on year, the primary background being the transition of people and management to ensure we have the succession and calibre of people on board to deliver the strategic aims and aspirations of the Group.

Disposal of VFS subsidiary relates to all costs incurred in disposing of the subsidiary offset by the proceeds from the sale ie loss on sale.

For details behind the US litigation costs, see the Chairman's statement.

5. Profit for the year

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

	2016 £000	2015 £000
Employee benefits expense (note 20)	7,770	7,928
Depreciation of property, plant and equipment (note 12)	449	492
Amortisation of intangible assets (note 11)	818	757
(Profit)/loss on disposal of property, plant and equipment	(207)	14
Operating lease rentals payable	293	226

Auditor's remuneration

Services to the company and its subsidiaries	2016 £000	2015 £000
Fees payable to the company's auditor for the audit of the annual financial statements	15	14
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	27	36
Other services relating to tax - taxation compliance services	8	15
Other services relating to tax – all other	26	1
Other services – half year reporting and accounting advice	13	57
	89	123

6. Net finance costs

	2016 £000	2015 £000
Interest payable on bank borrowings	48	65
	48	65

	2016 £000	2015 £000
Interest receivable on bank deposits	4	-
	4	-

7. Taxation

Analysis of charge in period

	2016 £000	2015 £000
Current tax expense		
– Amounts in respect of the current year	-	-
– Amounts in respect of prior periods	-	1
	-	1
Deferred tax charge/credit		
– Amounts in respect of the current year	553	418
Income tax credit	553	419

Reconciliation of effective tax rate

The tax for the 2016 period is higher (2015 was lower) than the standard rate of corporation tax in the UK (2016: 20% and 2015: 21%). The differences are explained below:

	2016 £000	2015 £000
Profit before taxation		
– Continuing operations	1,570	1,709
Profit before taxation multiplied by rate of corporation tax in the UK of 20% (2015:21%)	314	359
Effects of:		
Other expenses not deductible for tax purposes	(38)	15
Amortisation of intangibles	120	24
Utilisation of losses	-	(228)
Movement on losses	440	426
Adjustments for prior years	-	1
Research and development	(283)	(178)
Total tax charge	553	419

8. Earnings per share

Earnings per share has been impacted by the reversal of a deferred tax asset provision realised in previous years. Even with a higher deferred tax charge, the overall basic earnings per share for the year ended 31 March 2016 before exceptional costs increased to 7.28 pence compared to 7.00 pence at March 2015.

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders (£1,017k) 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

The table below shows the earnings pre and post the impact of the movement in the deferred tax asset.

		2016			2015	
	Earnings £000	Basic earnings per share	Diluted earnings per share	Earnings £000	Basic earnings per share	Diluted earnings per share
Pre-tax profit attributable to equity shareholders	1,570	5.78p	5.75p	1,709	6.33p	6.33p
Post-tax profit attributable to equity shareholders	1,017	3.74p	3.72p	1,209	4.78p	4.47p
Post-tax, pre-exceptional profit attributable to equity shareholders	1,978	7.28p	7.24p	1,890	7.00p	6.99p

	2016 Number	2015 Number
Weighted average number of ordinary shares	27,168,095	26,996,763
Dilutive effect of share options	141,814	36,977
Diluted weighted average number of ordinary shares	27,309,909	27,033,740

9. Ordinary dividends

	2016 £000	2015 £000
Final dividend for the year ended 31 March 2015 of 4.0p (year ended 31 March 2014: 4.0p)	1,087	1,081
Interim dividend paid in respect of the year of 1.70p (2015: 1.70p)	462	458
Amounts recognised as distributions to equity holders	1,549	1,539

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2016 of 4.0p per share. If approved by shareholders, it will be paid on 28 July 2016 to shareholders who are on the register of members on 17 June 2016. Total dividend payable 5.70p (2015: 5.70p).

10. Goodwill

Group	2016 £000	2015 £000
Cost		
At 1 April	17,973	17,973
Disposal	(2,470)	-
At 31 March	15,503	17,973
Accumulated impairment losses		
At 1 April	(250)	(250)
Disposal	250	-
At 31 March	-	-
Net book amount	15,503	17,723

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

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

	2016 £000	2015 £000
Leisure Services	15,503	15,503
Fuel Solutions	-	2,220
Carrying amount 31 March	15,503	17,723

Two further cash generating units exist being Vending and Technology, but no goodwill is allocated to these units.

