CONSOLIDATED ANNUAL REPORT & ACCOUNTS

YEAR ENDED 31 MARCH 2017

VIANET GROUP PLC

DATA. REIMAGINED.

WHO ARE WE

Vianet Group plc (LSE: VNET) is a leading provider of actionable management information and business insight created through combining data from our smart Internet of Things ('IOT') solutions and external information sources.

Servicing over 300 customers across the world and rendering live data to our IOT platform from over 250,000 connected machines daily, Vianet is one of the largest business to business (b2b) connected solutions providers in Europe with established long term relationships with blue chip customers and growing recurring revenues which are over 85% of our total revenues.

Vianet's game-changing smart technologies have been repositioned to describe our capabilities more accurately and recognise the wider opportunities.

In our **Smart Machines** Division we connect a single data gathering device with its own on-board communication capability to a customer's asset or system. The device then sends data back via our IOT platform to cloud based servers. The technology was originally developed for automated retailing machines, however the flexibility and functionality of the device means the technology can be applied to practically any machine which has the capability to output data. The device is also used to connect our contactless payment solution and communicate payment terms to our cloud based payment services providers where that application is also required.

The **Smart Zones** Division is where we connect multiple data gathering devices into one or more systems or assets with the data from those devices being communicated back to our IOT platform and cloud based servers via a single 3G communications hub. The technology was originally developed for flow monitoring devices, temperature sensors, and asset management in drinks retailing but practically any data gathering device with a digital output could be connected to the communications hub where required such as gaming machines, utilities management and Electronic Point of Sale (EPOS).

In both divisions the data collected is then structured and rendered through mobile applications and web interfaces to provide actionable data that supports operational and commercial decision making. Data is also structured in specific data sets and often combined with external data to deliver business insight for senior level decision makers.

With a successful track record of connecting business assets via our smart devices and rendering the asset performance data to our website and mobile applications, our growth strategy will leverage this core capability in existing markets including the Leisure and Vending sectors, as well as new markets as they are identified.

The business insight and actionable data Vianet provides to customers is focused on improving customer business process performance, asset management and utilisation and service efficiency where there is both scale and a transformational opportunity. By providing new insights to customers we empower them to make better decisions that drive real business change.

These new insights support customer problem solving by:

- Predicting a future asset performance to increase utilisation and significantly reduce servicing costs;
- Identifying previously unknown trends, inefficiencies, and wasted resources; and
- Building new procedures, revenue streams, automation services, and incorporating these into the customers' existing processes.

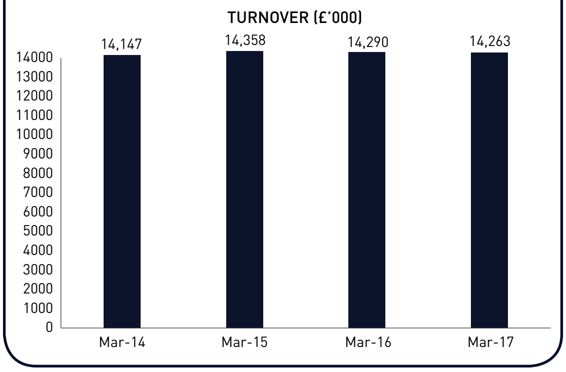
Building on our proven track record of converting IOT into actionable data and solutions for b2b markets, our mission is to become the recognised leader in delivering actionable management information and unparalleled insight that is game-changing for customers in our chosen markets.

We aim to achieve this through:

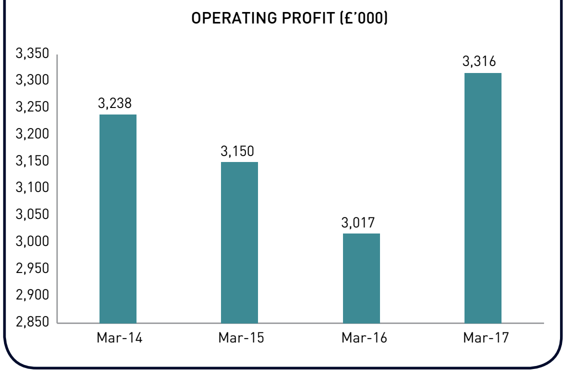
- Combining our ability to connect customer assets via our smart devices and IOT platform with powerful data analytics tools to deliver critical insight and information;
- Continuously striving to be a business that is passionate about developing innovative and game changing solutions by employing talented people focused on transforming business performance;
- Driving our financial performance through long term contracts which have recurring high cash margins and scalable annuity streams.

FINANCIAL HIGHLIGHTS
(Continuing operations)

TURNOVER PERFORMANCE



£3.3 MILLION ADJUSTED* OPERATING PROFIT



RECURRING REVENUE

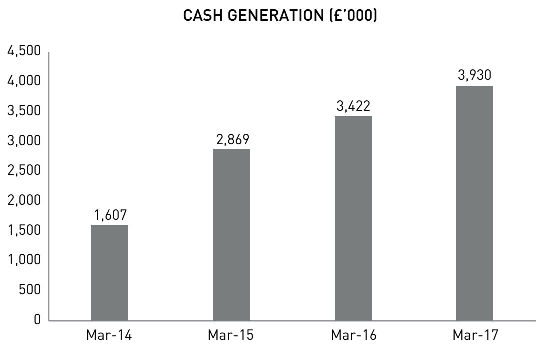
85%

(2016: 83%)

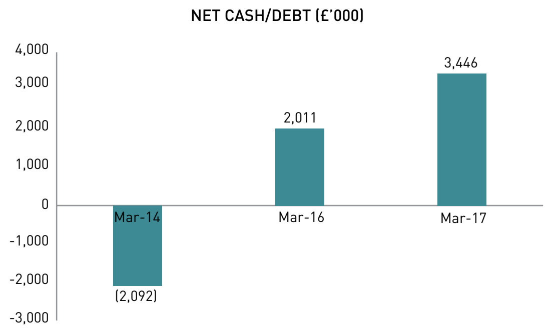
ADJUSTED* OPERATING PROFIT GROWTH (YOY)

9.9%

OPERATIONAL CASH GENERATION UP 15%



NET CASH OF £3.45 MILLION UP 71%



BASIC EPS (before tax)

5.30P

(2016: 6.79p)

Impacted by exceptional items

PROPOSED FINAL DIVIDEND

4.00P

(2016: 4.00p)

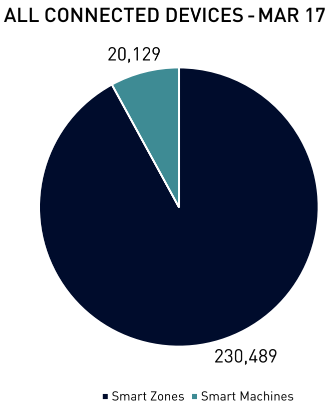
Giving a full year of 5.70 pence per share (2016: 5.70 pence per share)

* Adjusted operating profit is profit before exceptional costs, amortisation, interest and share based payments

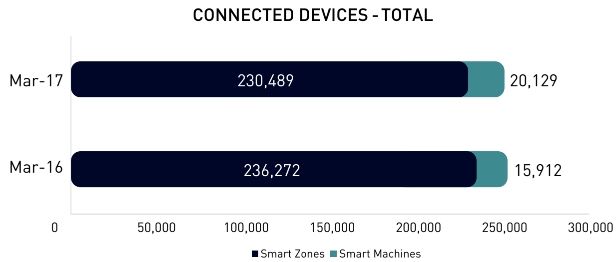
OPERATIONAL HIGHLIGHTS

Our business is divided into two divisions: Smart Machines and Smart Zones.

The momentum in the year continued with growth in Smart Machines (including former Vending) connected devices with resilient peformance in Smart Zones (including former Leisure) connected device estate.



The split in penetration showed the growth in Smart Machines as a key driver for our business.



Total number of devices decreased by 0.6% to 250,618 from 252,184 prior year with Smart Machines increases being offset by pub sector site closures in Smart Zones.

SMART ZONES

- New drinks monitoring connections were driven by 380 total new system installations of which 278 were higher value iDraught™ systems. (2016: 455 and 372 systems respectively).
- New six year contract extension with Greene King.

SMART MACHINES

- Number of new connected devices relating to Smart Machines was 5,092 (2016: 5,284).
- Highest level of Payment Card industry compliance (PCI-DSS level 1) was re-confirmed in September 2016 for Contactless Payment deployment.
- Smart Machines adjusted operating profit of £0.89m grew 19.1% from £0.75m on a like for like basis.

