CONSOLIDATED ANNUAL REPORT & ACCOUNTS

YEAR ENDED 31 MARCH 2021

VIANET GROUP PLC

DATA. REIMAGINED.

Vianet Group plc is a leading Business to Business ("b2b") provider of actionable management information and business insight. By combining data from our customers assets with our smart, cloud based, Internet of Things ('IOT') solutions, we deliver critical insight and analysis that drives superior operational performance.

With over 300 customers and more than 212,000 connected devices across the UK, Europe, and the US, Vianet's experience and knowledge combine to form a powerful market leading proprietary technology and insight capability.

We connect customers to their assets via single or multiple IOT smart devices which interface to the asset and collect the relevant data. The machine data is sent to our cloud hosted IOT platform where it is processed.

Vianet operates in two core business verticals. Our **Smart Machines** solution is designed for the unattended coffee, snack and soft drink vending machine market, and our **Smart Zones** solution is designed for the pub and hospitality industry, both connecting customers to their assets and delivering powerful insights and analytics in real time.

Smart Machines is one of the largest b2b connected solutions providers in Europe with established long-term relationships with major industry players and growing recurring revenues which comprise c. 90% of total revenues. The acquisition of Vendman Systems Limited ("Vendman") in 2017 resulted in a further c. 200,000 machines connected via mobile technology, the majority of which will, over time, become higher value Smart Machines connections.

By connecting customers to their assets, we gather data from which insight and analytics support improves decision-making and enables our end-to-end contactless payment solution. The outcome for our clients is increased sales and asset utilisation, reduced operating costs and improved operational performance, and more informed customer decision-making.

We achieve this by;

- Increasing utilisation and significantly reducing servicing costs by identifying asset performance opportunities;
- Maximising asset uptime and sales by providing alerts on fault conditions and product availability;
- Providing seamless touchless payment solutions, reducing customer dependency on 'dirty' cash, and providing contactless payment solutions that are increasingly desired by consumers;
- Improving cash flow management and resource planning by tracking real-time sales performance and enabling more frequent invoicing; and
- Defining potential new procedures, revenue streams, automation services, and incorporating these into the customers' existing processes.

In both divisions the data collected is structured and rendered through an advanced web portal and mobile applications to provide the analytics and insight that support improved business decision making with the aim of improving our customers' asset utilisation and profitability.

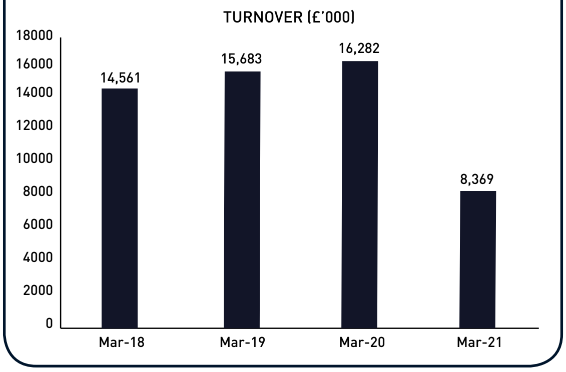
Whilst our technologies were developed for unattended retailing and hospitality, the flexibility and functionality of our smart devices offer multiple applications which can be connected to practically any machine that has a data output. The device used in our Smart Machines division is also the same device used to both connect our contactless payment solution and communicate payment terms to our cloud-based payment services providers. Successful asset management and contactless payment field trials have been completed in other verticals such as Fuel Forecourts, fast casual restaurant chains, and environmental services.

As a business we are passionate about developing innovative solutions employing talented people focused on transforming business performance.

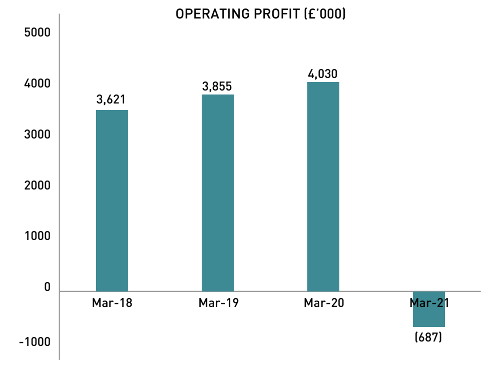
Our ambitions are underpinned by driving our financial performance through long-term contracts which have recurring high cash margins and scalable annuity revenue streams that facilitate ongoing product development.

FINANCIAL HIGHLIGHTS

TURNOVER PERFORMANCE



£0.7 MILLION ADJUSTED OPERATING LOSS[a]

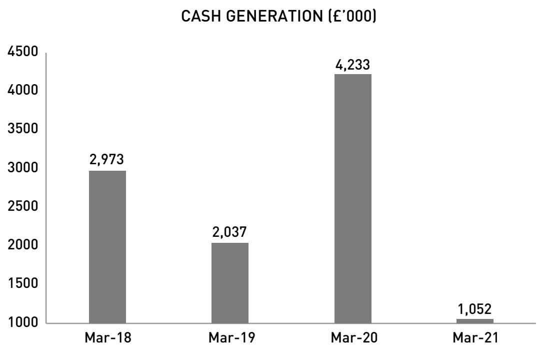


RECURRING REVENUE

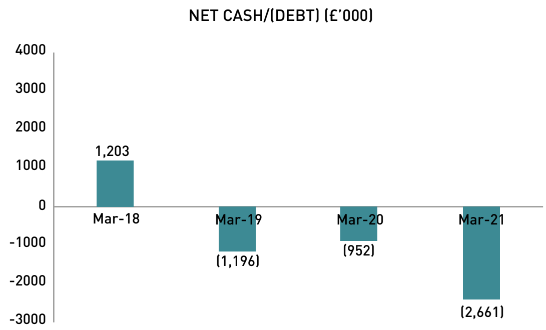
89%

(2020: 92%)

OPERATIONAL CASH GENERATION[b]



NET DEBT OF £2.66 MILLION[c]



BASIC EPS

(6.75)P

(2020: 8.56p)

NEW CONNECTIONS

8,115

(2020: 13,860)

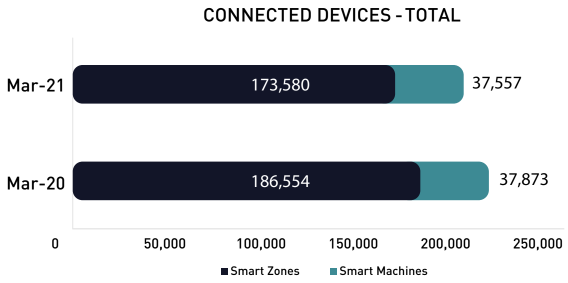
Note:
a) Adjusted operating profit is profit before exceptional costs, amortisation, interest and share based payments
b) 2020 figure is pre LTIP tax payment of £17k
c) Net debt includes the CBIL loan, Mortgage and Vendman Acquisition loan

OPERATIONAL HIGHLIGHTS

Smart Machines added a further 7,215 connections with estate remaining static at c38,000 as some customers rationalsied their estates during C19. The division still returned a profit of over £1 million.

The Smart Zones division returned a modest profit despite the extreme challenges for the hospitality sector during C19.

The Group's Smart Zones connected device base remains significant with c. 170,000 devices in c. 10,800 premises in the UK and USA and a further 440 pending C19 recovery.



SMART MACHINES

- 7,215 new connected devices (2020: 12,059).
- Highest level of Payment Card industry compliance (PCI-DSS level 1) was re-confirmed in September 2020 for Contactless Payment deployment.
- Vianet now established as a Master Mid to facilitate improved onboarding of customers for our contactless solution.
- 28 new contract wins and 4 contract renewals.
- Smart Machines adjusted operating profit of £1.10 million from £1.53 million last year.
- Significant investment in commercial, sales and marketing to drive growth with encouraging early signs for FY2022.

SMART ZONES

- Hospitality sector severely impacted by various national and regional C19 lockdowns and restrictions during the period.
- Technology upgrades in 137 pubs (2020: 2,518 pubs) creating IOT hubs, with a further c900 in the pipeline for FY2022 that we could not complete in FY2021.
- New system installations in 61 UK pubs (2020: 151 system installations).
- Several key contract renewals with all major customers on long term contracts.

CONTENTS

COMPANY INFORMATION

Directors	J W Dickson (Chairman and Interim CEO) M H Foster (Chief Financial Officer) D C Coplin (Non-Executive Director) C Williams (Non-Executive Director) S W Darling (Chief Executive Officer) (resigned 23 February 2021)
Secretary	M H Foster
Registered office	One Surtees Way Surtees Business Park Stockton on Tees TS18 3HR
Registered number	05345684
Auditors	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL
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	Link Group Central Square 29 Wellington Street Leeds LS1 4DL

CHAIRMAN'S STATEMENT

James Dickson
Chairman

Introduction

Last year I provided a comprehensive update on our proactive response to the global Coronavirus ("C19") pandemic. This year my emphasis is on our results and the Group's encouraging prospects.

From the very outset of C19, our goal has been to safeguard employees and support our customers whilst preserving cash to ensure continuity and ongoing investment in the business, so that we were strongly positioned for the recovery phase.

It has been a difficult time for any business with a reliance on the hospitality and leisure sectors, and last year we reported without fully appreciating the severity and duration of the restrictions that would be required to navigate the country through the pandemic.

The proactive measures we took early on in the pandemic, such as reducing fees to support our customers, has allowed us to retain close relations with them which we believe has put us in good stead as the country emerges from restrictions.

The obligatory going concern evaluation is provided in the accompanying Report of The Directors and I can confirm that the Group has adequate resources to support its growth plans for the foreseeable future.

As a result of our proactive response, I am pleased to report that the Group has come through the pandemic successfully and is well positioned to capitalise as the country continues to recover from the pandemic and to take advantage of the excellent growth opportunities available.

Results

Given the extreme challenges in the economic environment over the last 18 months, the focus for this update will be how we addressed the issues around the pandemic and how we have emerged as a stronger, more relevant and forward-looking business. Comparative financial information is presented only for reporting purposes

The closure of the hospitality sector and many city centre offices resulted in revenue declining by 48% to £8.37m (FY2020: £16.28m). This has been particularly frustrating following increased momentum through FY2020 with growth opportunities in Smart Machines and resilience in Smart Zones.

Prudent cost management resulted in an adjusted operating loss of £0.69m (FY2020: £4.03m profit) which was materially better than we had anticipated at the outset of C19. Group loss before taxation was £2.82m (FY2020: £2.40m profit).

Exceptional items of £0.34m (FY2020: Negligible) were largely related to divisional disposal, C19 measures and staff rationalisation costs.

Basic earnings per share was negative 6.75p (FY2020: 8.56p positive).

A £3.5m Coronavirus Business Interruption Loan ("CBIL") was taken on 26 May 2020 to provide support against a prolonged recovery period. We ended the year with net borrowings of £2.66m (2020: £0.95m) and a gross cash balance of £1.89m (FY2020: £1.73m). The Group has a further £1.5m available in its overdraft facility.

We have conservatively modelled our FY2022 cash forecasts which, when combined with the measures already taken, leave the Directors confident that the Group has sufficient funding to support business cash requirements and ongoing investment in growth for a period significantly beyond the next 12 months.