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 ended 31 March 2016 were extrapolated for a five 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.

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.

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

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.

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.

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

11. Other intangible assets

Group	Capitalised development £000	Order book £000	Software £000	Customer contracts £000	Patents £000	Total £000
Cost						
At 1 April 2014	3,627	281	-	2,136	70	6,114
Internally generated development costs	695	-	-	-	12	707
At 31 March 2015	4,322	281	-	2,136	82	6,821
Reclassified (note 12)	-	-	223	-	-	223
Internally generated development costs	745	-	-	-	-	745
Additions	-	-	38	-	6	44
Disposals	(1,033)	-	-	(691)	-	(1,724)
At 31 March 2016	4,034	281	261	1,445	88	6,109
Amortisation						
At 1 April 2014	1,281	281	-	2,046	20	3,628
Charge for the year	721	-	-	23	13	757
At 31 March 2015	2,002	281	-	2,069	33	4,385
Reclassified (note 12)	-	-	77	-	-	77
Charge for the year	736	-	62	19	1	818
Disposals	(510)	-	-	(643)	-	(1,153)
At 31 March 2016	2,228	281	139	1,445	34	4,127
Net book amount						
At 31 March 2016	1,806	-	122	-	54	1,982
At 31 March 2015	2,320	-	-	67	49	2,436

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 £745,000 of capitalised development costs represents expenditure developing technological advancements to ensure the group is at the forefront of technology that fulfils the requirement of IAS 38. These costs will be amortised over the future commercial life of the related product, commencing on the sale of the first commercial unit.

12. 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 2014	3,125	963	2,982	7,070
Additions	-	113	250	363
Disposals	-	(70)	(63)	(133)
At 31 March 2015	3,125	1,006	3,169	7,300
Additions	-	139	244	383
Reclassified (note 11)	-	-	(223)	(223)
Disposals	-	(281)	(110)	(391)
At 31 March 2016	3,125	864	3,080	7,069
Accumulated depreciation				
At 1 April 2014	472	477	2,421	3,370
Charge for the year	60	139	293	492
Disposals	-	(52)	(47)	(99)
At 31 March 2015	532	564	2,667	3,763
Charge for the year	61	179	209	449
Reclassified (note 11)	-	-	(77)	(77)
Disposals	-	(155)	(54)	(209)
At 31 March 2016	593	588	2,745	3,926
Net book amount				
At 31 March 2016	2,532	276	335	3,143
At 31 March 2015	2,593	442	502	3,537

13. Inventories

	2016 £000	2015 £000
Raw materials	1,815	1,887
Write down on raw materials	(5)	(10)
Work in progress	-	20
	1,810	1,897

No reversal of previous write-downs was recognised as a reduction of expense in 2015 or 2016. In 2016 £2,312,393 (2015: £2,586,169) 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 comprise 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.

14. Trade and other receivables

	2016 £000	2015 £000
Trade receivables	2,900	3,422
Other receivables	153	82
Prepayments and accrued income	511	683
	3,564	4,187

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

All trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £45,000 (2015: £26,000) has been recorded accordingly (note 17)

In addition some of the unimpaired trade receivables were past due at the balance sheet date as follows:

	2016 £000	2015 £000
Not past due	1,738	2,087
Not more than three months	1,054	1,068
More than three months but not more than six months	80	174
More than six months but not more than one year	28	93
	2,900	3,422

15. Trade and other payables

	2016 £000	2015 £000
Trade payables	789	1,036
Other taxation and social security	726	712
Accruals and deferred income	2,501	2,170
Deferred consideration	-	29
	4,016	3,947

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

16. Borrowings

Current	2016 £000	2015 £000
Bank overdraft	-	559
Bank loans	489	484
	489	1,043

Non-current	2016 £000	2015 £000
Bank loans	1,103	1,594
	1,103	1,594

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:

	2016 %	2015 %
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:

	2016 £000	2015 £000
Between one and two years	325	489
Between two and five years	486	647
More than five years	292	458
	1,103	1,594

The Group's bank borrowings bear interest at floating rates, which represent prevailing market rates.

17. 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.

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.

	2016 $000	2015 $000
Financial assets	110	147
Financial liabilities	-	-
	110	147

	2016 €000	2015 €000
Financial assets	23	140
Financial liabilities	-	-
	23	140

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.