Note: From 1 April 2016, the Technology division is a separate cost centre and costs are no longer absorbed by the Smart Zones and Smart Machines Divisions. 2016 comparatives have been amended to assume no cross charge in that year to give a like for like comparison.

CONTENTS

COMPANY INFORMATION

Directors	S W Darling (Chief Executive Officer) J W Dickson (Chairman) M H Foster (Chief Financial Officer) 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 Leeds 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

James Dickson
Chairman

Performance

Encouraging progress has been made across our business, which has benefitted from the focus on exploiting growth opportunities in the Smart Machines division and optimising performance in the Smart Zones division.

Group turnover from continuing operations was £14.26 million (2016: £14.29 million) whilst adjusted operating profit was up by 9.9% at £3.32 million. Group profit before taxation representing profit from continuing operations, amounted to £1.45 million post exceptional items (2016: £1.85 million).

Increased exceptional costs from continuing operations of £0.96 million (2016: £0.55 million) relate principally to US litigation costs and office rationalisation. As outlined in our interim statement, the Group successfully defended itself in the US courts against certain claims asserted by third parties. This matter is now closed and no further costs will arise in connection with this situation. Additionally we closed our Bolton distribution and warehousing depot incurring office rationalisation costs.

Basic pre-tax earnings per share, post-exceptional costs and deferred tax asset movement, reduced to 5.30 pence from 6.79 pence in 2016. Basic EPS after tax was 3.77 pence compared to 4.76 pence in 2016.

Given the solid underlying performance, high quality 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 (2016: 5.70 pence). Subject to approval from shareholders at the Annual General Meeting, to be held on 29 June 2017, the final dividend will be paid on 28 July 2017 to shareholders on the register as at 16 June 2017.

Board and Staff

We continue to evaluate the Board's composition to ensure it remains effective and contains the optimum balance of experience and independence to support our operations and our growth agenda.

The Group has an experienced management team which is focused on delivering the objectives set in line with the identified strong growth opportunities and developing new applications for Vianet's IOT expertise and technology.

In delivering leading Big Data capability for our customers, the Group continues to be engaged 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 good 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

The Group is making good progress through its focus on strong growth opportunities and, against this background, there has been good momentum continuing into the new financial year.

- Our Smart Zones business area, which includes drinks flow monitoring and gaming machine monitoring, continues to evolve and innovate to deliver relevant solutions in a changing business environment both to sustain existing earnings performance from the extension of long term contracts whilst also developing new recurring income streams. Although the backdrop to trading in the pub industry may remain challenging, the rate of pub closures seems to be diminishing and prospects for increased device connectivity are encouraging.

- The Smart Machines division has seen exciting growth opportunities in vending in the UK and Europe and we believe it should deliver strong growth having made good progress in developing significant new sales opportunities with major global customers in these geographies. There is a concerted focus on developing our capability and accelerating growth to take advantage of our leading position in coffee device and contactless payment device connectivity where we expect sales momentum to continue to grow.

- The Group's financial resources are underpinned by high levels of recurring income and strong cash flow. This cash generation and strong balance sheet gives scope for investment in expansion and for selective acquisitions.

The Board remains confident that Vianet's long term strategy is the right one and that, within the parameters of its control and influence, the Group is well positioned to deliver earnings growth and expand the future strategic options for Vianet.

James Dickson
Chairman
5 June 2017

STRATEGIC REPORT

Stewart Darling
Chief Executive Officer

Vianet continues to deliver real value for its customers by providing actionable information and business insight with the power to drive real business change.

We currently operate two business divisions: Smart Zones (historically beer monitoring and machine management services) and Smart Machines (currently comprises vending machine telemetry and contactless payment solutions). With over 300 customers including several global blue chip companies and more than 250,000 devices connected to our Internet of Things (IOT) platform, our experience and knowledge combine to form a powerful technology and insight capability that, we believe, few competitors in our markets can match.

As the IOT evolves and businesses seek more data and insight on everything from asset performance to process automation, we believe Vianet is well placed to grow its position in this rapidly developing area. Material value creation for customers will be driven by data and insight which can improve informed decision making leading to real business change. At the same time, we recognise that enablement capability, such as hardware and connectivity, still has a significant role to play and whilst we may not always connect to customer assets using our Smart devices, our IOT platform has evolved so that our connectivity capability is device-agnostic. It is the gathering of information about customer asset performance which enables the creation of powerful data and insight and this, we believe, will drive sustained growth over the coming years.

As a business that focuses on delivering business insight through data captured via our IOT platform and third party sources, we have resisted the distraction of developing all the other enablement technologies necessary to create the overall solution. Therefore our strategy is to build partnerships with leading providers and partners whose core business capability encompasses these activities such as our new contactless payment solution, delivered in partnership with Elavon and Creditcall, and external hardware providers.

To accelerate the Group's growth strategy, our legacy infrastructure is being migrated quickly to an agile cloud based technology environment which enables us to generate new data analytics and corresponding revenue streams. The Group is investing £1.5 million in FY2018 year to achieve this goal and allow us to exploit the power of cloud-based data and deliver a significant step forward in business capability and competence which will enable us to take a materially different approach to engaging with our customers.

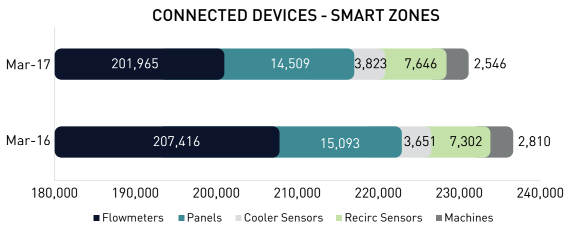
OPERATING REVIEW

Smart Zones

Our legacy core business of drinks monitoring and services for the UK Leisure sector remains resilient with high gross margins and strong cash generation.

The combination of improved recurring revenues from long term contract extensions and ad-hoc support activity, combined with 278 iDraught™ sales, resulted in a largely stable income stream for the period under review despite the continued headwinds of pub disposals.

Despite these pub disposals, our Smart Zones connected device base remains robust with over 230,000 devices in c 14,500 premises. The data sent from these devices forms the core of the information and insight delivered to customers via our website and mobile applications.



Whilst we focus on strengthening our recurring income streams, pub companies are also adapting to the changing landscape through 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. We expect these different strategies to be beneficial to our business as the pub companies seek to improve retailing capability and quality standards and will likely be targeting investment expenditure on that basis.

Whilst the overall rate of pub disposals appears to be slowing and is reduced versus the prior year, (2017: 940 and 2016: 1,100) the resulting impact was a net reduction of 616 licenced premises in our installation base over the financial year with a consequential impact on operating contribution.

Commercial trials of our latest version of Smart Zones technology have been successful in terms of the results delivered and corresponding operating performance improvement. The challenge for the business in the coming year is to build growth on the back of this success and we are optimistic over progress.

Vianet Americas Inc.

Vianet Americas, which is contained within the Smart Zones division, has made progress both in sales and operating performance, with reduced losses which should close towards breakeven in 2017/18.

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 places us in a strong position to keep growing. Whilst the pace of delivery of results is slower than anticipated, the Board recognises that the USA market is significant in size and a good opportunity for the Group given the relatively modest level of investment required.

Overall, the Board remains cautiously confident for the prospects of further growth in the Smart Zones division.

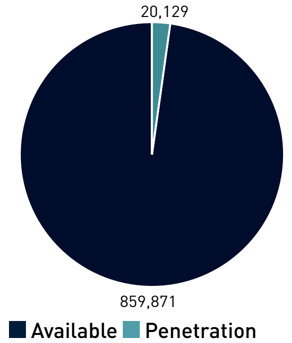
Smart Machines

Smart Machines connections grew in the year and combined with increasing traction for our contactless payment solution was the background to the division delivering good progress in the period. This progress is principally attributed to the development of business capability which is exploiting powerful strategic drivers in the quality out of home coffee market, growth of contactless payment, and securing of vending contracts with major blue chip customers whose businesses are growing. The impact of all the above factors gave a divisional operating profit growth of 19.1%, on a like for like basis (see Financial Review – Smart Machines section).

The successful implementation of our growth strategy is particularly encouraging when the impact of Smart Machines estate rationalisation is factored in, which is an inevitable outcome of installing our solution.

The market opportunity remains extensive even when limited to the immediately addressable market projections of 300,000 vending machines rather than all vending machines across Europe. As technology adoption evolves, it is anticipated that the addressable market will grow to nearly 1 million vending machines with Vianet being at the forefront to grow with the market.