Dividend

We anticipate a continuation of improved trading in the coming months, with the general health and economic outlook being more reassuring, although the timing of a return to normal economic conditions still remains uncertain. During FY2022, the Group will continue to invest in its exciting growth opportunities, complete the repayment of the Vendman acquisition loan, and begin the repayment of the CBIL facility.

Given this background and circumstances, the Board considers it would not be appropriate to pay a dividend in respect of the year ended 31 March 2021.

The Board recognises that this is a significant decision and that dividends are an important part of shareholder returns. Provided that recent good progress on trading continues, it fully expects to be is a position to resume payment of dividends for FY2022.

Board Changes and Staff

The Board's composition and effectiveness is constantly evaluated to ensure the optimum balance of experience and independence to support the business.

As announced on 8 December 2020, Stewart Darling stepped down as CEO and left the Group at the end of March 2021. Having held the role of CEO prior to Stewart, it was a simple transition for me to assume an Executive role again and presented an opportunity to make changes to the operational structure of the Group, and it is pleasing that the management team is now cohesive and fully engaged. The Board will keep the operational and Board structure under regular review but, at the current time, no immediate changes are anticipated.

In an age where change is frequent, the support of our people has been our greatest asset. Despite almost 60% of our 155 employees being on some form of furlough during the period, everyone continued to engage with their usual enthusiasm, commitment, and openness, helping underpin the Group's excellent reputation with customers.

I am extremely proud of how our executive team and employees have stepped up to the mark during this difficult year and I thank them and my Board colleagues for their ongoing commitment in taking the Group forward.

Conclusion and Outlook

Prior to C19 pandemic the Group had been experiencing encouraging momentum and performance across both divisions.

Although FY2021 has been a temporary setback, it has provided us with window of opportunity to refocus, reorganise, and progress our product development plans. We have also continued to invest in our marketing, sales, and commercial teams.

The success of the UK vaccine programme and further easing of restrictions, together with an encouraging start to FY2022, gives us the belief that we should see both divisions return to more normal levels of trading in the UK during H2 2022. We anticipate that the performance of our European business will pick up soon after.

The Group remains in good shape to resume strong earnings growth by leveraging the solid momentum that was building prior to C19 and delivering on our exciting growth opportunities.

- Smart Machines' leading end-to-end product suite and established presence is continuing to create strong growth opportunities across UK and Europe, having already gained long-term contracts with major global and national customers, coupled with the opportunities from the now integrated business and estate of Vendman.

- Through C19, unattended machines have been operating in sites for essential workers, with a material increase in the use of contactless payments. We strongly believe that the trend away from cash payments will continue to accelerate post lockdown, increasing the requirement for remote connection to unattended retail assets.

- We have made a significant investment in additional sales, commercial and marketing capability while increasing investment in the product roadmap to accelerate growth in the above areas and new verticals. There has been extra focus on developing our capability and accelerating growth from our leading position in coffee device and contactless payment device connectivity, where we expect sales momentum will continue to grow.

- New vertical opportunities in the UK and internationally have emerged for our contactless payment and telemetry solutions in fuel retail forecourts and franchise kitchens with good results from field trials.

- Ongoing investment in cloud infrastructure and mobile technology will help develop existing revenues in both Smart Zones and Smart Machines and also provide the scalability, flexibility and speed to support rapid growth in existing and potential new verticals.

Chairman’s Statement (continued)

- Smart Zones will continue to complete the customer technology upgrade programmes through FY2022, benefitting from our current infrastructure investment. This will allow the division to recover its profit contribution taking advantage of improving growth prospects both in the UK pub market and the US hospitality market, as well as gaining revenue momentum from its market and retail data insight services.

- Draught beer insights continue to be vital for our customers in order to better understand tenant and lessee trading performance and patterns during the C19 exit phase. We have already received orders and enquiries for installations of new systems, some of which are already live.

- Our Smart Zones product roadmap development will bring new features and functionality generating increased customer interest. These include automated line cleaning manager, automated till variance alerts, market data provision, and interface with labour management.

- The Group has high levels of contracted recurring income and will return to strong cash flow. The Group’s capacity for operational cash generation and resilient balance sheet gives scope for further investment to accelerate Smart Machines expansion and develop new verticals.

The Board remains resolutely confident in Vianet’s long-term growth strategy to deliver earnings growth and the expansion of future strategic options for Vianet as we emerge from C19.

The Board’s absolute focus remains on emerging from this global crisis in a strong position to take advantage of its exciting growth opportunities, whilst maintaining the health, well-being and safety of our employees and customers.

James Dickson
Chairman
14 June 2021

STRATEGIC REPORT

James Dickson
Interim Chief Executive

There is nothing like a crisis to create a common sense of purpose and provide an opportunity to demonstrate leadership. From the very outset of C19, we have managed cash prudently to ensure business continuity and to facilitate the essential ongoing investment in the business. This has meant that the Group is well positioned for the C19 recovery.

Our core strategy centres on IOT and the collection and processing of customers' asset data, to drive improved operating performance for businesses, machine owners, operators and brand owners.

By connecting and analysing an increasing number of remote assets, Vianet is able to deliver insights and analytics that support better decision-making, enabling customers to improve their key asset utilisation and performance metrics. Combining this with our leading-edge contactless payment capability to support sales growth in unattended retail machines, we expect to strengthen our position in this rapidly developing area.

Hardware and software remain critical components in enabling remote assets to be connected. Our IOT platform has evolved to support much greater flexibility of device connection and data connectivity so that it is now possible to connect a range of business-critical third-party devices beyond the verticals we currently supply.

Our ability to collaborate with customers to identify compelling end-to-end solutions to address business opportunities will position us to drive sustained business growth over the coming years.

FY2021 has been challenging, however the Group has made a step change investment in sales and marketing capability, and technology. This has accelerated our ability to execute certain key elements of our growth plan, including launching our market data insights, strengthening our customer relationships and helping secure new business in existing and potential new verticals, such as fuel retail forecourts and industrial kitchens using our contactless payment and telemetry solutions.

Smart Machines

Conversion of opportunities in this space is accelerating following a significant increase in our sales, commercial and marketing capabilities during the financial year.

This will further enhance the pace of the roll out of our contactless payment solution, driving increased machine utilisation and sales for customers, who benefit from reduced cost of cash handling, improved cash flow and an assured payment.

The trend towards non-cash transactions is growing significantly with contactless payments giving a fast, easy and secure transaction in a world where fewer people are carrying cash. The impact of C19 and our 'dirty cash' campaign (https://vianetplc.com/wp-content/uploads/2021/06/NIVO_Doublespread_COVID_19.05.pdf) have given further impetus to the trend.

We are encouraged by the impact of our investment in the sales team and the opportunities in new verticals using contactless as the lead generator, which enhances our route to market and distribution opportunities with operators and machine suppliers.

Smart Zones

Through C19 we have been proactive in supporting our hospitality sector customers who have been severely impacted by prolonged closures and restrictions. We temporarily reduced contract terms and modified data feeds to help our clients understand trading under a wide range of differing and fluid regional C19 hospitality restrictions. During C19 our reporting has shifted from weekly compliance for operations level towards daily insights for C-level.

As the government measures are eased further and the hospitality sector reopens, the insights and analytics we provide will be especially valuable, helping to target support, optimise revenue, and minimise costs.

We are seeing an increased level of interest in new analytics and insights, aided by a new reporting suite to support management decision-making, and are exploring an exciting range of new services specifically designed to help clients during these unprecedented times.

OPERATING REVIEW

Smart Zones

The closure of the hospitality sector resulted in a material fall in turnover, with only 61 (FY2020: 151) new site installations, but our proactive reduction in monthly charges benefitted our customers and resulted in the division being able to return a modest profit before exceptional costs, amortisation and share based payments.

Strategic Report (continued)

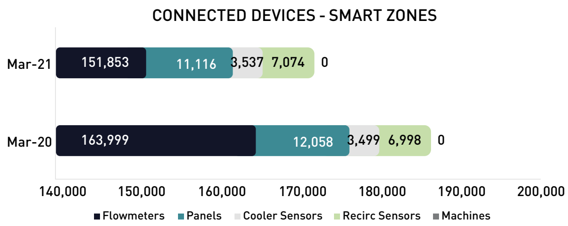
Technology upgrades to our 4th Generation IOT hubs was completed in 137 pubs (FY2020: 2,519) with a further c. 900 to be completed in FY2022.

It is difficult to assess the full extent of UK pub re-openings in FY2022 whilst social distancing restrictions are still in place. Work from home guidance and the 2m rule has put extreme pressure on the viability of city centre pubs, with many deciding not to re-open whilst the rule is still in place and instead waiting until offices return after the summer holiday period. The average community-based leased and tenanted pubs are faring better and are opening sooner. At end of May 2021, some 83% of pubs which the division services had re-opened.

We have identified 723 permanent pub closures in our UK installation base which, with 61 new installations, gives a net reduction of 662 sites (FY2020: 838). The precise picture will become clear when restrictions are fully lifted and city centre offices re-open, but our estimate is that in UK and Europe, we have 10,940 installed sites (FY2020: c. 11,600), of which 440 pubs have been inactive since C19 restrictions began, leaving c. 10,500 currently active. There are a further c. 300 installations in the US, giving a total active base of c. 10,800, with a further 440 to be confirmed as more normal pub trading resumes.

The disruption to the hospitality sector has seen significant challenges but has in turn provided opportunities for wider engagement with our customers and the acceleration of our product roadmap. In addition to ongoing compliance information, our customers are seeking trading data to improve decision-making during the exit phase. There is an increasing desire to enhance their digital capabilities to improve efficiency and enable frictionless delivery from back of house to front of house and on to consumers.

Our Smart Zones connected device base remains significant with c. 170,000 devices in the active estate. Gathering more granular data from our 4th Generation IOT hubs, together with our increasingly sophisticated reporting capabilities delivered via our website and mobile applications, is delivering growth in our insight and analytics sales with one multi-year contract signed and several others under negotiation. This is particularly relevant for the provision of retail data for brewers. We are now contracted with the Oxford Partnership to deliver ground-breaking insight that will support consumer-level decision-making in respect of beer brands. We have also seen increased traction for insight data that will show growth into FY2022.



As C19 restrictions are lifted there will be increased focus on operational and retail performance to drive value from pubs; this will be particularly so for customers who are now owned by private equity. This plays to the strength of our operational analytics and retail insights capability, and the positive C-level exposure gained during C19.

Vianet Americas' revenues were down 68% to c. £130k (FY2020; c. £400k) as hospitality customers, and in particular AMC Theatres, were until recently severely restricted due to C19. This resulted in a £200k loss compared to breakeven in FY2020. All but a few customer sites have now re-opened and our monthly billing is expected to recover to more normal levels by the end of H1 FY2022.

Despite the challenging year, the quality of our blue-chip installation base and competitive advantage of our solution provides a platform to build scale in the world's largest bar chain market by securing a new national customer and by executing on the partnership opportunities which have been identified.

C19 had a material impact on the division's results, but the underlying combination of a strong recurring revenue, long term contracts, proactive cost control, and margin management enabled the Group to maintain modest profit contribution in the year.

Overall, the Board remains confident that when we are more freed from C19, the Smart Zones division will return to previous levels of performance, whilst delivering growth from the managed pub sector and its data insight services.