	2016 £000	2015 £000
Cash and cash equivalents	3,605	548
Trade and receivables	3,053	3,504
	6,658	4,052

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

17. Financial Instruments (continued)

Credit risk analysis (continued)

	£000
Bad debt provision at 31 March 2015	26
Amounts provided	19
Bad debt provision at 31 March 2016	45

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	2016 £000	2015 £000
Cash and cash equivalents	3,605	548
Trade and receivables	3,053	3,504
	6,658	4,052

Current liabilities	2016 £000	2015 £000
Financial liabilities measured at amortised cost	3,779	4,249
Non current liabilities		
Financial liabilities measured at amortised cost	1,103	1,594
	4,882	5,843
Net financial assets/(liabilities)	1,776	(1,791)

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

17. 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's dividend policy is to monitor reserves available for distribution to shareholders

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.

	2016 £000	2015 £000
Total equity	24,481	24,768
Less cash equivalents	(3,605)	(548)
	20,876	24,220

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.

18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2015: 20%).

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

	2016 £000	2015 £000
At 1 April	(1,024)	(1,443)
Adjustment re VFS disposal	(11)	-
Profit and loss credit in respect of losses recognised	553	419
At 31 March	(482)	(1,024)

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 £ (482)k (2015: £(1,204)k) are amounts of £ (482) k relating to tax losses (2015: £(1,024)k).

The group has unused tax losses amounting to £nil (2015: £4,168k) for which no deferred tax asset has been recognised

19. Issued share capital

	2016 £000	2015 £000
Issued and fully paid		
Ordinary shares of 10p each: 28,423,164 (2015: 28,308,164)	2,843	2,831

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 2016, the Trust owned 668,470 shares (2015: 818,470 shares) with a nominal value of £66,847 (2015: £81,847).

At 31 March 2016, Vianet Group plc owned 456,000 shares (2015: 456,000 shares) with a nominal value of £45,600 (2015: £45,600), all held in treasury.

Own shares held in Trust and Treasury are value at cost.

Dividends payable on these shares have been waived.

20. Employees and directors

Employee benefit expense during the period

	2016 £000	2015 £000
Wages and salaries	6,812	6,936
Social security costs	714	682
Pension costs	201	265
Share based payments	43	45
	7,770	7,928

Average monthly number of people (including directors) employed

	2016 Number	2015 Number
Sales	9	12
Engineering	51	51
VRS	5	5
Management	8	11
Administration	135	137
	208	216

Key management personnel - Directors

Group	2016 £000	2015 £000
Short term employment benefits	858	719
Pension contributions	63	82
Share based payments	44	45
	965	846

During the year three (2015: three) directors had benefits accruing under defined contribution pension schemes.

20. Employees and directors (continued)

Highest paid director

	2016 £000	2015 £000
Short term employment benefits	305	232
Pension contributions	24	22
	329	254

21. 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 2015	Motor Vehicles £000	Land and Buildings £000	2016 Total £000	2015 Total £000
Within one year	110	33	143	235
After one year and less than five years	52	103	155	159
	162	136	298	394

22. 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:

	2016		2015	
	Number of share options	Weighted average exercise price p	Number of share options	Weighted average exercise price p
At start of the financial year	1,909,300	90.7	1,251,050	105.5
Exercised	(269,000)	75.1	(40,000)	50.0
Granted	384,000	96.8	1,432,500	85.0
Forfeited	(241,500)	92.5	(734,250)	112.9
At end of financial year	1,782,800	94.2	1,909,300	90.7
Exercisable at end of financial year	447,800	111.4	707,300	100.5

22. 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
M H Foster	31/03/06	150,000	67.2p	10/06/15	106.4p	£58,800	01/04/06 to 31/03/16
J W Dickson	26/10/06	75,000	123.0p	-	-	-	27/10/09 to 26/10/15
S C Gilliland	26/10/06	24,000	123.0p	-	-	-	27/10/09 to 26/10/15
S C Gilliland	25/09/09	30,000	102.5p	-	-	-	26/09/12 to 25/09/19
J W Dickson	27/01/11	18,600	96.5p	-	-	-	28/01/14 to 27/01/20
M H Foster	27/01/11	18,600	96.5p	-	-	-	28/01/14 to 27/01/21
S Darling	27/01/11	18,600	96.5p	-	-	-	28/01/14 to 27/01/21
M H Foster	09/04/14	135,000	85.0p	-	-	-	10/04/17 to 09/04/24
S Darling	09/04/14	285,000	85.0p	-	-	-	10/04/17 to 09/04/24
M H Foster	21/12/15	124,000	103.0p	-	-	-	21/12/18 to 20/12/25

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 a expense of £44,000 (2015: £45,000) in relation to equity settled share-based payment transactions in the year.