SMART MACHINE PENETRATION



Our contactless payment solution, supported by leading industry partners Elavon and CreditCall, has given further impetus to providing a solution to the Smart Machines market where traditional cash-only payments have long been an inhibitor of vending-related consumption, usage and customer experience. We believe the evolution and growth of contactless payment solutions provides a material opportunity to change this dynamic and attract more consumers to the vending vertical.

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

R&D Investment

The Group continues to invest in development activity and is accelerating this activity using some of the funds from the sale of the Fuel Division in January 2016. This development will broadly cover enhancements to the customer experience, revenue generating reporting insights from our new platforms which allows us to leverage new revenue streams and necessary infrastructure investment moving away from legacy systems and software to an agile cloud-based technology environment. This accelerated investment is expected to cost an additional £900k on top of the 'normal' development activity of £500k-£600k per annum.

The Board believes this further investment in enhancing our core Big Data and technology capability will enable the Group to improve the quality of existing recurring revenue stream and to generate substantial new growth opportunities.

Strategic Report (continued)

LOOKING FORWARD

In our Smart Zones division, and in particular for our drinks flow monitoring area, the industry headwinds associated with soaring business rates, national living wage and rapidly rising input costs, will likely result in some pressure from pub closures and disposals, and reduced investment expenditure. However the Board does expect this to be offset by continued growth in iDraught™ installations as well as results from other revenue and efficiency initiatives.

Our Smart Machines division 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 rapid adoption of technology by brand owners and machine operators, the division is in good health and poised for further growth.

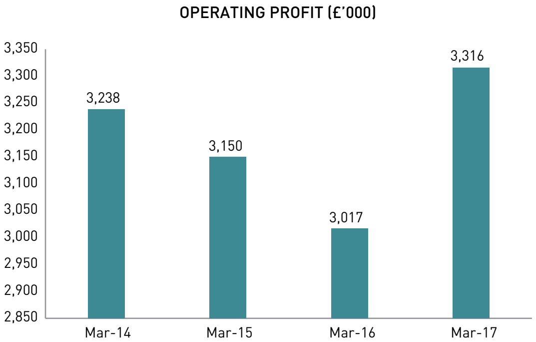
Focusing on delivering even greater value to customers through world class strategic insight and actionable data, together with rigorous cost management of Vianet's legacy business and service provision, should deliver the desired benefits and performance for customers and shareholders alike. The Group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

FINANCIAL REVIEW

Mark Foster
Chief Financial Officer

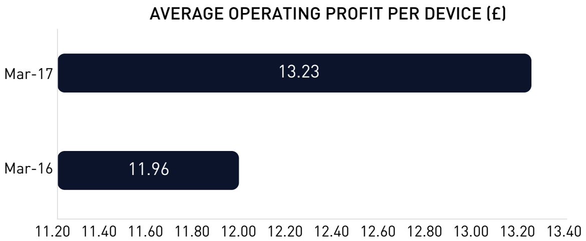
GROWING PROFITABILITY

Group operating profits, before amortisation of intangible assets, share based payments, option costs, and exceptional costs, were up 9.9% to a profit of £3.32 million (FY2016: £3.02 million).



Gross margin remained healthy year on year at c70%.

The average operating profitability per connected device has grown 10.6% YOY and is shown as follows;

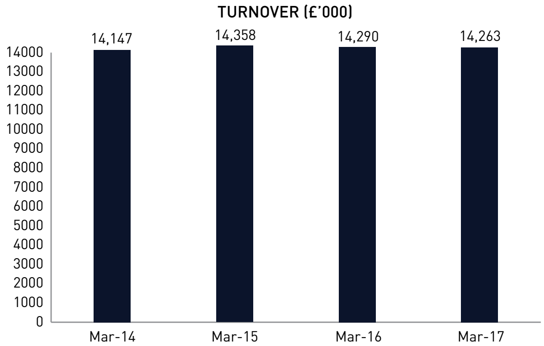


Operating profitability per device is measured by taking full year operating profit before amortisation, share based payments and exceptional items and dividing by the total number of connected devices at the year end.

This KPI seeks to demonstrate the robustness of the profitability achieved per connected device at each reporting date.

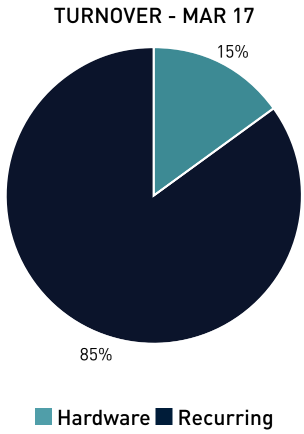
TURNOVER

Turnover remained broadly flat year on year where growth in Smart Machines was offset by the headwinds in the pub market place, particularly gaming machine monitoring, which impacted Smart Zones turnover.



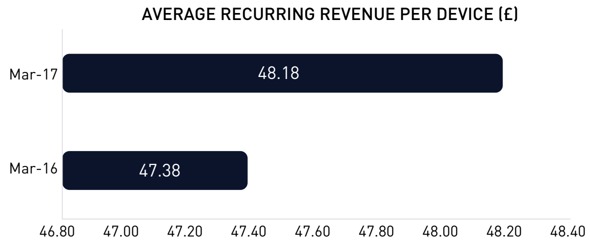
RECURRING REVENUE

Blended recurring revenues across the two divisions was a healthy 85% (2016: 83%), reflecting growth in Smart Machines connected device estate and the ongoing contract renewals in Smart Zones.



Financial Review (continued)

The average recurring revenue per connected device has grown 1.7% YOY and is shown as follows;



PERFORMANCE SUMMARY

The table below shows the performance of the Group;

	FY2017	FY2016	Change %
Revenue	£14.26m	£14.29m	(0.2)
Operating profit[a]	£3.32m	£3.02m	9.9
Operating profit	£2.35m	£2.58m	(8.9)
Profit before tax[b]	£2.41m	£2.28m	5.7
Profit before tax	£1.45m	£1.85m	(21.6)
Basic EPS[c]	7.30p	6.38p	14.4
Dividend per share	5.70p	5.70p	-
Net cash[d]	£3.45m	£2.01m	71.6

(a) Pre-exceptional items, share based payments and amortisation on a continuing basis
(b) Pre-exceptional items, on a continuing basis
(c) Profit after tax pre-exceptional items, on a continuing basis
(d) Cash at bank after deduction of bank loans

EXCEPTIONALS

	FY2017 '£000	FY2016 '£000
US legal costs	388	297
Office rationalisation	495	-
VFS disposal	(102)	382
Other items	83	282
Total	864	961

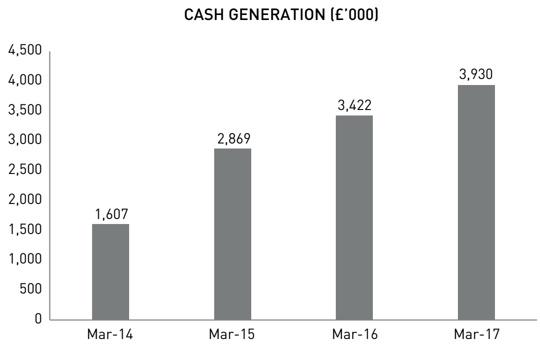
Other items in exceptional costs have reduced year on year by £199k. Current year costs are predominately related to US litigation (as referred to in the Chairman's Statement) and the closure of the Bolton warehouse and distribution centre where activities were centralised to our head office. This rationalisation covers termination of lease, staff exit and stock rationalisation costs. The US litigation matter was concluded successfully and no future costs will arise in respect of this.

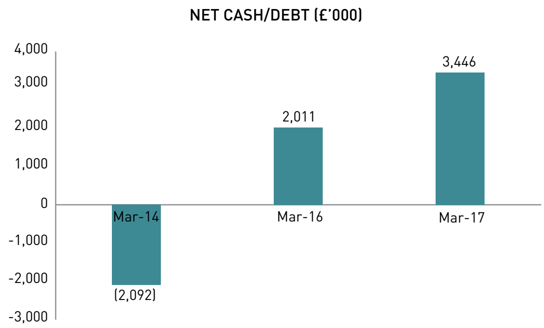
DIVIDEND

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 (2016: 5.70 pence).

On a profit after tax basis, dividend cover has remained at c 0.66 in 2017. We expect the cover to improve as a result of our anticipated growth in profits and a substantial reduction in exceptional costs in FY2018.

CASH





Cash generation from operating activities remains strong and continues to grow through a combination of profit per device and robust working capital management. The resulting net cash position improved in the year, after servicing the three year term loan that ceases in July 2017 and the mortgage on the head office freehold property. Cash was principally used to service R&D investment, dividend payment and servicing of borrowings leaving an inflow of £0.9m (2016: £0.2m pre disposal proceeds from discontinued operations).