Smart Machines

The revenue impact on our Smart Machines division was less pronounced as approximately 70% of machines remained active due to many unattended retail assets being installed in sites occupied by essential workers. Whilst the division did not escape the impact of C19, it made good progress delivering an acceptable sales and profit performance in difficult circumstances.

We are seeing an increase in demand and usage of our contactless payment solution, rather than 'dirty' coins, and anticipate that this will continue to accelerate further from a growing business requirement and industry trend for telemetry and contactless payment solutions.

There is increasing recognition from vending operators that the use of cash by consumers continues to decline, and that the ability to manage efficiently and effectively is being materially inhibited by the pricing inflexibility of cash and the continued reliance on frequent and costly machine visits.

We remain extremely well placed to help our customers unlock the value of our technology as the leading end-to-end product provider and we see a material opportunity to drive growth in the unattended retail market by delivering market-leading analytics and insight in the unattended retail premium coffee, snack and can channels.

Smart Machines divisional turnover was £4.42m (FY2020: £5.22m), resulting in an operating profit of £1.1m (FY2020: £1.53m) before exceptional costs, amortisation and share based payments.

Whilst the majority of sales remained Capex in the year, the trend from Capex to an Opex annuity only model had the short-term impact of reducing FY2021 turnover by £0.30m and profit by £0.15m. There will be a significant long-term benefit for future recurring income streams and the visibility of profits as typically, the Opex model will deliver 1.3 x the profit of a Capex model over the life of a contract.

Customers will choose whichever revenue model is appropriate to them and we are well placed to support all options but strategically we have sought to drive more annuity income sales, to improve the quality and visibility of earnings. We recognise however that we must retain the flexibility in our business model to ensure we meet different customer requirements.

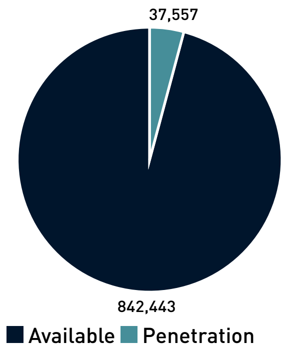
Overall recurring revenues increased to 86% (FY2020: 80%).

Total Smart Machine device connections grew by just over 7,200 (FY2020: 12,059). Whilst new sales were impacted by C19 restrictions, the existing installation base was also impacted as some customers took a business decision to rationalise their estates. New unit sales offset the increase in redundant machines, resulting in our overall device installations remaining flat at c. 38,000.

The market opportunity is significant. Whilst there is a total European vending machine park of over 3 million machines, the immediately addressable European market is c. 880,000 machines, of which c. 300,000 are in the UK. The classification 'immediately addressable' refers to machines which are capable of data output for telemetry and are also in organisations with the scale to implement and benefit from an end-to-end solution. Whilst there is no readily available data on competitor share, we estimate that the total penetration of the c. 880,000 immediately addressable European vending machine park is only c. 8%, of which Vianet have c. 38,000, giving a market share of just over 50%. Over FY2022 and FY2023, the division's growth initiatives aim to deliver in excess of 50,000 new vending connections.

As technology adoption evolves, contactless transaction limits increase and the benefits of insight and analytics in the vending sector become more widely recognised, it is anticipated that more of the addressable market will embrace our technology and the corresponding opportunity.

SMART MACHINE PENETRATION



Our contactless payment solution is supported by leading industry partners Elavon and NMI, and has been enhanced by establishing our PCI Master Merchant service. This allows us to speed up the on-boarding of customers for payment capability and provide a more cost-effective reconciliation and payment service.

Contactless payment remains a very attractive solution in a marketplace where traditional cash-only payments have long been an inhibitor of vending-related usage, consumption, and customer experience. We believe the evolution and growth of contactless payment solutions will materially change this dynamic and attract more consumers to the vending vertical.

The prospects for our Smart Machines business are extremely positive and in the longer term have likely been enhanced by C19. Vianet's data analytics and insight from unattended retailing assets and evolving contactless payment solution will continue to provide exciting growth opportunities.

R&D Investment

Through FY2021 the Group continued to invest in the development and delivery of its product roadmap and operational capabilities. Development has ranged from SmartVend product and customer experience enhancements through to revenue generating analytics and insights from new platforms which allow us to leverage new revenue streams and provide the ability to operate a cloud based self-service model.

Simultaneously, we began the gradual migration from legacy systems and software to a cloud-based environment. We have now migrated all our Smart Machines customers and expect to migrate Smart Zones division in FY2022. In the short-term, monthly costs will increase as we lift Smart Zones to the cloud, however, it will provide significant benefits in terms of security, speed of processing, reliability, scalability, business continuity and long-term cost management. All being important as we drive the growth agenda in our connectivity and data critical activities.

The Board believes this further investment in our core data management capability and IOT technology will enhance the Group's ability to improve the quality of the existing recurring revenue streams and to generate substantial new growth.

LOOKING FORWARD

C19 has had a significant impact on Vianet, our customers and economies as it has on many businesses and people. Against this backdrop we have used the time to refocus and ensure we are strongly placed to prosper as our markets emerge from the pandemic.

The business will benefit from its proven track record of converting data into analytics and insight that drive better decision-making for customers, improving asset utilisation and increased profitability.

Smart Machines will leverage its strong portfolio of products and services. This combined with significant investment in commercial resource will add further momentum. Cloud and mobile capability will continue to transform the customer experience facilitating rapid scalable growth in existing and new vertical markets.

Our contactless payment solution is well positioned for strong growth with the recent introduction of our PCI Master Merchant scheme, declining use of cash by consumers and rapid adoption of technology by brand owners and machine operators.

Smart Zones will aim to recover previous levels of performance and seek to enhance existing income streams and unlock further opportunities for enhanced analytics and insight. Continued Private Equity pub company ownership is expected to drive greater focus on operating and retail performance.

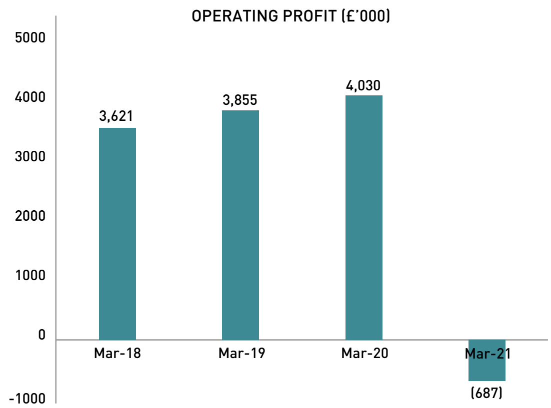
The combination of our high-calibre, energised team, robust strategy, and strong earnings visibility earnings provides a real platform for growth as we help our customers make better decisions about their assets.

FINANCIAL REVIEW

Mark Foster
Chief Financial Officer

FINANCIAL PERFORMANCE

Group operating loss, pre-exceptional costs, amortisation and share based payments was £0.69m (FY2020: £4.03m profit).



Despite the challenges of the pandemic, gross margin remained robust at c. 60% (FY2020: c. 68%).

The Board has considered going concern and concluded the Company has sufficient cash and reserves to get through the 12 months post the signing date of the annual report and accounts. Going concern is covered in more detail in the Report of the Directors.

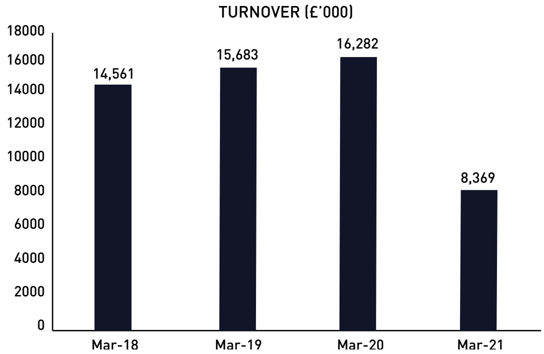
TURNOVER

Turnover was significantly impacted by the challenges presented, particularly to the country's hospitality sector by the pandemic. Group turnover was £8.37m (FY2020: £16.28m). The Smart Zones division was severely impacted, with a smaller reduction in Smart Machines.

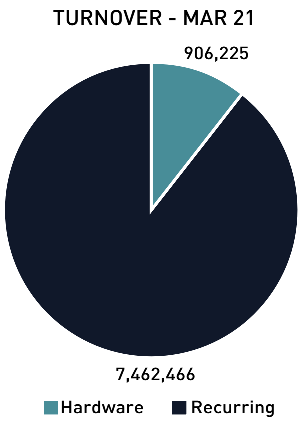
RECURRING REVENUE

Revenue remained contracted and recurring.

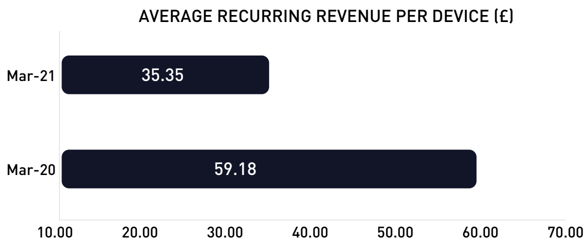
Recurring revenue is measured by taking full year revenue from service packs, licenses, rentals and technology upgrades, as per Note 3.



Consolidated recurring revenue, despite the much-reduced turnover, across the two divisions remained robust at 89% (FY2020: 92%). This was sustained by contracted temporary variation to terms to support our customers through the pandemic in both divisions and also in continuing to see new contactless sales.



C19 negatively impacted Smart Zones, which saw the average recurring revenue per connected device decrease to £35.35 (FY2020: £59.18)



Financial Review (continued)

This KPI is measured by taking full year recurring revenue and dividing by the total number of connected devices at the year end.

PERFORMANCE SUMMARY

Profit Before Tax was a loss of £2.82m (FY2020: £2.40m profit), principally due to the impact of the pandemic and continued intangible amortisation of R&D costs in the year. The table below shows the performance of the Group;

	FY2021	FY2020	Change %
Revenue	£8.37m	£16.28m	(48.6)
Operating (loss) /profit[a]	(£0.69m)	£4.03m	(117.1)
(Loss)/Profit after tax	(£2.82m)	£2.43m	(216.0)
Basic EPS	(6.75p)	8.56p	(213.9)
Dividend per share	0p	1.70p	(100.0)
Net debt[b]	£2.66m	£0.95m	(180.0)

a) Pre-exceptional items, share based payments and amortisation – refer to Note 27
b) Refer to note 26

EXCEPTIONALS

	FY2021 '£000	FY2020 '£000
People and office rationalisation	154	415
Network obsolescence costs	8	50
Contingent consideration release	-	(1,086)
Loan impairment	-	200
Corporate Activity	-	311
Other items	181	109
Total	343	(1)

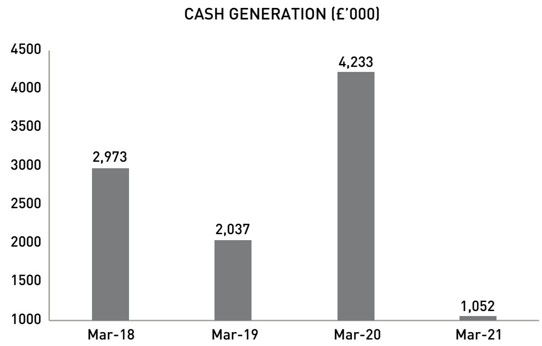
Exceptional items largely comprised staff rationalisation costs and the disposal of leasehold operational office in Stockport, associated with the Vendman acquisition.