During the year, options were granted on 19 June 2015, 21 September 2015, 25 September 2015 and 21 December 2015 (2015: 9 April 2014). The aggregate of the estimated fair values of the options granted on those dates is £52,000 (2015: £130,000)

	2016	2015
Weighted average share price (p)	96.8	77.0
Weighted average exercise price (p)	96.8	85.0
Expected volatility (%)	6.19	6.19
Expected life (years)	10	10
Risk free rate (%)	2.49	2.49

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 2015. 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.

23. 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. S Gilliland, a former non-executive director, invoiced Vianet Group plc for fees totalling £30,801 (2015: £42,570). As at 31 March 2016, there was £nil outstanding (2015: £ nil). C Williams, a non-executive director, invoiced Vianet Group plc for fees totalling £31,193 (2015: £23,453). As at 31 March 2016, there was £nil outstanding (2015: £nil). M McGoun, a non-executive director, invoiced Vianet Group plc for fees totalling £38,146 (2015: £37,222). As at 31 March 2016 there was £nil outstanding (2015: £nil).

24. Cash flows from discontinued operations

Prior to disposal on 31 January 2016, Vianet Fuel Solutions Limited contributed the following cash flows to the Group

	2016 £000
Cash flows from operating activities	
Loss for the year	(274)
Adjustments for	
Amortisation of intangible assets	156
Depreciation	61
Payment of deferred consideration	(22)
Loss on sale of property, plant and equipment	18
Share based payments	15
Operating cash flows before changes in working capital and provisions	(46)
Change in inventories	(3)
Change in receivables	33
Change in payables	53
	83
Cash generated from operations	37
Income taxes refunded	-
Net cash generated from operating activities	37
Cash flows from investing activities	
Purchases of property, plant and equipment	(75)
Purchases of intangible assets	(148)
Net cash used in investing activities	(223)
Cash flows from financing activities	
Intercompany funding	(70)
Net cash used in financing activities	(70)
Net increase/(decrease) in cash and cash equivalents	(256)
Cash and cash equivalents at beginning of period	346
Cash and cash equivalents at end of period	90

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 2016 which comprise the Company balance sheet, the Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the parent company financial statements is United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'.

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 set out on page 14 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2016;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'; 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 Strategic Report and 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.

Other matter

We have reported separately on the group financial statements of Vianet Group plc for the year ended 31 March 2016.

M Overfield

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Leeds

6 June 2016

COMPANY BALANCE SHEET

at 31 March 2016

	Note	2016 £000	Restated* 2015 £000
Fixed assets			
Investments in subsidiaries	2	4,905	5,199
Other intangible assets	3	113	150
Tangible assets	4	12	4
		5,030	5,353
Current assets			
Debtors	5	9,790	13,794
Cash at bank		3,326	-
		13,116	13,794
Creditors: amounts falling due within one year	6	(471)	(304)
Net current assets		12,645	13,490
Net assets		17,675	18,843
Capital and reserves			
Ordinary share capital	7	2,843	2,831
Share premium	8	11,287	11,198
Share based payment reserve	8	218	209
Own shares	8	(1,227)	(1,387)
Merger reserve	8	310	310
Retained earnings	8	4,244	5,682
Total equity	8	17,675	18,843

*Restated: See note 15

The balance sheet was approved by the Board on 6 June 2016 and signed on its behalf by:

J Dickson
Director
Company number: 5345684

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	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 2014	2,827	11,182	(1,387)	293	310	4,928	18,153
Dividends	-	-	-	-	-	(1,539)	(1,539)
Issue of shares	4	16	-	-	-	-	20
Share based payment	-	-	-	45	-	-	45
Share option forfeiture	-	-	-	(129)	-	129	-
Total transactions with owners	4	16	-	(84)	-	(1,410)	(1,474)
Profit and total comprehensive income for the year	-	-	-	-	-	2,164	2,164
At 31 March 2015	2,831	11,198	(1,387)	209	310	5,682	18,843
Dividends	-	-	-	-	-	(1,550)	(1,550)
Issue of shares	12	89	-	-	-	-	101
Share based payment	-	-	-	44	-	-	44
Share option forfeiture	-	-	-	(35)	-	35	-
Exercised options	-	-	160	-	-	-	160
Total transactions with owners	12	89	160	9	-	(1,515)	(1,245)
Profit and total comprehensive income for the year	-	-	-	-	-	77	77
At 31 March 2016	2,843	11,287	(1,227)	218	310	4,244	17,675

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 Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principle accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis except for the revaluation of certain properties and financial instruments.