At the year end, the Group had borrowings of £1.10 million (2016: £1.59 million), and net cash of £3.45 million (2016: £2.01 million).

DIVISIONAL PERFORMANCE

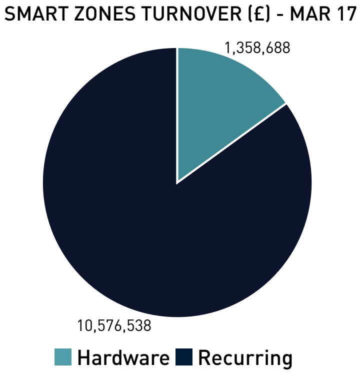
Currently the Smart Zones division principally consists of the core beer monitoring business (including the US) and gaming machine monitoring.

SMART ZONES

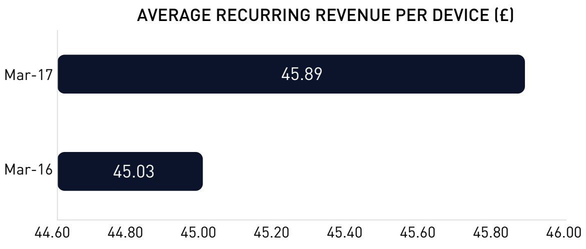
	FY2017	FY2016	Change %
Turnover	£11.93m	£12.05m	(1.0)
Operating profit[a]	£4.82m	£4.57m	5.5
Total connected devices	230,489	236,272	(2.4)
New Installation sales	380	455	(16.5)
YE Net premises	c14,500	c15,100	(4.0)
iDraught penetration[b]	24.7%	22.5%	

(a) Pre-exceptional items, share based payments and amortisation
(b) UK and Europe only

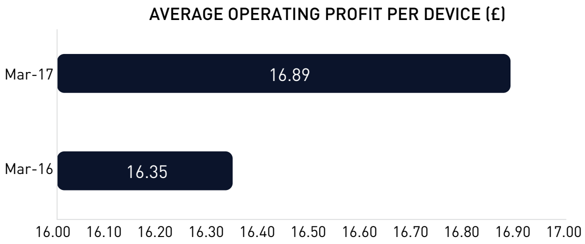
Turnover mix is shown below



Recurring revenues remain robust at 89%



Recurring revenue per device has increased 1.9% being a reflection of the strength of revenue stream across the mix of customer base.



Average operating profitability per device is measured by taking full year operating profit before amortisation, share based payments and exceptional items and dividing by the total number of connected devices at the year end.

Average adjusted operating profit per device (above) has increased c 3.3% benefitting from new unit sales and continuing overhead rationalisation offsetting the effect of pub disposals.

The Smart Zones division has performed satisfactorily, particularly against what is a challenging pub market landscape that resulted in a net estate reduction of c 600 sites (2016: c 630) to c 14,300 (2016: 14,900) in the UK and Europe.

SMART MACHINES

The Smart Machines division currently consists of the telemetry and contactless monitoring business predominantly in the Vending sector.

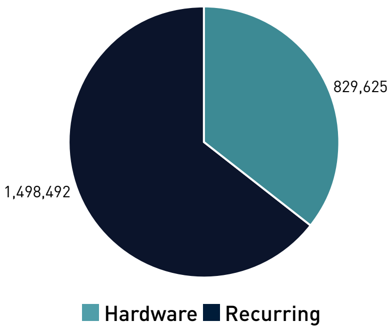
	FY2017	FY2016	Change %
Turnover	£2.33m	£2.18m	6.9
Operating profit[a]	£0.89m	£0.75m	19.1
New Telemetry connections	4,275	4,736	(9.7)
New Contactless connections	817	535	52.7
YE Net estate	c20,000	c16,000	25.0

(a) Pre-exceptional items, share based payments and amortisation on a continuing basis.

Financial Review (continued)

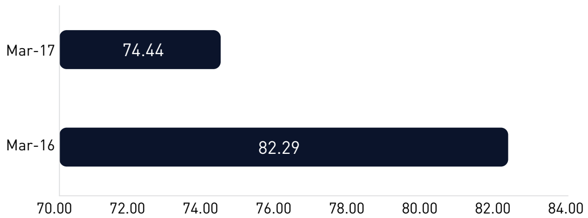
Turnover mix is shown in the chart below. Recurring revenues, driven by ongoing growth in the number of connected devices, grew to 64% of turnover (2016: c 55%).

SMART MACHINES TURNOVER (£) - MAR 17



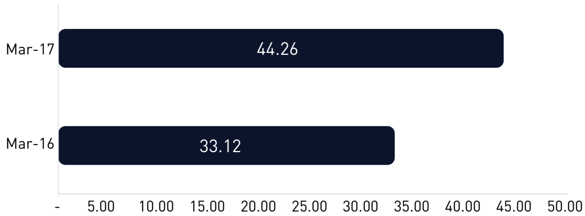
Smart Machines has made progress in the year with good growth in total number of connected devices as shown in the table above with new contactless connections being 282 ahead of FY2016. Growth during the year is also reflected in the device estate figures.

AVERAGE RECURRING REVENUE PER DEVICE (£)



Average recurring revenue per device has decreased 9.5% principally due to lower pricing associated with a significant roll out in one of our largest customers. Importantly, this same growth in connected devices is however providing scale and driving improved profitability per device as shown below.

AVERAGE OPERATING PROFIT PER DEVICE (£)



Average operating profitability per device is measured by taking operating profit before amortisation, share based payments and exceptional items and dividing by the total number of connected devices at the year end.

Average adjusted operating profit per device (above) has increased 33.6% due to increased sales activity set against a relatively fixed overhead.

Technology

During FY 2017 Technology and Stores were a mainstream cost centre servicing both divisions of the Group (historically this has been absorbed throughout the Divisions).

Taxation

The Group has continued to utilise available tax losses during the year resulting in no tax being paid (2016: £nil). The Group will continue to utilise the available tax losses carried forward into FY2018. In the financial year under review, the tax line includes a deferred tax charge of £0.42 million (2016: £0.55 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 underlying profit before tax from continued operations pre-exceptional items earnings per share is 8.83 pence for FY2017 compared to 8.41 pence for FY2016. Underlying fully diluted earnings per share (before exceptional costs), which takes account of all outstanding share options, amounted to 8.79 pence in FY2017 which compares to 8.37 pence for FY2016.

Basic EPS was 3.77 pence compared to 4.76 pence in 2016

Balance sheet and cash flow

The Group balance sheet remains strong.

The Group generated operating cash flow of £3.93 million (2016: £3.42 million) an increase of 14.9%, with positive working capital movement. Despite the headwinds in Smart Zones' core beer market and losses in the US, albeit reduced, the division had a healthy operational cash generation of c £5.5 million (2016: £5.1 million).

The cash generated in FY2017 was utilised to invest in the Group's technology through research and development, to service borrowings and to fund dividends. At the year end, the Group had borrowings of £1.10 million (2016: £1.59 million), and net cash of £3.45 million (2016: £2.01 million).

The balance sheet and cash generating capacity of Vianet provides a solid platform to pursue the significant growth opportunities that the Board has identified in order to generate increased 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 for the pub sector, and overall market confidence in liquidity and credit.

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

- The ongoing impact of the Statutory Code implementation which is being managed as and when there is sufficient 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 contactless 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.

Financial Review (continued)

Key performance indicators

	Target	Actual 2017	Actual 2016
Percentage of revenue from recurring income streams[1]	80%	85%	83%
Gross Margin[2]	70%	70%	70%
Employee Turnover[3]	2%	4.3%	2.7%

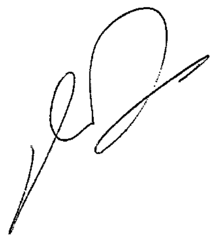
Notes to KPIs

[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. The achievement of this target depends on the mix of new hardware sales versus on going recurring revenue.

[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. The above gross margin represents continuing operations excluding the margin impact of the fuel business which operated on lower margins. It is important to recognise the margins we achieve are a reflection of the direct cost of sale and not do not include some of the key infrastructure overheads required to provide the services to our customers.

[3] Employee Turnover = Group trading companies aim to be seen as a good, attractive employer with positive values and career prospects, measured against internal People & Development reports. In addition to normal employee turnover the figure also includes employees leaving as a result of business rationalisation activity.

The Strategic Report includes the above sections on Business risks and KPI's.