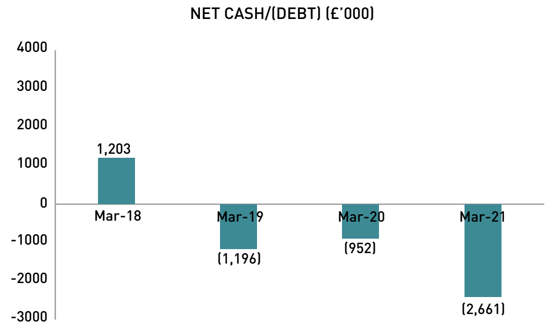
DIVIDEND

Due to C19 the Board has not proposed a final or interim dividend in the year (FY2020: 1.70 pence).

Dividend cover has not been calculated due to the dividend being suspended due to C19 (FY2019: c. 1.56).

CASH





Net cash generation pre-working capital movements was an outflow of £0.34m (FY2020: £3.72m), impacted by the hospitality closure during the pandemic and the resultant losses.

Relatively strong working capital management and measures, implemented to manage the impact of the pandemic, saw working capital generation of £1.39m (FY2020: £0.49m) and meant that, after working capital movements, there was an operational cash generation of £1.05m versus £4.21m last year.

The cash generated was principally used to service varied terms for our customers particularly in Smart Zones to support them during C19, investment in our sales capability in Smart Machines and continued investment in R&D and servicing of borrowings which recommenced in H2. This, together with the addition of a £3.5m CBIL, resulted in an overall cash inflow of £1.51m (FY2020: £0.42m outflow).

At the year-end, the Group had gross cash of £1.89m (FY2020: £1.73m), borrowings of £4.57m (FY2020: £1.33m), including the CBIL facility, with net debt of £2.66m (FY2020: £0.95m).

C19

C19 has impacted our business during the year as reported throughout. The performance, however, in the year was much better than anticipated at the outset of the pandemic. With the cash and facilities we have, plus the business plan the Group has in place as the country emerges from C19 restrictions, we believe we have solid cash runway forecasts well into 2022, which will underpin our business strategy and allow us to return to our growth plans.

The going concern section of the report of the Directors makes reference to C19 but, based on known factors, the actions taken and the funding secured, we are well placed to emerge from C19 successfully and exit with momentum.

DIVISIONAL PERFORMANCE

Currently, the Smart Zones division principally consists of the core beer monitoring and insight business services (including the US).

Smart Zones

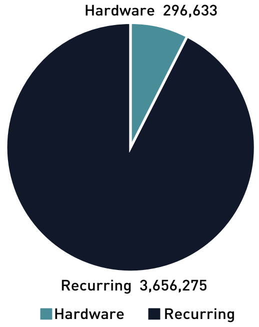
	FY2021	FY2020	Change %
Turnover	£3.95m	£11.06m	(188.8)
Operating profit[a]	£0.50m	£4.57m	(526.0)
(Loss)/Profit before tax	(£0.02m)	£3.75m	(897.9)
Total connected devices	173,580	186,554	(7.47)
New Installation sales	61	151	(147.5)
YE Net premises[b]	c10,800	c11,900	(9.24)
iDraught penetration[b]	29.5%	26.6%	9.8

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

Smart Zones turnover reduced as a result of proactively providing short term pricing support to customers to mitigate the impact of national and regional lockdowns in the hospitality sector. There were no changes to the revenue recognition policies, as disclosed in the Accounting Policies, as a result of these temporary contract variations. The above variations related to the pro-forma billing amounts being reduced to align with the reduced usage until minimum levels of activity returned on hospitality re-opening, resulting in a return to normal levels of billing.

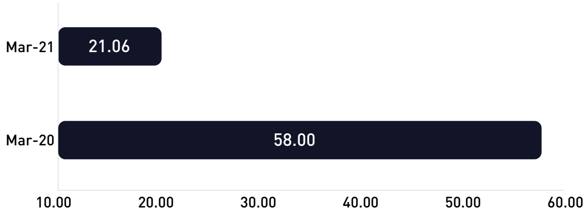
Turnover mix is shown below with recurring revenue being 92% (2020: 98%)

SMART ZONES TURNOVER (£) - MAR 21



Recurring revenue per device has naturally been impacted by C19 and so is reported at a much lower distorted level of £21.06 (FY2020: £58.00).

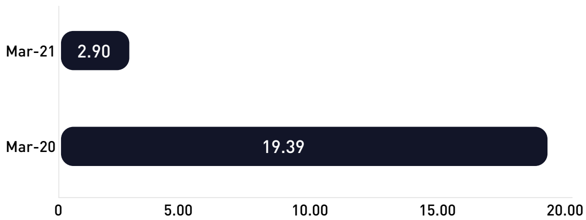
AVERAGE RECURRING REVENUE PER DEVICE (£)



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 in the year is reported at a much lower distorted level of £2.90 (FY2020: £19.39), reflecting the impact of C19.

AVERAGE OPERATING PROFIT PER DEVICE (£)



Given the extreme impact forced upon the hospitality sector resulting for C19, the Smart Zones division has performed resiliently against a challenging backdrop. The net estate at the year-end was c. 10,940 sites (UK & Europe) versus last year's c. 11,600 (excluding the US), the reduction stemming from disposals and C19 impact which may not yet be fully washed through.

Despite this we were able to maintain a small Smart Zones operating profit at £0.50m (FY2020: £4.57m).

Financial Review (continued)

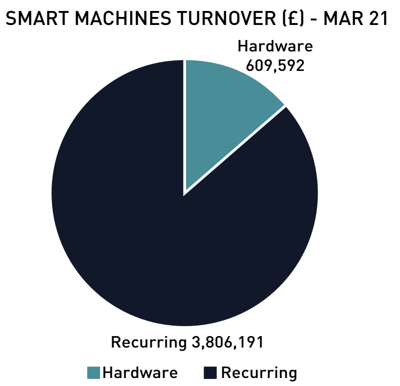
Smart Machines

The Smart Machines division consists of telemetry insights and monitoring, and contactless payment predominantly in the unattended vending retail and coffee sector, as well as ERP and mobile connectivity services.

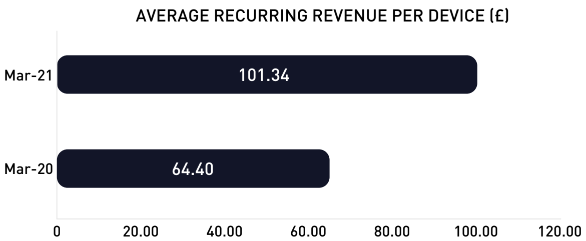
	FY2021	FY2020	Change %
Turnover	£4.42m	£5.22m	(18.1)
Operating profit[a]	£1.11m	£1.53m	(37.8)
Profit before tax[b]	£0.69m	£2.09m	(202.9)
New Telemetry connections	2,311	3,111	(34.6)
New Contactless connections	4,904	8,948	(82.5)
YE Net estate[c]	C38,000	C38,000	0.0

a) Pre-exceptional items, share based payments and amortisation on a continuing basis.
b) FY2020 includes £1.09m of contingent consideration release (2021: £nil)
c) Excludes circa 180,000 Vendman connections.

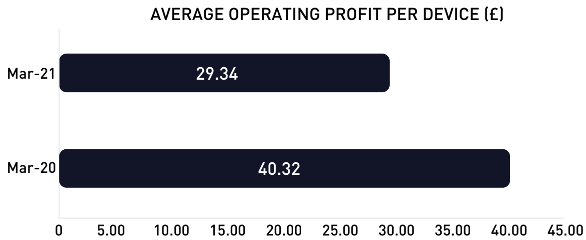
Turnover mix is shown in the chart below. Recurring revenues were 86% of turnover (FY2020: c. 80%) impacted by year-on-year revenue mix and some support given largely during lockdown 1 in H1.



Despite the challenges of the pandemic, in particular on office city centre closures, new contactless connections in our Smart Machines division continued to be achieved with 4,904 new contactless devices, compared to 8,948 last year. The estate figures reflect the net movement shown above which also includes some customers refining their estates in light of the pandemic.



Average recurring revenue per device was £101.34 (FY2020: £64.40) principally due to income from the Vendman division now being reported within the one entity of Smart Machines, alongside support terms offered in H1 lockdown 1. As stated previously, we consider this to be an evolving growth story, with overall turnover and profit growth trends being driven by increased penetration of our contactless solutions.



There was a reduction in profit per device to £29.34 (FY2020: £40.32) impacted by support terms given in H1 as well as increased investment in commercial sales resource throughout the year and some legacy Vendman customer issues that needed attention.

Taxation

The Group has continued to utilise available tax losses during the year, resulting in no tax being paid (FY2020: £nil). The Group will continue to utilise the available tax losses carried forward into FY2022 which will have been enhanced due to the results posted for the year. In the financial year under review, the tax line includes a deferred tax credit of £0.87m (FY2020: £0.03m) recognising the impact of the tax losses available and being utilised. See note 20 for further detail on the deferred tax asset.

Earnings per share

Basic EPS was a loss of 6.75 pence compared to 8.56 pence positive EPS in 2020. This backward step is due to the pandemic.

Balance sheet and cash flow

The Group balance sheet remains resilient despite the impact of the pandemic and addition of the CBIL facility.

The Group generated operating cash flow of £1.05m (FY2020: £4.22m).

The cash generated was used to continue the Group's technology plans and to service borrowings.

At the year-end, the Group had borrowings of £4.56m (FY2020: £1.33m excluding overdraft), including the CBIL facility, with net debt of £2.66m (FY2020: £0.95m).

Our resilient balance sheet and capacity to generate cash provides the Company with a solid base to emerge from C19 and move back to pursuing the significant growth opportunities that have been identified.

Business risk

The Board and senior management review business risk two to three times per year. Naturally, C19 and its impact pushed the ramifications of that to the top of the list and we covered a lot of that in last years' Report and Accounts and the pathway out of C19 has been well documented. The Directors had considered the areas of potential risk in assessing the Group's prospects. On the basis of their review, and having considered various factors such as market conditions, pathway from C19, supply chain impacts, financial plans and facilities, they believe that the business is of sound financial footing and has a forward-looking sustainable operating future. In particular, they note that the business has achieved an acceptable result in the year despite noting the extreme C19 conditions within which it operated and its impact of the sectors we currently serve, set against overall market confidence in liquidity and credit.

In addition to C19, other principle risks are covered in the Report of the Directors, but the Directors consider that material business risks are limited to:

- The ongoing impact of well publicised headwinds in the pub retailing market.
- 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 uncommon 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.
- Short-term supply chain strains in the semi-conductor market.

Key Performance Indicators

	Target	Actual 2021	Actual 2020
Percentage of revenue from recurring income streams[1]	80%	89%	92%
Gross Margin[2]	70%	61%	68%
Employee Turnover[3]	2%	2.29%	2.1%

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

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 and Development reports. In addition to normal employee turnover, the figure also includes employees leaving as a result of business rationalisation activity.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

Business Risk

Business risk is discussed in the Chief Executive's report pages 5 to 13.