The financial statements are presented in Sterling (£)

1.2 Changes in accounting polices

This is the first year in which the financial statements have been prepared in accordance with FRS 101. The date of transition is 1 April 2014. An explanation of the transition is included in note 15 to the financial statements. In applying FRS 101 for the first time the Company has applied early the amendment of FRS 101 which permits a first time adopter not to present an opening statement of financial position at the beginning of the earliest comparative period presented.

1.3 Disclosure exemptions

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include

- A statement of cash flows and related notes
- Non-current asset held for sale and discontinued operation net cash flow disclosure
- The requirement to produce a balance sheet at the beginning of the earliest comparative period
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- Presentation of comparative reconciliations for property, plant and equipment, intangible assets, investment properties and agriculture
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Certain share based payments disclosures
- Disclosures in relation to impairment of assets
- Fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value)

The Company intend on continuing to apply these disclosure exemptions next year. A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in Vianet Group plc can serve objections to the use of the disclosure exemptions in writing, to its registered office.

1. Principal accounting policies (continued)

1.4 Income taxes

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

Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Calculation of deferred tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period that are expected to apply when the asset is realised or the liability is settled.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover the related asset or settle the related obligation. Certain of the Company's investment property portfolio is to be recovered through sale whereas investment property occupied by group companies is expected to be recovered through use.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets are not discounted.

Deferred tax liabilities are generally recognised in full with the exception of the following: on the initial recognition of goodwill on investments in subsidiaries and joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future on the initial recognition of a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Deferred tax liabilities are not discounted.

1.5 Investment in subsidiaries

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less

any applicable provision for impairment.

1.6 Employee share option schemes

All share-based payment arrangements are recognised in the financial statements in accordance with IFRS 2.

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. Principal accounting policies (continued)

1.7 Tangible assets

Property plant and equipment (PPE) is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management.

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 Company.

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 Group statement of comprehensive income.

1.7 Intangible assets

Patents

Patents are stated at cost net of amortisation and any provision for impairment.

Software

Purchased software are stated at cost net of amortisation and any provision for impairment.

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	expected length of patent
Purchased software	4 years

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

2. Investments in subsidiaries

Company	2016 £000	2015 £000
Cost and net book amount:		
Shares in subsidiaries		
At 1 April	5,199	5,170
Additions	5,272	29
Impairment	(2,066)	-
Disposal	(3,500)	-
At 31 March	4,905	5,199

2. Investments in subsidiaries (continued)

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

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 Holdings Limited	100%	UK	Dormant
Retail & Forecourt Solutions Limited	100%	UK	Dormant
LBI Installations Limited	100%	UK	Dormant
Energy Level Systems Limited	100%	UK	Dormant
Vianet Americas Inc	100%	USA	Leisure Solutions
Vianet Limited	100%	UK	Leisure Solutions

Brulines Limited, Machine Insite Limited, Coin Metrics Limited, Viatelemetry Limited and Lookout Solutions Limited are indirect investments via Vianet Limited in Leisure. Nucleus Data Limited is an indirect investment via Nucleus Data Holdings Limited.

The addition to investments relates to waiver of intercompany debt due from the disposed VFS subsidiary prior to disposal.

These balances were subsequently reviewed for impairment and reduced to the £3.5m carrying value disposed.