On behalf of the Board
Stewart Darling
Chief Executive Officer
5 June 2017

REPORT OF THE DIRECTORS

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

The Directors present their report and the audited financial statements for the year ended 31 March 2017.

Business Risk

Business risk is discussed in the Chief Executive's report pages 4 to 12.

Going Concern

The Directors, after having made appropriate enquiries, including (but not limited to) a review of the Group's budget for 2017/2018, 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 4.3%, above the taget of 2% 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 in ensuring systems are at the forefront of technological advance to ensure future growth. During the year expenditure on research and development was £705,000 (2016: £746,000) all of which has been capitalised as an asset on the balance sheet (2016: £746,000).

Dividends

The Directors recommend the payment of a final dividend of 4.00p per share (2016: final 4.00p), taking the full year dividend to 5.70p. (2016: 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 20. 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 23 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 2017	**Ordinary shares of 10p each 2016**
S W Darling	63,244	33,244
J W Dickson	4,754,469	4,658,420
M H Foster	228,000	228,000
C Williams	9,250	9,250
M McGoun	-	-

Directors' emoluments

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

	Salary and fees 2017 £'000	Other emoluments 2017 £'000	Total emoluments 2017 £'000	Salary and fees 2016 £'000	Other emoluments 2016 £'000	Total emoluments 2016 £'000
Executive						
M H Foster	**250**	**33**	**283**	266	33	299
S W Darling	**304**	**37**	**341**	293	36	329
Non-executive						
J W Dickson	**176**	**14**	**190**	173	32	205
S C Gilliland	**-**	**-**	**-**	28	-	38
C Williams	**30**	**-**	**30**	30	-	30
M McGoun	**30**	**-**	**30**	30	-	30
Total	**790**	**84**	**874**	820	101	921

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 2017 or 2016
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 salary and fees for 2017 includes exceptional fees of £87,000 relating to time spent on the Group's successful litigation defence in the US court.

Directors' share options

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

	At 1 April 2016	At 31 March 2017	Option price	Date granted
J W Dickson	75,000	**-**	123.0p	October 2006
	18,600	**18,600**	96.5p	January 2011
M H Foster	18,600	**18,600**	96.5p	January 2011
	135,000	**135,000**	85.0p	May 2014
	124,000	**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 93.0p and the range of market prices during the year was between 90.0p and 106.5p.

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.

Long Term Incentive Plan

Vianet adopted a new LTIP scheme on 17 December 2015. On 21 December 2015, awards were granted to five members of staff, who each have a percentage entitlement in the overall awards pool. Further detail is provided on page 53.

Substantial Shareholdings

The Company has been informed that on 25 May 2017 the following shareholders (excluding Directors) held substantial holdings of the issued ordinary shares of the company:

	Holding of Ordinary shares Number	Issued Share capital %
Livingbridge	2,693,982	9.63%
AXA Investment Managers UK	2,665,000	9.53%
Helium Fund Management	2,132,000	7.62%
Hargreaves Lansdown Asset Management	1,333,257	4.77%
Lazard Asset Management	1,196,180	4.28%
Downing LLP	1,017,650	3.64%
TD Direct Investing	973,876	3.48%
Barclays Wealth and Investment Management	770,033	2.75%
Artemis Fund Managers Limited	735,000	2.63%
Miton Assest Management	700,000	2.50%
Blackrock Investment Management UK	689,273	2.46%
Unicorn Asset Management	625,200	2.24%

Annual General Meeting

The Annual General Meeting will be held on 29 June 2017 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.

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 5 June 2017 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 does not comply with the UK Corporate Governance Code and is not required to do so, the Board recognises the value of the Code and has regard to its principles as far as it considers 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 2017 were the EMI plan, the Executive plan, the Employee Plan, the Employee Company Share Option Plan, an Executive Joint Ownership Plan and a Long Term Incentive 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 2017 which comprise the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity 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 auditor

As explained more fully in the Statement of Directors' Responsibilities for the financial statements set out on page 16, 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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 2017.

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

Leeds

5 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Note	Before Exceptional 2017 £000	Exceptional 2017 £000	Total 2017 £000	Total 2016 £000
Continuing operations					
Revenue	3	14,263	-	14,263	14,290
Cost of sales		(4,327)	-	(4,327)	(4,279)
Gross profit		9,936	-	9,936	10,011
Administration and other operating expenses		(6,621)	(964)	(7,585)	(7,433)
Operating profit pre amortisation and share based payments		**3,315**	**(964)**	**2,351**	**2,578**
Intangible asset amortisation		(693)	-	(693)	(661)
Share based payments		(206)	-	(206)	(28)
Operating profit post amortisation and share based payments		**2,416**	**(964)**	**1,452**	**1,889**
Net finance costs	6	(5)	-	(5)	(44)
Profit from continuing operations before tax	5	2,411	(964)	1,447	1,845
Income tax expense	7	(417)	-	(417)	(553)
Profit from continuing operations		1,994	(964)	1,030	1,292
Profit/(loss) from discontinued operations		-	100	100	(275)
Profit and other comprehensive income for the year		1,994	(864)	1,130	1,017
Earnings per share					
Total					
- Basic	8			4.14p	3.74p
- Diluted	8			4.12p	3.72p
Continuing Operations					
- Basic	8			3.77p	4.76p
- Diluted	8			3.76p	4.73p
Discontinued Operations					
- Basic	8			0.37p	(1.02)p
- Diluted	8			0.36p	(1.01)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 2017

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Goodwill	10	15,503	15,503
Other intangible assets	11	2,000	1,982
Property, plant and equipment	12	3,069	3,143
Total non-current assets		20,572	20,628
Current assets			
Inventories	13	1,308	1,810
Trade and other receivables	14	2,708	3,564
Tax asset	19	460	482
Cash and cash equivalents		4,549	3,605
		9,025	9,461
Total assets		29,597	30,089
Equity and liabilities			
Liabilities			
Current liabilities			
Trade and other payables	15	3,728	4,016
Borrowings	16	325	489
Provisions	18	62	-
		4,115	4,505
Non-current liabilities			
Borrowings	16	778	1,103
Provisions	18	48	-
Deferred tax	19	395	-
		1,221	1,103
Equity attributable to owners of the parent			
Share capital	20	2,843	2,843
Share premium account		11,287	11,287
Share based payment reserve		418	217
Own shares		(1,221)	(1,221)
Merger reserve		310	310
Retained profit		10,624	11,045
Total equity		24,261	24,481
Total equity and liabilities		29,597	30,089

The Group financial statements were approved by the Board of Directors on 5 June 2017 and were signed on its

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 2017

	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 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
At 1 April 2016	2,843	11,287	(1,221)	217	310	11,045	24,481
Dividends	-	-	-	-	-	(1,557)	(1,557)
Share based payments	-	-	-	207	-	-	207
Share option forfeitures	-	-	-	(6)	-	6	-
Transactions with owners	-	-	-	201	-	(1,551)	(1,350)
Profit and total comprehensive income for the year	-	-	-	-	-	1,130	1,130
Total comprehensive income less owners' transactions	-	-	-	201	-	(421)	(220)
At 31 March 2017	2,843	11,287	(1,221)	418	310	10,624	24,261

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		1,130	1,017
Adjustments for			
Net interest payable		5	44
Income tax expense		417	553
Amortisation of intangible assets		693	818
Depreciation		348	449
Payment of deferred consideration		-	(22)
Profit on sale of property, plant and equipment and businesses		(50)	(207)
Share based payments		207	43
Operating cash flows before changes in working capital and provisions		2,750	2,695
Change in inventories		502	(34)
Change in receivables		857	(338)
Change in payables		(289)	1,099
Change in provisions		110	-
		1,180	727
Cash generated from operations		3,930	3,422
Net cash generated from operating activities		3,930	3,422
Cash flows from investing activities			
Proceeds on disposal of subsidiary division		100	3,400
Cash disposed with subsidiary	25	-	(90)
Purchases of property, plant and equipment		(325)	(383)
Purchases of intangible assets		(711)	(855)
Net cash used in investing activities		(936)	2,072
Cash flows from financing activities			
Net interest payable		(5)	(44)
Issue of share capital		-	101
Share options exercised		-	100
Repayments of borrowings		(488)	(486)
Dividends paid		(1,557)	(1,549)
Net cash used in financing activities		(2,050)	(1,878)
Net increase in cash and cash equivalents		944	3,616
Cash and cash equivalents at beginning of period		3,605	(11)
Cash and cash equivalents at end of period		4,549	3,605

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

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 2017/2018, 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 2017.