Going Concern

In our reports for FY2020 and H1 2021, the Chairman provided full insight into responding to our approach to COVID19 and our position on Going Concern which has proved valid and remains pertinent.

The Directors, after having made appropriate enquiries, including (but not limited to) a review of the Group's budget for 2021/2022, 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.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

Current Trading

- The Group made an operating loss of £0.69 million for the year to March 2021. The underlying group retains a strong track record of earnings and cash growth as demonstrated in the table below. COVID19 has obviously impacted FY21 but as government measures are relaxed in H1 of FY22, we expect to start moving back towards normalised trading.

Vianet Group plc	March 2021	March 2020	March 2019	March 2018	March 2017
Turnover (£'000)	8,369	16,282	15,683	14,561	14,400
Recurring Revenue %	89.0	92.0	94.0	90.0	85.0
Operating Profit (£'000)	(687)	4,030	3,855	3,621	3,316
Cash Generation (£'000) *	(339)	3,739	3,990	3,523	2,750
Cash Generation (£'000) **	1,052	4,233	2,036	2,974	3,930
Basic EPS (p)	(6.75)	8.56	8.87	6.55	4.14
Dividend Cover (PAT)	N/A	N/A	1.23	1.16	0.73

* operational cash generation pre working capital movements (stock, debtors and creditors).
** operational cash generation post working capital movements and LTIP tax payment

- The Group has bank facilities up to £1.5 million, outstanding loans of £4.6 million, and deposit funds of £1.8 million as at 31 March 2021. The Group took advantage of the Government supported CBIL scheme in securing a £3.5 million loan to ensure the impact of COVID19 is managed and allow for continued investment. Also please refer to Net Debt table in note 26.

- The Directors have prepared prudent forecasts through to March 2022, built from the detailed Board approved FY22 budget. The forecasts include a number of assumptions in relation to sales volume, pricing, margin impact and potential new avenues of business. These forecasts have been extended through to June 2022, to ensure the forecast period covers 12 months from signing the financial statements.

- The Group's trading and cash flow forecasts have been prepared on the basis of assumptions emerging from a post COVID19 trading expectation, underpinned by historical performance noted above - the impact of COVID19 is noted below.

The Groups cash flow forecast and projections, taking account of the emerging path of COVID19, show that the Group will be able to operate within the level of its facilities for at least the next 12 months.

COVID19

COVID19 is an unprecedented business interruption event impacting business and economies globally that has had a material impact on our trading performance over the last year.

The impact over the year, and the potential impact into FY22 has been separately considered and acted upon, as part of the Directors consideration of the going concern basis of preparation. In any downside scenario analysis performed, the Directors have considered the potential impact of COVID19 alongside the proactive actions implemented, in its trading and, in particular, cash forecasts. The Board has taken a number of key steps and reviews in those cash projections as follows;

1) Pro-actively worked with its customers to vary their business trading terms during the mandatory lockdown periods, in both trading divisions, where such varied terms are appropriate. In so doing, the majority of customers have agreed to these terms which provides a level of certainty regarding revenue and cash coming into the business
2) Trading terms at the time of writing will revert to normal terms at the end of the mandatory lockdown period or before if a certain level of customer volume conditions occur
3) Cash forecasting assuming the above trading conditions for a period of time with a move toward normality in the second half of FY22, such forecasting taking a prudent approach to the economy re-opening
4) Company cash and bank facilities
5) Overlay of opportunities won or likely to be won above those scenario reviews
6) Trade receivable receipts post 31 March 2021
7) Appropriate staff have been furloughed to take advantage of the Government Job Retention Scheme support measure which meant staff were paid 100% of salaries through to June 2020, followed by 80% of their salaries since that date. See accounting policy 1.22 for further detail.
8) We have assumed no reduction in staff but this will be reviewed on an ongoing basis during the easing of lockdown and resumption of business.
9) Shareholder dividend has been cancelled for the forthcoming Final and Interim dividend due in July 2021 and January 2022
10) Loan and mortgage payments have resumed, reducing by over £1 million by April 2022
11) VAT deferral agreement for 12 months from April 2021 through January 2022
12) Business running costs refined and reviewed as appropriate

Based on the hospitality recovery seen between 20 July 2020 and 20 October 2020, prior to the second national lockdown, we have a degree of confidence about the hospitality sector recovery assuming no further national lockdowns, added to which the ongoing demise of cash in society will continue to present growth opportunities for our Vending telemetry insight and contactless payment division.

Based on the above, however, the combination of all actions taken provide Vianet with a clear cash runway well into 2022, noting there are further mitigating operational actions we can take that have not been factored in, thereby allowing the company to pro-actively emerge from COVID19 and return to the growth ambition it has in due course, building on the previous pre-Covid 5 years of year on year growth, with market opportunities that clearly exist in the verticals it serves, particularly for Contactless growth.

As a result of the above principal factors, the Board consider the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these accounts. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. The Board does recognise, however, COVID19 provides a level of uncertainty arising from COVID19 only, and as such, dependent on the recovery path from COVID19, there is a level of uncertainty associated with any forecasts and their duration, which could cast some doubt on our cash position beyond the minimum 12 months currently forecast from date of signing, pre any further action we may seek to take which is referenced.

Report of the Directors (continued)

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of Vianet Group plc consider that, individually and collectively, they have acted in the way which in good faith would be most likely to promote the success of the Company for the benefit of its stakeholders, employees, customers, suppliers, local government and communities in accordance with the stakeholder and matters noted in S172(1)(a-f) of the Act in the decisions taken during the year reported on, having regard to;

- The likely consequences of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The need to regularly communicate with our Investor community
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct,
- The need to act fairly as between members of the Company

The Board looked to promote the success of the Company, having regard to the long term, whilst taking into account the interests of all stakeholders. Our strategy is designed to secure the long-term financial viability of the Company to the benefit of its members and all stakeholders. A main feature of this is to continue to operate the business within tight budgetary controls and in line with regulatory requirements. This was done in particular by reference to:

- our well documented response to the Covid-19 pandemic;
- our continued and ongoing communication with our employees;
- our continued and ongoing communication with our investor community
- our continued priority for health and safety improvement measured through ongoing risk assessments, the KPIs on incidents and enhancement to health and safety across the business;
- our continued review towards environmental compliance and protection;
- the approval of our strategic objectives ('our strategy') for the Company;
- the business plan for the next financial year ('our plan');
- the approval of terms to enter into significant contracts;

We engage with stakeholders through regular meetings and dialogue with employees, customers, suppliers and investors. We undertake customer satisfaction surveys, employee Best Company engagement survey (now achieved top end of the 1 star rating) and host regular live employee Q&A sessions.

Our response to the Covid-19 pandemic involved considering and engaging with a number of stakeholder groups in order to ensure we pivoted towards our customers and their needs, the absolute safety of our employees enabling work in Covid secure environments which includes regular fogging sanitisation of our building, suppliers (amongst others), whilst maintaining the continuance of our essential services, with a backdrop of staying true to our values and safeguarding the future long-term health of our business.

Other key actions including cancellation of the dividend are covered in the Chairman's and CEO report.

The Board continually recognises that our employees are fundamental to the success of the Company and the delivery of our plan and we are proud of how they have engaged over the last very challenging year. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is of primary concern in the way we do business and is monitored extensively by the Board.

As the Board of Directors, our intention is to behave responsibly to all stakeholders and to ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. Acting in this way will contribute to the delivery of our plan.

As the Board of Directors, our intention is also to make decisions which lead to the long-term success of the Company whilst behaving responsibly towards our Shareholders, treating them fairly and equally, so they benefit from the successful delivery of our strategy and plan.

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 19.

Environment

The Group recognises the important role it plays in the environment and communities within which it operates. The health, safety and wellbeing of our employees, compliance with regulations and monitoring of energy usage are important business priorities for the Group. Vianet is committed to conducting its business operations in an open and responsible manner and we recognise the need to continually improve our operations where practical to do so, to reduce our impact on the environment; to continuously improve assets and processes; to ensure the safety and welfare of our employees; and to act as a good neighbour, minimising the impact of our operations on the wider community.

The Company is not defined as a large company required to meet the full reporting required under the Streamlined Energy and Carbon Reporting (SECR) needs. That said, however, the company recognizes SECR and environmental objectives are an important matter to continually seek to address.

The company is not directly involved in manufacturing - we are a people based global business operating from one UK head office. As a company, we are investigating what are the key areas of influence we might have on the environment that will underpin a sustainability agenda we are seeking to work on. This will evolve over the coming year and we will provide a fuller report next year. We can report however that our KWH usage in the year was 291,381 KWH.

The Group's policy with regard to the environment today, 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 report, 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 regular My Contribution performance management, live Q&A company wide sessions and in some cases 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 Group engages the Best Companies engagement survey as an external accredited benchmark for employee engagement and in the year being reported on we progressed to a 1 star company being only 2.5% points of a 2 star company (out of an accreditation range of 1 – 3 stars).

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 employee engagement survey, customer satisfaction, contract gains and contained financial performance in light of the pandemic, the development of customer offering and the flexibility they have shown in adapting to changing business requirements and new ways of working. Employees' performance is aligned to company goals through an annual performance review process that is carried out with all employees. Employee turnover was 2.1% on average per month, above the target of 2% we have set.

Report of the Directors (continued)

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. We adopt an equal opportunities approach.

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 £2,312000 (2020: £1,941,000) all of which has been capitalised as an asset on the balance sheet (2020: £1,941,000).

Dividends

No final dividend will be paid this year (2020: final nil), taking the full year dividend to nil (2020: 1.70p).

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 21. 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. No shares were issued or disposed of during the year.

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 24 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 2021	**Ordinary shares of 10p each 2020**
J W Dickson	5,054,981	5,034,981
M H Foster	343,050	333,050
C Williams	20,250	20,250
D Coplin	7,500	4,500

Directors' emoluments

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

	Salary and fees 2021 £'000	Other emoluments 2021 £'000	Total emoluments 2021 £'000	Salary and fees 2020 £'000	Other emoluments 2020 £'000	Total emoluments 2020 £'000
Executive						
S W Darling	404	12	416	289	12	301
M H Foster	189	34	223	224	23	247
Non-executive						
J W Dickson	214	-	214	157	-	157
C Williams	29	-	29	32	-	32
D Coplin	30	-	30	32	-	32
Total	**866**	**46**	**912**	**734**	**35**	**769**

1. Executive remuneration is determined by the remuneration committee consisting of non-executive Directors C Williams, D Coplin and J W Dickson. Director remuneration is externally benchmarked to ensure it is appropriate for the roles the directors undertake.
2. S W Darling resigned on 23 February 2021.
3. A payment of £187,000 was recognised in respect of S W Darling's notice period.
4. A payment of £30,000 was paid to S W Darling in respect of compensation for loss of office (2020: Nil)
5. Other emoluments received consist of the provision for private medical care, motor car allowances and pension contributions.
6. Whilst acting as Chairman and Interim CEO, J W Dickson's remuneration for FY2022 has been set at £209,400 per annum instead of Chairman's fee plus additional days.
7. C William's fees are paid to MCHD Investments Limited, a company of which he is a Director.
8. D Coplin's fees are paid to The Envisioners Limited, a company of which he is a Director.
9. 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.
10. The company does not have a formal policy for directors notice periods, they are in line with best practice for an AIM listed business.
11. M H Foster has 15 years service, J W Dickson 18 years service, C Williams 8 years service, D Coplin 4 years service.
12. C Williams will retire during FY2022.