3. Other intangible assets

	Patents £000	*Restated Software £000	Total £000
Cost			
At 1 April 2014	43	106	149
Additions	11	55	66
At 31 March 2015	54	161	215
Additions	6	4	10
At 31 March 2016	60	165	225
Amortisation			
At 1 April 2014	4	17	21
Charge for the year	5	39	44
At 31 March 2015	9	56	65
Charge for the year	6	41	47
At 31 March 2016	15	97	112
Net book amount			
At 31 March 2016	45	68	113
At 31 March 2015	45	105	150

*Restated: See note 15

4. Tangible Assets

	*Restated Fixtures and fittings £000
Cost	
At 1 April 2014	4
Additions	2
At 31 March 2015	6
Additions	10
At 31 March 2016	16
Accumulated depreciation	
At 1 April 2014	1
Charge for the year	1
At 31 March 2015	2
Charge for the year	2
At 31 March 2016	4
Net book amount	
At 31 March 2016	12
At 31 March 2015	4

*Restated: See note 15

5. Debtors

	2016 £000	2015 £000
Amounts due from subsidiaries	9,551	13,704
Trade debtors	2	-
Other debtors	213	70
Other taxation	24	20
	9,790	13,794

All intercompany debt is repayable on demand.

6. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Bank overdraft	-	2
Other payables	88	100
Accruals and deferred income	383	202
	471	304

7. Issued share capital

	2016 £000	2015 £000
Issued and fully paid		
Ordinary shares of 10p each : 28,427,164 (2015: 28,308,164)	2,843	2,831

Allotments during the year

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

8. Share capital and reserves

Called-up share capital – represents the nominal value of shares that have been issued

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium

Own shares – represents the shares held in Trust and Treasury at historical cost.

Share based payment reserve – represents the fair value of all share options issued by the Company which have yet to be exercised

Merger reserve – excess of fair value of shares issued over nominal value when shares are issued in exchange for obtaining at least a 90% interest in the equity share capital of another entity

Profit and loss account – includes all current and prior period retained profits and losses

9. Dividends

	2016 £000	2015 £000
Final dividend for the year ended 31 March 2015 of 4.0p (year ended 31 March 2014: 4.0p)	1,087	1,081
Interim dividend paid in respect of the year of 1.70p (2015: 1.70p)	462	458
Amounts recognised as distributions to equity holders	1,549	1,539

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2016 of 4.0p per share. If approved by shareholders, it will be paid on 28 July 2016 to shareholders who are on the register of members on 17 June 2016. Total dividend payable 5.70p (2015: 5.70p).

10. Employees and directors

Employee benefit expense during the period

	2016 £000	2015 £000
Wages and salaries	781	729
Social security costs	117	78
Pension costs	63	86
Share based payments	44	45
	1,005	938

Average monthly number of people (including directors) employed

	2016 Number	2015 Number
Management	6	6
	6	6

11. Directors

	2016 £000	2015 £000
Directors' emoluments	858	719
Pension contribution	63	82
	921	801

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

	2016 £000	2015 £000
Directors' emoluments	305	232
Pension contribution	24	22
	329	254

For other Directors' emoluments see page 13 in the Report of the Directors.

12. Share-based payments

The company disclosures required under FRS 101 are identical to those required under IFRS. See Group accounts, note 22, for details.

13. 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 £2,923,000 (2015: loss £836,000).

14. Related Party Transactions

As permitted by FRS 101 related party transactions with wholly owned members of Vianet Group plc have not been disclosed

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

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. S Gilliland, a former non-executive director, invoiced Vianet Group plc for fees totalling £30,801 (2015: £42,570). As at 31 March 2016 there was £nil outstanding (2015: £ nil). C Williams, a non-executive director, invoiced Vianet Group plc for fees totalling £31,193 (2015: £23,453). As at 31 March 2016, there was £nil outstanding (2015: £nil). M McGoun, a non-executive director, invoiced Vianet Group plc for fees totalling £38,146 (2015: £37,222). As at 31 March 2016 there was £nil outstanding (2015: £nil).

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

15. Transition to FRS 101

The Company has adopted FRS 101 for the first time having previously applied UK GAAP that was effective before periods commencing on or after 1 January 2015. The date of transition to FRS 101 was 1 January 2014. The Company has restated its comparatives for the year ended 31 December 2014.

Under previous UK GAAP software was classified as tangible fixed assets. Under FRS 101, software is classified as intangible fixed assets. This has nil impact on shareholders' funds.

On applying FRS 101 for the first time the following transitional reliefs were adopted:

- the Company elected to commence the capitalisation of borrowing costs on the construction of qualifying assets at the date of transition to FRS 101

- the Company has elected not to restate business combinations that were entered into before the date of transition to FRS 101

- the company has elected to retain its interests in subsidiaries, associates and joint ventures at the previous UK GAAP carrying amounts at the date of transition to FRS 101

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