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)

Smart Zones and Smart Machines

Machine, Payment and Vending 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 data insight services

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.

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. Significant accounting policies (continued)

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.

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
Software	5 years
Trademarks	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.

1. Significant accounting policies (continued)

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.

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	3 - 5 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.

1. Significant accounting policies (continued)

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.

1.11 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 Group holds shares in both an employee benefit trust and in treasury. The consideration paid for the purchase of these shares is recognised directly in equity. Any disposals are calculated on a weighted average method with any gain or loss being recognised through reserves

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.

1. Significant accounting policies (continued)

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.

1.16 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".

1. Significant accounting policies (continued)

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

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

1.19 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, apart from IFRS 16 Leases:

- IFRS 14 Regulatory Deferral Accounts 1 January 2016
- IFRS 16 Leases 1 January 2019
- IFRS 9 Financial Instruments 1 January 2018
- IFRS 15 Revenue from Contracts with Customers 1 January 2018
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses 1 January 2017
- Amendments to IAS 7: Disclosure Initiative 1 January 2017
- Clarifications to IFRS 15 Revenue from Contracts with Customers 1 January 2018
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions 1 January 2018
- Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 Insurance Contracts. 1 January 2018

1. Significant accounting policies (continued)

- Annual improvements to IFRS 2014-2016 Cycle - Relating to IFRS 1 First time adoption of IFRS and IAS 28 Investment in associates and joint ventures 1 January 2018

- Annual improvements to IFRS 2014-2016 Cycle - Relating to IFRS 12 Disclosure of interest in other entities 1 January 2017

- IFRIC Interpretation 22 Foreign currency transactions and advance considerations 1 January 2018

- Amendments to IAS 40: Transfers of investment property 1 January 2018

The Directors anticipate that the adoption of the majority of these standards and interpretations in future periods (with the exception of IFRS16) will have no material impact on the financial statements of the Group except for additional disclosure and presentational requirements. IFRS 16 operating leases will have a material impact on the financial statements and will need to be shown on the balance sheet as opposed to note 22 currently.

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.

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

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.

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. Vianet Group is analysed into to two trading segments (defined below) being Smart Zones (mainly adopted in the leisure sector, including US (particularly in pubs and gaming)) and Smart Machines (mainly adopted in the vending sector (particularly in vending machines)) supported by Corporate/Technology costs.

The products/services offered by each operating segment are:

Smart Zones: design, product development, sale and rental of fluid monitoring equipment, data insights and related services

Smart Machines: design product development, sale and rental of machine monitoring equipment, data insights and related services.

Corporate/Technology: Centralised Group overheads along with technology related costs for the Group

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.

Previously, Technology was shown as a separate segment.

3. Segment reporting (continued)

2017

Continuing Operations (post exceptional items)	**Smart Zones £000**	**Smart Machines £000**	**Corporate/ Technology £000**	**Total £000**
Total revenue	11,935	2,328	-	14,263
Pre-exceptional segment result	4,677	539	(2,800)	2,416
Exceptional costs	(325)	(25)	(614)	(964)
Post exceptional segment result	4,352	514	(3,414)	1,452
Finance costs	(17)	-	12	(5)
Profit/(loss) before taxation	4,335	514	(3,402)	1,447
Taxation				(417)
Profit for the year from continuing operations				1,030
Other information				
Additions to property, plant, equipment and intangible assets	553	116	367	1,036
Depreciation and amortisation	405	351	285	1,041

	Smart Zones £000	**Smart Machines £000**	**Corporate/ Technology £000**	**Total £000**
Segment assets	25,350	-	3,787	29,137
Unallocated assets	460	-	-	460
Total assets	25,810	-	3,787	29,597
Segment liabilities	4,584	-	357	4,941
Unallocated liabilities	395	-	-	395
Total liabilities	4,979	-	357	5.336

The asset base of the Vianet Group plc cannot be split across Smart Zones, Smart Machines or Technology, so has been allocated to Smart Zones.

3. Segment reporting (continued)

2016

Continuing Operations (post exceptional items)	**Smart Zones £000**	**Smart Machines £000**	**Corporate/ Technology £000**	**Total £000**
Total revenue	12,051	2,179	60	14,290
Pre-exceptional segment result	3,946	240	(1,858)	2,328
Exceptional costs	(438)	-	(1)	(439)
Post exceptional segment result	3,508	240	(1,859)	1,889
Finance costs	(30)	-	(14)	(44)
Profit/(loss) before taxation	3,478	240	(1,873)	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	165	1,039
Depreciation and amortisation	469	285	288	1,042

	Smart Zones £000	**Smart Machines £000**	**Corporate/ Technology £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 Vianet Group plc cannot be split across Smart Zones, Smart Machines or Technology, so has been allocated to Smart Zones.

3. Segment reporting (continued)

Analysis of revenue by category

	2017 £000	2016 £000
Continuing operations		
Sale of goods		
- Smart Zones and Smart Machines	1,984	1,993
Rendering of services		
- Smart Zones and Smart Machines	12,279	12,297
	14,263	14,290
Geographical analysis		
- United Kingdom	12,999	13,308
- Rest of Europe	987	749
- United States/Canada	277	231
- Other	-	2
	14,263	14,290

	2017 £000	2016 £000
Discontinued operations		
Rendering of services		
- fuel	-	4,951
	-	4,951
Geographical analysis		
- United Kingdom	-	4,852
- Rest of Europe	-	99
	-	4,951

4. Exceptional items

	2017 £000	2016 £000
US litigation	388	297
Bolton rationalisation	495	-
Corporate restructuring and transitional costs	83	282
Disposal of VFS subsidiary	(102)	382
	864	961

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 at 31 January 2016 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:

	2017 £000	2016 £000
Employee benefits expense (note 21)	6,665	7,770
Depreciation of property, plant and equipment (note 12)	348	449
Amortisation of intangible assets (note 11)	693	818
Profit on disposal of property, plant and equipment and businesses	(50)	(207)
Operating lease rentals payable	197	293

Auditor's remuneration

Services to the company and its subsidiaries	2017 £000	2016 £000
Fees payable to the company's auditor for the audit of the annual financial statements	15	15
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	21	27
Other services relating to tax - taxation compliance services	7	8
Other services relating to tax - all other	-	26
Other services - half year reporting and accounting advice	16	13
	59	89

6. Net finance costs

	2017 £000	2016 £000
Interest payable on bank borrowings	25	48
	25	48

	2017 £000	2016 £000
Interest receivable on bank deposits	20	4
	20	4

7. Taxation

Analysis of charge in period

	2017 £000	2016 £000
Current tax expense		
- Amounts in respect of the current year	-	-
- Amounts in respect of prior periods	-	-
	-	-
Deferred tax charge/credit		
- Amounts in respect of the current year	427	553
- Amendment re-recognition of losses	(10)	-
Income tax credit	417	553

Reconciliation of effective tax rate

The tax for the 2017 period is higher (2016 was higher) than the standard rate of corporation tax in the UK (2017: 20% and 2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation		
- Continuing operations	1,547	1,570
Profit before taxation multiplied by rate of corporation tax in the UK of 20% (2016:20%)	309	314
Effects of:		
Other expenses not deductible for tax purposes	25	(38)
Amortisation of intangibles	125	120
Movement on losses	266	440
Adjustments for prior years	(10)	-
Research and development	(298)	(283)
Total tax charge	417	553

8. Earnings per share

Earnings per share has been impacted by the release of a deferred tax asset provision. After adjustment for the lower tax charge, the overall basic earnings per share for the year ended 31 March 2017 before exceptional costs reduced to 7.30 pence compared to 7.28 pence at March 2016.

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders (£1,130k) 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.

	2017 Earnings £000	2017 Basic earnings per share	2017 Diluted earnings per share	2016 Earnings £000	2016 Basic earnings per share	2016 Diluted earnings per share
Post-tax profit attributable to equity shareholders	1,130	4.14p	4.12p	1,017	3.74p	3.72p
Pre-tax profit attributable to equity shareholders	1,547	5.67p	5.64p	1,570	5.78p	5.75p
Of which is attributable to continuing operations	*1,447*	*5.30p*	*5.28p*	*1,845*	*6.79p*	*6.76p*
Pre-tax, pre-exceptional profit attributable to equity shareholders	2,411	8.83p	8.79p	2,284	8.41p	8.37p
Post-tax, pre-exceptional profit attributable to equity shareholders	1,994	7.30p	7.27p	1,978	7.28p	7.24p

	2017 Number	2016 Number
Weighted average number of ordinary shares	27,302,694	27,168,095
Dilutive effect of share options	114,063	141,814
Diluted weighted average number of ordinary shares	27,416,757	27,309,909

9. Ordinary dividends

	2017 £000	2016 £000
Final dividend for the year ended 31 March 2016 of 4.0p (year ended 31 March 2015: 4.0p)	1,092	1,087
Interim dividend paid in respect of the year of 1.70p (2016: 1.70p)	465	462
Amounts recognised as distributions to equity holders	1,557	1,549

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2017 of 4.0p per share. If approved by shareholders, it will be paid on 28 July 2017 to shareholders who are on the register of members on 17 June 2017. Total dividend payable 5.70p (2016: 5.70p).