Directors' share options

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

	At 1 April 2020	At 31 March 2021	Option price	Date granted
J W Dickson	18,600	-	96.5p	January 2011
M H Foster	18,600	-	96.5p	January 2011
	135,000	135,000	85.0p	May 2014
	124,000	124,000	103.0p	December 2015
	-	100,000	72.0p	February 2021

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

No options have been exercised by Directors in the current or prior year.

The market price of the Company's shares at the end of the financial year was 90.5p and the range of market prices during the year was between 102.50p and 60.50p.

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 had a percentage entitlement in the overall awards pool. Further detail is provided on page 71. The LTIP scheme remains in place for one member of staff. No awards were made during the year.

Substantial Shareholdings

The Company has been informed that on 10 May 2021 the following shareholders (excluding Directors) held substantial holdings of the issued ordinary shares of the company:

	Holding of Ordinary shares Number	**Issued Share capital %**
Gresham House plc	4,872,286	16.83%
Liontrust Asset Management	1,958,171	6.76%
AXA SA	1,716,000	5.93%
Interactive Investor Trading	1,342,320	4.64%
Hargreaves Lansdown plc	1,353,066	4.67%
City Asset Management	1,272,444	4.39%
Teviot Partners LLP	1,116,470	3.86%

Annual General Meeting

The Annual General Meeting will be held on 13 July 2021 at 11.00am, at the offices of Vianet Group plc, One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR

Own Shares

The Group accounted for its own shares which were previously held by the Trustees of the employee option scheme as a deduction from shareholders equity. At 31 March 2021, the Trust owned nil shares (2020: nil shares) with a nominal value of £nil (2020: £nil).

At 31 March 2021, Vianet Group plc owned nil shares (2020: nil shares) with a nominal value of £nil (2020: £nil), all held in treasury.

Own shares that were previously held in Trust and Treasury were value at cost.

Dividends payable on these shares were waived.

Post Balance Sheet Events

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 March 2021 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the impact to the closing DT position would be to increase the deferred tax liability by £117k.

No other post balance sheet events were noted.

Statement of Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively 'IFRS') in conformity with the requirements of Companies Act 2006. 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 company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 they have been prepared in accordance with IFRSs in conformity with the requirements of Companies Act 2006, 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 requirements of 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditor

Grant Thornton UK LLP resigned as auditor during the year and BDO LLP were appointed in November 2020. BDO 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 14 June 2021 and signed on its behalf by:

Mark Foster
Director

CORPORATE GOVERNANCE STATEMENT

General Principle

The QCA Code

The Company has adopted the QCA Code in compliance with Aim Rule 26. A very in depth explanation on how Vianet complies with the Code and the ten principles of the Code and how the Company addresses these can be found on the Company Investor website link noted below;

https://vianetplc.com/wp-content/uploads/2021/05/VNET-Corporate-Governance-Statement-May-21.docx

We summarise the key Corporate Governance features below and, in addition, we further comment on certain principles of the Code as follows;

Principle 1: Establish a strategy and business model which promotes long terms value for stakeholders

Narrative covering the strategy and business model of the Group is included in the Strategic Report to this Annual Report and Financial statements, include key challenges in their execution.

Principle 8: Promote a culture that is based on our values and behaviours

The Board aims to lead by example and do what is in the best interests of the Company. The Group's culture, values and frameworks, whereby everyone at Vianet collectively and individually always 'seeks to do the right thing' for customers, suppliers, colleagues, shareholders and other stakeholders, are fundamental to delivering business growth.

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

The Board ensures that the company has the means to determine that values are recognised and respected through its reward and recognition frameworks from performance and development review through to recognition awards

Over the period, general positive feedback has been received from shareholders in relation to the management. Other than the resignation of the CEO and the Chairman acting as interim CEO, there have been no other key governance matters to report during the year.

The Board

The below disclosures in respect of the makeup of the Board are considered to comply with Principle 5: Maintain the board as a well-functioning balanced team led by the Chair:

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

Executive Directors

S W Darling (Chief Executive Officer) (resigned 23 February 2021)
M H Foster (Chief Financial Officer and Company Secretary)

Non-Executive Directors

J W Dickson (Chairman/Interim CEO)
C Williams
D Coplin

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. At the current time, the Chairman is acting as the stand-in CEO, supported by the CFO.

The Board meets regularly, with no less than eight meetings planned over 10 days in any one calendar year. All Board members attended each meeting that was planned in the 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.

The Directors continually ensure they are trained in association with duties and responsibilities of being a Director of a listed Company.

To add further detail in support of the QCA code;

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of IOT, b2b, software as a service, finance, innovation, international trading, ecommerce and marketing. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

Mark Foster, CFO and Dave Coplin, NED retired by rotation this year and, being eligible for re-election were re-appointed to the Board at the AGM on 30 June 2020.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Mark Foster, Company Secretary and Chief Financial Officer who in turn may refer directly to the Group's advisors, in particular the company lawyers and auditors.

The Company Secretary is responsible for ensuring that the Board procedures are followed and that the Company complies with all applicable rules and regulations, governing its operation

The Board and senior management from time to time seek advice on significant matters from external advisers. These advisers include, amongst others, the Company's nominated adviser and broker, public relations, external auditors, legal advisers, capital advisory services and remuneration advisory services.

Corporate Governance statement (continued)

The independent non-executive Directors being James Dickson (Chairman), Chris Williams and David Coplin, 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.

The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear. In particular the Board has considered the independence of James Dickson, Non-Executive Chairman, now interim CEO - who was CEO until 2013 and holds a shareholding of c17.5% and has concluded that his interests are fully aligned to shareholders.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company and markets on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman holds regular update meetings with each Director to ensure they are performing as they are required and comfortable that they are allowed to do so independently in an inclusive environment. During the year nine Board meetings took place including two two-day Performance & Strategy Reviews with senior management. All Board members attended all meetings.

Key Board activities this year included:

- Input into our strategic priorities and accelerating the growth plan including the hive up of Vendman
- Ongoing open dialogue with the investment community, including follow up meetings with the Chairman.
- Considered our financial and non-financial policies.
- Discussed the Group's capital structure and financial strategy, including capital investments, shareholder returns and the dividend policy
- Reviewed the investment justification and progress of the Group's technology platform and infrastructure development.
- Appointed BDO as auditors in place of Grant Thornton
- Discussed internal governance processes
- Reviewed the Group risk register
- Reviewed feedback from shareholders post full and half year results
- Ongoing review and monitoring of Health & Safety, GDPR and Cyber Security
- Discussed and supported the Group's response to the Coronavirus pandemic including a Going Concern review.

Time commitments and meetings attended by directors is available in the Company's annual report however the Company's Non-Executive Directors are expected to commit between 15-18 days per year to the Company and the Chairman is expected to commit at least 40 days per year to the Company, however as the Chairman has been acting as the Interim CEO since December 2020, a minimum of 4 days per week has been committed

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

As regards evaluating Board performance, we adopt Principle 7 of the QCA code, noted below;

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman assesses the individual contributions of each of the members of the team on an ongoing basis to ensure that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence

The chairman holds regular individual reviews with each board member to discuss matters reserved for the Board and matters impacting Board effectiveness.

The last internal Board effectiveness evaluation sought anonymous feedback from Directors and senior managers covering areas including structure & skills, operating effectiveness, quality & timeliness of information, and board development. This exercise identified a number of areas for positive action including a modest increase in the number of Board meetings from 6 to 9 comprising:

- Two two-day Board meetings incorporating Performance & Strategy reviews with senior management attending
- 7 one day Board meetings. The majority of which have been online MS Teams meetings due to COVID

This resulted in greater exposure between management and Non-Executive Directors, and also enables the board to have more in depth discussions with more timely decision making and action.

The evaluation also concluded that the Chairman, whilst occasionally direct, has an open, inclusive leadership style, demonstrates independence and objectivity, and has a strong understanding of the business.

The next Board Effectiveness Review is due in September 2021, when we intend to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner

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. All committees operate within those terms of reference and where appropriate pay due regard to the Companies risk register as needed in discharging the responsibilities of their roles.

As regards evaluating Board committees, we adopt Principle 10 of the QCA code, noted below;

Audit Committee

This consists of:

C Williams (Chairman)
J W Dickson
D Coplin

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. All members attended each meeting that occurred during the year.

Corporate Governance statement (continued)

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.

The Audit Committee business covers Full and Interim audit results, review of half and full year results announcements, key audit findings and a review of the risk register. All of the Committee's duties were discharged during the period by a review of all these business areas. An audit committee meeting was held on 28 May 2020 in respect of the full year results to 31 March 2020 with GTUK LLP. Due to the change of auditors during the year at the time of the interim results, an Audit Committee was held on 26 November 2020 for the half year results. The external auditors plan for the audit of these Group financial statements was approved and an Audit Committee meeting was held on 8 June 2021 to review and discuss the financial statements, including the external auditors detailed audit completion report including the consideration of key audit matters and risks.

Remuneration Committee

This consists of:

D Coplin (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 normally decided upon by the Board's Executive Directors, however the Chairman's remuneration for the additional responsibility on the interim CEO was decided by the non-executive directors and the CFO. All members attended each meeting that occurred during the year.

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. Information on Directors share interests, Directors remuneration & emoluments, Directors share options and share option schemes can be found above in the Report of the Directors on pages 18 and 19.

Nominations Committee

This consists of:

J W Dickson (Chairman)
C Williams
D Coplin

The Committee has met two times during the course of the year with particular focus on S W Darling replacement and senior management structure. The Committee has terms of reference which are available for inspection. All members attended each meeting that occurred during the year.

Internal Control and Risk Management

The below disclosures in respect of the internal control and risk management are considered to comply with Principle 4: Embed effective risk management, considering opportunities and threats, throughout the organisation:

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. We believe these are key areas of risk under Companies Act 2006 s414C (2) and are noted below;

Risk description	Mitigation
Covid-19 pandemic	• All staff that can work from home do. • All sites have been equipped to be Covid-19 compliant • All operational staff have been trained to cover for multiple tasks to cover absenteeism due to Covid-19 • Minimisation of visitors to site and social distancing • We operate Covid secure working practices in accordance with all health and safety guidelines • The business secured varied contracts with all customers that ensured a revenue stream was achieved and took advantage of a CBIL £3.5m loan and furlough funding which supported our investment into the business and payroll costs
General economic risk The performance of the business is linked to economic activity in two vertical markets currently, the pub retailing market and unattended retail vending	• Pub retailing market has been severely hampered due to national Covid19 lockdown measures in the year
Cyber Security A cyber security breach where customer data security is compromised resulting in unauthorised access to sensitive/proprietary customer information.	• Ongoing PCI-DSS compliance – Level 1

Corporate Governance statement (continued)

Risk description	Mitigation
Environmental sustainability The company is seeking to address a sustainability agenda around health, safety and wellbeing, operating efficiently giving due regard to environmental responsibility.	• See above section.
Price Risk Price pressure from suppliers in the semi-conductor commodity market	• Agree forward buying of components
Technological factors Technological risk factors may cause technology in use to become obsolete or too costly to maintain	• Vianet has a full technology strategy both commercially and infrastructure wise • Employ strategic planning to make timely investments in existing and new equipment
Brexit risk Although the group is focused on pub and vending retailing market arising in Britain it does have customers in mainland Europe. The Group may fail to anticipate and manage the potential impact of Britain leaving the European Union, notably potential increases in interest rate.	• The Company has implemented all necessary procedures and practices to ensure we are post Brexit compliant for the movement of goods and services

Shareholder and Stakeholder Communication

The Group places a high level of importance on communicating with its shareholders and key stakeholders including customers, suppliers and employees. The Group welcomes and encourages such dialogue with all such parties and with the investor community in compliance with the regulations governed by the London Stock Exchange. The Group actively engages directly with shareholders and works closely with Cenkos its nominated advisor and broker, Yellow Jersey and H2Glenfern, investor communications and relations advisors.