10. Goodwill

Group	2017 £000	2016 £000
Cost		
At 1 April	15,503	17,973
Disposal	-	(2,470)
At 31 March	15,503	15,503
Accumulated impairment losses		
At 1 April	-	(250)
Disposal	-	250
At 31 March	-	-
Net book amount	15,503	15,503

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:

	2017 £000	2016 £000
Smart Zones	15,503	15,503
Carrying amount 31 March	15,503	15,503

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 2018 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 improvement in profitability, 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 Smart Zones segment: 3% based on estimates of specific industry rates, where available.

Discount rate assumptions, applied to the Smart Zones segment: 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 Smart Zones segment would require no impairment.

If sector growth assumption rates were applied at 0% and a discount rate assumption of 15% was applied, the Smart Zones segment would require no impairment.

11. Other intangible assets

Group	Capitalised development £000	Order book £000	Software £000	Customer contracts £000	Patents £000	Total £000
Cost						
At 1 April 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
Internally generated development costs	705	-	-	-	-	705
Additions	-	-	1	-	5	6
At 31 March 2017	4,739	281	262	1,445	93	6,820
Amortisation						
At 1 April 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
Charge for the year	620	-	66	-	7	693
At 31 March 2017	2,848	281	205	1,445	41	4,820
Net book amount						
At 31 March 2017	1,891	-	57	-	52	2,000
At 31 March 2016	1,806	-	122	-	54	1,982

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 £705,000 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 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
Additions	-	225	100	325
Disposals	-	(171)	(6)	(177)
At 31 March 2017	3,125	918	3,174	7,217
Accumulated depreciation				
At 1 April 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
Charge for the year	61	134	153	348
Disposals	-	(120)	(6)	(126)
At 31 March 2017	654	602	2,892	4,148
Net book amount				
At 31 March 2017	2,471	316	282	3,069
At 31 March 2016	2,532	276	335	3,143

13. Inventories

	2017 £000	2016 £000
Raw materials	1,442	1,815
Write down on raw materials	(134)	(5)
	1,308	1,810

No reversal of previous write-downs was recognised as a reduction of expense in 2016 or 2017. In 2017 £2,221,735 (2016: £2,312,393) 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

	2017 £000	2016 £000
Trade receivables	2,208	2,900
Other receivables	33	153
Prepayments and accrued income	467	511
	2,708	3,564

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 £29,000 (2016: £45,000) has been recorded accordingly (note 17)

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

	2017 £000	2016 £000
Not past due	1,350	1,738
Not more than three months	790	1,054
More than three months but not more than six months	68	80
More than six months but not more than one year	-	28
	2,208	2,900

15. Trade and other payables

	2017 £000	2016 £000
Trade payables	870	789
Other taxation and social security	628	726
Accruals and deferred income	2,230	2,501
	3,728	4,016

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

16. Borrowings

Current	2017 £000	2016 £000
Bank loans	325	489
	325	489

Non-current	2016 £000	2015 £000
Bank loans	778	1,103
	778	1,103

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:

	2017 %	2016 %
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:

	2017 £000	2016 £000
Between one and two years	160	325
Between two and five years	482	486
More than five years	136	292
	778	1,103

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.

	2017 $000	2016 $000
Financial assets	238	110
Financial liabilities	-	-
	238	110

	2017 €000	2016 €000
Financial assets	13	23
Financial liabilities	-	-
	13	23

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.

	2017 £000	2016 £000
Cash and cash equivalents	4,549	3,605
Trade and receivables	2,241	3,053
	6,790	6,658

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 2016	45
Amounts provided	29
Amounts utilised	(32)
Amounts released	(13)
Bad debt provision at 31 March 2017	29

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	2017 £000	2016 £000
Cash and cash equivalents	4,549	3,605
Trade and receivables	2,241	3,053
	6,790	6,658

Current liabilities	2017 £000	2016 £000
Financial liabilities measured at amortised cost	3,425	3,779
Non current liabilities		
Financial liabilities measured at amortised cost	826	1,103
	4,251	4,882
Net financial assets	2,539	1,776

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.

	2017 £000	2016 £000
Total equity	24,261	24,481
Less cash equivalents	(4,549)	(3,605)
	19,712	20,876

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. Provisions

Group	Onerous leases £000	Dilapidations £000	Total £000
1 April 2016	-	-	-
Increase in provision	75	35	110
At 31 March 2017	75	75	110

Provisions are analysed between current and non-current as follows:

	2017 £000	2016 £000
Current	62	-
Non-current	48	-
	110	-

The provision for onerous leases is in respect of leasehold properties from which the Group no longer resides, but is liable to fulfil rent and other property commitments up to the lease expiry date. If a property is sub-let below the head rent, or for a period shorter than the remaining lease term, provision is made for the onerous element of the lease. Obligations are payable within a range of 1 to 2 years.

The Group provides for the estimated cost of property dilapidations, where appropriate, during the period of the tenancy. The provisions are expected to be utilised over the next 1 to 2 years.

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2016: 19%).

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

Deferred tax asset

	2017 £000	2016 £000
At 1 April	862	1,388
Adjustment re VFS disposal	-	(11)
Profit and loss credit in respect of losses utilised	(402)	(515)
At 31 March	460	862

Deferred tax liability

	2017 £000	2016 £000
At 1 April	(380)	(342)
Profit and loss credit in respect of timing differences	(15)	(38)
At 31 March	(395)	(380)

During the period, management took the decision to split the net tax asset in to a tax asset and a deferred tax liability.

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 £460k (2016: £862k) are amounts of £460k relating to tax losses (2016: £862k).

The group has unused tax losses amounting to £nil (2016: £nil) for which no deferred tax asset has been recognised

20. Issued share capital

	2017 £000	2016 £000
Issued and fully paid		
Ordinary shares of 10p each: 28,427,164 (2016: 28,427,164)	2,843	2,843

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 2017, the Trust owned 668,470 shares (2016: 668,470 shares) with a nominal value of £66,847 (2016: £66,847).

At 31 March 2017, Vianet Group plc owned 456,000 shares (2016: 456,000 shares) with a nominal value of £45,600 (2016: £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.

21. Employees and Directors

Employee benefit expense during the period

	2017 £000	2016 £000
Wages and salaries	5,720	6,812
Social security costs	533	714
Pension costs	206	201
Share based payments	206	43
	6,665	7,770

Average monthly number of people (including Directors) employed

	2017 Number	2016 Number
Sales	6	9
Engineering	28	51
Volume Recovery	5	5
Management	12	8
Administration	108	135
	159	208

Key management personnel - Directors

Group	2017 £000	2016 £000
Short term employment benefits	828	858
Pension contributions	46	63
Share based payments	206	44
	1,080	965

During the year two (2016: three) Directors had benefits accruing under defined contribution pension schemes.

21. Employees and Directors (continued)

Highest paid director

	2017 £000	2016 £000
Short term employment benefits	316	305
Pension contributions	25	24
	341	329

22. 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	Motor Vehicles £000	Land and Buildings £000	2017 Total £000	2016 Total £000
Within one year	176	33	209	143
After one year and less than five years	366	8	374	155
	542	41	583	298

Included in the above operating lease commitment is the onerous lease provided for in Note 18

23. Share-based payments

There are six share option plans in place the EMI Plan, the Executive Plan, the Employee Plan, an Employee Company Share Option Plan, an Executive Joint Ownership Plan, and a Long Term Incentive 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:

	2017 Number of share options	2017 Weighted average exercise price(p)	2016 Number of share options	2016 Weighted average exercise price(p)
At start of the financial year	1,782,800	94.2	1,909,300	90.7
Exercised	-	-	(269,000)	75.1
Granted	100,000	95.0	384,000	96.8
Forfeited	(105,500)	(90.8)	(241,500)	92.5
Lapsed	(176,000)	(123.0)	-	-
At end of financial year	1,601,300	91.5	1,782,800	94.2
Exercisable at end of financial year	251,800	104.4	447,800	111.4

23. 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
J W Dickson	27/01/11	18,600	96.5p	-	-	-	28/01/14 to 27/01/21
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 an expense of £206,000 (2016: £44,000) in relation to equity settled share-based payment transactions in the year.

During the year 100,000 options were granted on 20 March 2017. The estimated fair value of these options granted was £20,000

	2017
Weighted average share price (p)	95.5
Weighted average exercise price (p)	95.5
Expected volatility (%)	22.86
Expected life (years)	10
Risk free rate (%)	3.75
Fair value (p)	19.8

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.

Long Term Incentive Plan

The Group adopted a new Long Term Incentive Plan (LTIP) on 17 December 2015 and on 21 December 2015, awards were granted to two executive Directors and three key management personnel under the scheme.

LTIP awards give a conditional right to a 'cash payment' at three separate points in time 30 June 2018, 30 June 2019 and 30 June 2020. The amount of the cash payment is determined by the participant's percentage entitlement to the award pool at each date, and the size of the award pool itself is based upon performance criteria relating to growth in the parent company's share price and dividends over the period to 30 June 2020. There is no clawback of earlier awards if performance declines in later periods. The entitlement of Stewart Darling and Mark Foster in the overall award pool is 38% and 29% respectively.

Any cash payment awarded under the LTIP will (after the deduction of income tax and employee national insurance) be used to acquire a number of shares in the Company based upon the prevailing market value on behalf of the participant. Accordingly, the LTIP is accounted as an equity settled share based payment with a net settlement feature.

The fair value of the LTIP was calculated at the date of grant using the Monte Carlo Model and the following key assumptions:

	21 December 2015
Expected volatility (%)	27.3
Risk free rate (%)	1.15
Expected dividend yield (%)	5.534
Share price on grant date (p)	103.0
Exercise price (p)	0

The fair values of each award pool are the following:	£000
30 June 2018	305
30 June 2019	143
30 June 2020	108

24. 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. C Williams, a non-executive director, invoiced Vianet Group plc for fees totalling £30,706 (2016: £31,193). As at 31 March 2017, there was £nil outstanding (2016: £nil). M McGoun, a non-executive director, invoiced Vianet Group plc for fees totalling £36,000 (2016: £38,146). As at 31 March 2017 there was £nil outstanding (2016: £nil).

25. 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

26. Post balance sheet event

On 3 April 2017 the Company entered in to a £200,000 convertible loan with Screenreach Interactive Limited and Vianet Limited secured over the assets of Screenreach Interactive Limited. The Chairman of Vianet Group plc is also the Chairman of Screenreach Interactive Limited.

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 2017 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 their preparation is applicable law and United Kingdom Accounting Standards (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 Statement of Directors' Responsibilities for the financial statements set out on page 16, 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 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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:

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

- 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 2017.

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

Leeds

5 June 2017

COMPANY BALANCE SHEET

at 31 March 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments in subsidiaries	2	4,929	4,905
Other intangible assets	3	71	113
Tangible assets	4	25	12
		5,025	5,030
Current assets			
Debtors	5	7,190	9,790
Cash at bank		3,618	3,326
		10,808	13,116
Creditors: amounts falling due within one year	6	(373)	(471)
Net current assets		10,435	12,645
Net assets		15,460	17,675
Capital and reserves			
Ordinary share capital	7	2,843	2,843
Share premium	8	11,287	11,287
Share based payment reserve	8	418	218
Own shares	8	(1,227)	(1,227)
Merger reserve	8	310	310
Retained earnings	8	1,829	4,244
Total equity		15,460	17,675

The company's loss for the financial year was £864,000 (2016: loss £2,923,000).

The balance sheet was approved by the Board on 5 June 2017 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.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	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 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 2016/1 April 2016	2,843	11,287	(1,227)	218	310	4,244	17,675
Dividends	-	-	-	-	-	(1,557)	(1,557)
Share based payment	-	-	-	206	-	-	206
Share option forfeiture	-	-	-	(6)	-	6	-
Total transactions with owners	-	-	-	200	-	(1,551)	(1,351)
Profit and total comprehensive income for the year	-	-	-	-	-	(864)	(864)
At 31 March 2017	2,843	11,287	(1,227)	418	310	1,829	15,460

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.

The financial statements are presented in Sterling (£)

1.2 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
- 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
- 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)

1. Principal accounting policies (continued)

1.3 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.

1.4 Investment in subsidiaries

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any applicable provision for impairment.

1.5 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. Subsidiary costs are treated as a capital contribution and added to the cost of investment.

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)

1.6 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:

Trademarks	expected length of trademark
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	2017 £000	2016 £000
Cost and net book amount:		
Shares in subsidiaries		
At 1 April	4,905	5,199
Additions	24	5,272
Impairment	-	(2,066)
Disposal	-	(3,500)
At 31 March	4,929	4,905

Additions relate to the subsidiary costs of the employee share option scheme.

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
Retail & Forecourt Solutions Limited	100%	UK	Dormant
Energy Level Systems Limited	100%	UK	Dormant
Brulines Group Limited	100%	UK	Dormant
Vianet Americas Inc	100%	USA	Leisure Solutions
Vianet Limited	100%	UK	Leisure Solutions

Brulines Limited and Machine Insite Limited, are indirect investments via Vianet Limited in Leisure.

3. Other intangible assets

	Patents £000	Software £000	Total £000
Cost			
At 1 April 2015	54	161	215
Additions	6	4	10
At 31 March 2016	60	165	225
Additions	5	-	5
At 31 March 2017	65	165	230
Amortisation			
At 1 April 2015	9	56	65
Charge for the year	6	41	47
At 31 March 2016	15	97	112
Charge for the year	6	41	47
At 31 March 2017	21	138	159
Net book amount			
At 31 March 2017	44	27	71
At 31 March 2016	45	68	113

4. Tangible Assets

	Fixtures and fittings £000
Cost	
At 1 April 2015	6
Additions	10
At 31 March 2016	16
Additions	21
At 31 March 2017	37
Accumulated depreciation	
At 1 April 2015	2
Charge for the year	2
At 31 March 2016	4
Charge for the year	8
At 31 March 2017	12
Net book amount	
At 31 March 2017	25
At 31 March 2016	12

5. Debtors

	2017 £000	2016 £000
Amounts due from subsidiaries	7,103	9,551
Trade debtors	-	2
Other debtors	71	213
Other taxation	16	24
	7,190	9,790

All intercompany debt is repayable on demand. Interest is charged at base rate +2.25%

6. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Other payables	103	88
Accruals and deferred income	270	383
	373	471

7. Issued share capital

	2017 £000	2016 £000
Issued and fully paid		
Ordinary shares of 10p each: 28,427,164 (2016: 28,427,164)	2,843	2,843

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

	2017 £000	2016 £000
Final dividend for the year ended 31 March 2016 of 4.0p (year ended 31 March 2015: 4.0p)	1,092	1,087
Interim dividend paid in respect of the year of 1.70p (2016: 1.70p)	465	462
Amounts recognised as distributions to equity holders	1,557	1,549

In addition, the Directors are proposing a final dividend in respect of the year ended 31 March 2017 of 4.0p per share. If approved by shareholders, it will be paid on 28 July 2017 to shareholders who are on the register of members on 17 June 2017. Total dividend payable 5.70p (2016: 5.70p).

10. Employees and Directors

Employee benefit expense during the period

	2017 £000	2016 £000
Wages and salaries	774	781
Social security costs	103	117
Pension costs	46	63
Share based payments	206	44
	1,129	1,005

Average monthly number of people (including Directors) employed

	2017 Number	2016 Number
Management	5	6
	5	6

11. Directors

	2017 £000	2016 £000
Directors' emoluments	828	858
Pension contribution	46	63
	874	921

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

	2017 £000	2016 £000
Directors' emoluments	316	305
Pension contribution	25	24
	341	329

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 £864,000 (2016: loss £2,923,000).

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. C Williams, a non-executive director, invoiced Vianet Group plc for fees totalling £30,706 (2016: £31,193). As at 31 March 2017, there was £nil outstanding (2016: £nil). M McGoun, a non-executive director, invoiced Vianet Group plc for fees totalling £36,000 (2016: £38,146). As at 31 March 2017 there was £nil outstanding (2016: £nil).

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

VIANET

DATA. REIMAGINED.

DELIVERING REAL CHANGE THROUGH UNPARALLELED INSIGHT

ONE SURTEES WAY, SURTEES BUSINESS PARK, STOCKTON ON TEES, TS18 3HR
WWW.VIANETPLC.COM