While attending to full and half year investor meetings and follow up, the Directors actively engage in new and existing investor contact throughout each reporting period. This is also the case with customers and suppliers as needed, and very importantly with employees, undertaking an annual engagement survey to determine employee engagement and views on the company and actions that may need to be considered to build upon that engagement.

Whilst the pandemic has been challenging it has afforded the Board and management with a great opportunity to demonstrate leadership and engage proactively with all stakeholders. Many of the activities and actions have been covered in the Chairman's report, however it is worthy to note that employee engagement and welfare management has been exceptionally good, including live all business Microsoft Teams question and answer sessions attended by over 90% of employees with the recording available to those who were unable to join.

The Group prides itself on pro-active communication across all interested parties where appropriate as our relationships with investors, customers, suppliers and employees form core foundations upon which the businesses success is built, and it is the Directors considered view that we treat all such parties fairly and impartially.

Share Options

The share option plans in existence on 31 March 2021 were the EMI plan, the Executive plan, the Employee 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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Vianet Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)..

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

As a result of the significant assumptions and judgements made by management in assessing going concern, which were based on their best estimates and analyses of the current market conditions, including the potential impacts of Covid-19 (as disclosed in Note 1.1 of the financial statements), going concern was considered to be a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and our response to the key audit matter included:

- Obtaining and examining the Board's Going concern paper, alongside supporting forecasts for the next two years.

- Challenging management's assumptions, such as revenue pipeline, as used in the forecast period through review of the historic forecast accuracy, comparing forecasts to post year end results, cost performance, current business trends and contract analysis.
- Considering the Board's probable scenarios of sensitivities, including Covid-19 potential impact, to understand the robustness of the forecast trading model and the headroom available to the Group and Parent Company.
- Review of the available cash and financing facilities within the Group, and evaluation of management's downside sensitivities on cash flow headroom, incorporating a review of financial covenants compliance and headroom analysis throughout the forecast period.
- Obtaining confirmation that assumed facilities are in place and that the assessment of covenants has been suspended until at least June 2022.
- Assessing the adequacy of the going concern disclosures included within the Financial Statements by management including the Covid-19 narrative in the basis of preparation in note 1.1 to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	83% of Group loss before tax 98% of Group revenue 98% of Group total assets	
Key audit matters		**2021**
	Going concern assessment	☒
	Valuation of goodwill and intangibles	☒
	Capitalisation of development costs	☒
	Revenue recognition	☒
Materiality	**Group financial statements as a whole** £98k based on 0.74% of three year average revenues - refer to 'Our application of materiality' section below for details.	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Financial information relating to the Parent Company and its one significant components (being Vianet Limited), were subject to a full scope audit by the Group audit team, covering 98% of the revenue, and 83% of the loss before tax of the Group for the year.

Non-significant components (being Vianet Americas Inc and Vendman Systems Limited), were subject the specified audit procedures and relevant analytical procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the key audit matter described in the Conclusions relating to going concern section, other items determined as key audit matters to be communicated in our report are detailed below.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of goodwill and intangibles The group's accounting policies on goodwill and intangibles are shown in notes 1.6 - 1.8 and 2.1 to the financial statements and related disclosures are included in notes 10 and 11.	In line with the requirements of IFRS, management test goodwill annually for impairment. In additional, other intangibles are included in the annual impairment review, though other intangibles are amortised in line with the accounting policies. The goodwill impairment assessment model prepared by management, based on the expected present value of future cash flows to be generated from both the Smart Zones and Smart Machines cash generating units, is underpinned by a number of estimates including future cash flows, growth assumptions and the discount rate. The impairment assessment model prepared by management is sensitive to changes in the assumptions adopted. There is also additional uncertainty in predicting future cash-flows due to COVID-19. There is an associated risk in the parent Company balance sheet over the potential impairment of the investment and intercompany position with Vianet Limited as a subsidiary undertaking, the impairment assessment for which is based on the same discounted cash flow model used for assessing impairment of goodwill. Due to the assumptions involved we considered this to be a key audit matter.	We assessed the underlying methodology for the impairment assessment to check it was in accordance with the requirements of accounting standards. We performed procedures to assess and challenge the assumptions underpinning management's impairment assessment model including: • Testing the mathematical accuracy of the calculations and the integrity of the underlying data; • Agreeing forecast cash flows to Board approved budgets (as reviewed in the going concern review) and reviewing the reasonableness of the assumptions adopted; • Challenging the growth assumptions adopted by management for future periods to market expectations and considering the sensitivity to changes in the assumptions; • Considering the short-term and long-term impacts of COVID-19 and how this has been factored into forecast cash flows; • Assessing the discount rate applied including consideration of whether it appropriately takes account of additional risks arising from COVID-19; • Assessing the disclosures made in relation to goodwill and other intangibles, to ensure compliance with relevant accounting standards, in particular in relation to the level of estimation uncertainty inherent in the assessment. **Key observations** We did not identify any issues with the assumptions underpinning management's assessment of the valuation of goodwill and intangibles, and consider the associated disclosures to be reasonable.

Independent auditor's report (continued)

Capitalisation of development costs The group's accounting policies on capitalisation of internally generated development costs are shown in notes 1.8 and 2.1 to the financial statements and related disclosures are included in note 11.	The group capitalises internally generated development costs. There is a risk that the specific requirements under International Accounting Standard (IAS) 38 'Intangible Assets' regarding capitalisation of internally generated intangible assets are not met and that the gross and net book value is materially misstated. We therefore identified capitalisation of internally generated development costs and relevant impairment review of the carrying value as a significant risk..	Our audit work included but was not restricted to: • Challenging management's capitalisation policy for intangible assets to check it is reasonable and in accordance with the IAS 38; • On a sample basis agreeing additions to intangible assets in the year to supporting documentation and checking that meet the criteria for capitalisation. • We performed procedures to assess and challenge the assumptions underpinning management's impairment assessment model over goodwill and other intangibles (as per the goodwill impairment key audit matter above) **Key observations** Based on our audit work, we consider that internally generated developments costs have been capitalised in accordance with the group's accounting policies and accounting standards.
Revenue recognition The group's accounting policy on revenue recognition is shown in note 1.4 to the financial statements	There is a risk in relation to the occurrence of revenue at the year end and to manual journals to income in the year. We have assessed this risk to reside primarily with these revenues as there is an increased risk that these revenues did not occur if have been recognised around the balance sheet date, or have been recognised through a manual journal process. We therefore identified revenue recognition as a significant risk and a key audit matter.	Our audit work included, but was not restricted to: • Evaluation of the group's revenue recognition accounting policies for consistency with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • Testing a sample of revenue transactions across all material revenue streams and agreeing them to supporting documentation (i.e contracts and delivery notes) to check that income had been appropriately recognised in accordance with the group's accounting policy; • Testing a sample of revenue transactions occurring around the year end and agreeing them to supporting documentation to confirm that income has been appropriately recognised in accordance with the group's accounting policy and in the correct period; • Calculating an expectation of revenue and comparing this to the amount recognised in the financial statements;- based upon sales cash receipts, and adjusting for opening and closing receivables and contract assets/liabilities, and corroborating explanations from management for any significant variance in this comparison; • Testing a sample of revenue journal postings to supporting documentation, to check that deferred and accrued income transactions had been recognised in accordance with the group's revenue accounting policy. **Key observations** Based on our work performed, we consider that revenue has been recognised appropriately.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £'000s		2021 £'000s	
Materiality	98		39	
Basis for determining materiality	0.74% of three year average revenues		40% of group materiality	
Rationale for the benchmark applied	We considered a three year average of revenue to be the most appropriate measure of performance and basis for determining materiality, given the volatility in results and the loss recorded for the period. The basis used to calculate Parent company materiality was to calculate as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.			
Performance materiality	63		25	
Basis for determining performance materiality	65% of materiality, based upon there being this being a first year audit for BDO LLP, a limited number of areas subject to significant estimation uncertainty and no significant errors identified in the prior period by the previous auditors.			

Component materiality

We set materiality for each component of the Group based on a percentage of between approximately 13% and 97% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £2,000 (2020: £6,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group Strategic Report, Directors Report and Consolidated Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a significant impact on the financial statements to be UK company law, UK tax legislation, the accounting framework and ISO security standards, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included enquiries of management and of the Directors, reviewing the financial statement disclosures agreeing to underlying supporting documentation where necessary, review of Board meeting minutes and review of any applicable correspondence with legal counsel or tax authorities.

Our assessment of the susceptibility of the financial statements to fraud was through management override of controls and revenue recognition (existence, accuracy and cut-off) which was addressed through detailed testing. We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year, testing of significant estimates (included capitalised development costs) and evaluating whether there was evidence of bias in the financial statements by the Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report (continued)

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP
Statutory Auditor
Leeds, UK
14 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Note	Before Exceptional 2021 £000	Exceptional 2021 £000	Total 2021 £000	Before Exceptional 2020 £000	Exceptional 2020 £000	Total 2020 £000
Revenue	3	8,369	-	8,369	16,282	-	16,282
Cost of sales		(3,307)	-	(3,307)	(5,164)	-	(5,164)
Gross profit		**5,062**	**-**	**5,062**	**11,118**	**-**	**11,118**
Administration and other operating expenses		(5,749)	(343)	(6,092)	(7,088)	1	(7,087)
Operating (loss)/profit pre amortisation and share based payments		**(687)**	**(343)**	**(1,030)**	**4,030**	**1**	**4,031**
Intangible asset amortisation		(1,669)	-	(1,669)	(1,390)	-	(1,390)
Share based payments		(73)	-	(73)	(125)	-	(125)
Total administrative expenses		(7,491)	(343)	(7,834)	(8,603)	1	(8,602)
Operating (loss)/profit		**(2,429)**	**(343)**	**(2,772)**	**2,515**	**1**	**2,516**
Finance costs	6	(50)	-	(50)	(113)	-	(113)
(Loss)/profit before tax	5	(2,479)	(343)	(2,822)	2,402	1	2,403
Income tax credit	7	867	-	867	28	-	28
(Loss)/profit and other comprehensive income for the year		**(1,612)**	**(343)**	**(1,955)**	**2,430**	**1**	**2,431**
(Loss)/earnings per share							
Total							
- Basic	8			(6.75)p			8.56p
- Diluted	8			(6.75)p			8.47p

All operations are continuing. Total comprehensive income being attributable to equity holders of the parent.
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 2021

	Note	2021 £000	2020 £000 As restated
Assets			
Non-current assets			
Goodwill	10	17,856	17,856
Other intangible assets	11	6,184	5,505
Property, plant and equipment	12	3,391	3,795
Deferred tax asset	20	236	-
Total non-current assets		27,667	27,156
Current assets			
Inventories	13	1,431	1,491
Trade and other receivables	14	2,758	3,544
Cash and cash equivalents	26	1,894	1,728
		6,083	6,763
Total assets		33,750	33,919
Equity and liabilities			
Liabilities			
Current liabilities			
Trade and other payables	15	3,257	2,710
Leases	17	53	64
Borrowings	18	1,265	2,011
		4,575	4,785
Non-current liabilities			
Other payables	16	86	117
Leases	17	-	35
Borrowings	18	3,290	670
Deferred tax liability	20	-	631
		3,376	1,453
Equity attributable to owners of the parent			
Share capital	21	2,895	2,895
Share premium account		11,709	11,709
Share based payment reserve		437	364
Own shares		-	-
Merger reserve	1.19	310	310
Retained profit		10,448	12,403
Total equity		25,799	27,681
Total equity and liabilities		33,750	33,919

The Group financial statements were approved by the Board of Directors on 14 June 2021 and were signed on its behalf by:

J Dickson
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share capital £000	Share premium account £000	Own shares £000	based payment reserve £000	Merger reserve £'000	Retained profit £000	Total £000
At 1 April 2019	2,874	11,530	(754)	314	310	11,285	25,559
Dividends	-	-	-	-	-	(1,604)	(1,604)
Issue of shares	21	179	-	-	-	-	200
Share based payments	-	-	-	125	-	-	125
Share option forfeitures	-	-	-	(43)	-	43	-
LTIP exercise	-	-	12	(32)	-	3	(17)
Disposal of own shares	-	-	232	-	-	83	315
Disposal of treasury shares	-	-	510	-	-	162	672
Transactions with owners	21	179	754	50	-	(1,313)	(309)
Profit and total comprehensive income for the year	-	-	-	-	-	2,431	2,431
Total comprehensive income less owners' transactions	21	179	754	50	-	1,118	2,122
At 31 March 2020	2,895	11,709	-	364	310	12,403	27,681
At 1 April 2020	2,895	11,709	-	364	310	12,403	27,681
Share based payments	-	-	-	73	-	-	73
Transactions with owners	-	-	-	73	-	-	73
Loss and total comprehensive income for the year	-	-	-	-	-	(1,955)	(1,955)
Total comprehensive income less owners' transactions	-	-	-	73	-	(1,955)	(1,882)
At 31 March 2021	2,895	11,709	-	437	310	10,448	25,799

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
(Loss)/profit for the year		(1,955)	2,431
Adjustments for			
Net interest payable	6	50	113
Income tax credit		(867)	(28)
Amortisation of intangible assets	11	1,669	1,390
Depreciation	12	563	674
Contingent consideration release		-	(1,088)
Loss on impairment of property, plant and equipment and businesses	5	126	3
Goodwill write off		-	119
Share based payments		73	125
Tax payment in respect of LTIP		-	(17)
Operating cash flows before changes in working capital and provisions		(341)	3,722
Change in inventories		60	178
Change in receivables		786	125
Change in payables		547	191
Operating cash flows post changes in working capital and provisions		1,393	494
Cash generated from operations		1,052	4,216
Net cash generated from operating activities		1,052	4,216
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(268)	(730)
Capitalisation of development costs	11	(2,312)	(1,941)
Purchases of other intangible assets	11	(36)	(79)
Net cash used in investing activities		(2,616)	(2,750)
Cash flows from financing activities			
Net interest payable		(50)	(113)
Repayment of leases		(64)	(141)
Repayments of borrowings		(319)	(661)
Payment of contingent consideration		(31)	(552)
New borrowings		3,540	-
Dividends paid		-	(1,604)
Disposal of own shares		-	988
Issue of share capital		-	200
Net cash from/(used in) financing activities		3,076	(1,343)
Net increase/(decrease) in cash and cash equivalents		1,512	(417)
Cash and cash equivalents at beginning of period		381	798
Cash and cash equivalents at end of period		1,893	381
Reconciliation to the cash balance in the Consolidated Balance Sheet			
Cash balance as per consolidated balance sheet		1,893	1,728
Bank overdrafts (see note 17)		-	(1,347)
Balance per statement of cash flows		1,893	381

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

1. Significant accounting policies

1.1 Basis of preparation and Going Concern

Vianet Group plc is incorporated in England and Wales and quoted on the London Stock Exchange's Alternative Investment Market. The registered address is One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR. Further copies of these financial statements will be available at the Company's registered office: which is detailed in the Company Information page of this Annual Report, page 1.

The principal activities for the Group are detailed in the Strategic report.

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Ac-counting Standards and Interpretations (collectively 'IFRS') in conformity with the requirements of Companies act 2006.

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.

In considering the going concern aspect of the business, the Directors paid due regard to the actions taken specifically around customer varied contracts to support them and continue to generate revenue for the business, revised financial forecasts based on contracted varied revenue streams; and how they impacted our financial facility streams, bank and cash reserve facilities, pre Covid trading levels during FY2020 and the Government expected roadmap out of Covid during FY2022. The availability of the bank overdraft is £1.5m, which is due for annual renewal on 30 April 2022 and currently remains unutilised.

As a result of the above actions, the Directors have produced revised forecasts to reflect the expected impact of Covid-19 on the business (and the mitigating actions taken) and have also considered further possible downside impacts alongside having made appropriate enquiries, including (but not limited to) a review of the Group's budget for 2021/2022, and cash generating capacity at least 12 months from the date of signing (underpinned by long term contracts in place and historical results). Such possible downside impact included potential further customer varied contracts being required as a result of further Covid-19 restrictions in the period to June 2022, with sufficient headroom in our facilities being considered to be in place in the instance of such possible downsides.

Together with both the comments noted in the Chairman's report and Strategic and Director reports, and a formal going concern paper submitted to the board, noting we have assumed no reduction in staff but this will be reviewed on an ongoing basis during the easing of lockdown and resumption of business 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 2021.

Subsidiaries are entities controlled by the Group. The Group controls an entity if and only if the Group has all of the following elements:

- power over the entity, i.e. the Group has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the entity's returns)
- exposure, or rights, to variable returns from its involvement with the entity
- the ability to use its power over the entity to affect the amount of the Groups returns

1. Significant accounting policies (continued)

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 3 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.

Under IFRS 3 'Business Combinations' and IFRS 9 'Financial Instruments', management should account for contingent consideration by fair valuing the balance at each reporting date. Any changes in fair value shall be recognised in profit or loss. Please refer to Exceptional cost note 4 in the Financial Review.

1.4 Revenue recognition

Revenue arises from the provision of actionable data and business insight services through connected devices. To determine whether to recognise revenue, the Group follows a 5-step process as follows:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is measured at transaction price, stated net of VAT and other sales related taxes. There is no return or refund obligation. Typical payment terms are 30 days from date of invoice and terms do not include a significant financing component.

Smart Zones and Smart Machines

Customer income is recognised at the point of installation or delivery in respect of outright sale or rental of the connected device,in accordance with contractual terms which can include payments in advance for which we would defer the appropriate amount of income over the length of the contract until a point in time when control is transferred to the customer. Accrued income can arise in relation to customers who are on different billing cycles to a calendar month. Data insight is recognised over time, based upon the timing of data collected from customers connected devices

Smart Zones

There are two performance obligations with customers, one being the provision of data insight from data collected from customers connected devices and the other being either the outright sale or rental of the connected device to collect the data. Data insight involves web based reporting and business asset performance for our customers and potential marketing insight to the respective industries

Therefore as such, there are separately identifiable transaction prices for either performance obligation. The transaction prices are set out in the customers' contract and is made up of either a fixed charge for the outright sale of the connected device or a fixed element in the form of a monthly income in respect of the data insight or the rental of the connected device. Revenue is recognised when the performance obligations have been satisfied in line with the contract.

1. Significant accounting policies (continued)

There are no unusual or variable payment terms in relation to performance obligations offered to customers.

The customer may from time to time request a repair to their equipment. Revenue is recognised when the performance obligation has been satisfied.

Smart Machines

There are two performance obligations with customers, one being the provision of data insight from data collected from customers connected devices and the other being either the outright sale or rental of the connected device to collect the data.

Therefore as such, there are separately identifiable contracted transaction prices for either performance obligation noted in each customer's contract. The transaction prices are set out in the customers' contract and is made up of either a fixed charge for the outright sale of the connected device or a fixed element in the form of a monthly income in respect of the data insight or the rental of the connected device. Revenue is recognised when the performance obligations have been satisfied in line with the contract.

There are no unusual or variable payment terms in relation to performance obligations offered to customers.

The customer may from time to time request a repair to their equipment. Revenue is recognised when the performance obligation has been satisfied.

1.5 Foreign currencies

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

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

1.6 Goodwill

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

Goodwill arising on acquisitions before the date of transition of 1 January 2010 to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Tests have been undertaken using commercial judgements and a number of assumptions and estimates have been made to support the carrying amount, assessed against discounted cash flows. The details of these assumptions are set out in note 10.

1.7 Intangible assets: business combinations

Acquisition as part of a business combination

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

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

1. Significant accounting policies (continued)

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.

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 a period which is usually no more than five years. Amortisation commences once an asset is available for use, in line with IAS38.

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.

1. Significant accounting policies (continued)

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

Freehold buildings	10 - 50 years
Freehold Land	Nil
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.

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 Leased assets

The Group as a lessee

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.' To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group

1. Significant accounting policies (continued)

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been shown separately.

1.12 Own shares

The Group held 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. During the prior year, the group disposed of all of the shares held in the employee benefit trust and in treasury.

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.

1. Significant accounting policies (continued)

Current tax

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

Deferred tax

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

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

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

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

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

1.15 Pension Costs

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

1.16 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.

Financial Assets

Initial recognition and measurement

In accordance with IFRS 9, 'Financial Instruments' the Group has classified its financial assets through the following categories:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

For either year presented the Group does not have any financial assets classified as FVOCI.

The Group determines the classification of its financial assets at initial recognition based on the contractual cash flow characteristics of the financial assets.

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

1. Significant accounting policies (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets carried at amortised cost

This category applies to trade and other receivables due from customers in the normal course of business. Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate. A loss allowance for expected credit losses is recognised based upon an amount equal to the 12-month expected credit loss. This assessment is performed on a trade receivables and contract assets basis considering forward-looking information, including the use of macroeconomic information, around our customer contracts and payment history. The credit risk of financial instruments has not considered to have changed since initial recognition. Please see note 14 which relates to expected credit loss

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

(i) the asset is held within a business model with the objective of collecting the contractual cash flows; and

(ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group des-ignated a financial liability at fair value through profit or loss.

Subsequent measurement

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest related charges are included within finance costs or finance income.

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.

Contingent consideration is measured at fair value through profit or loss. The contingent consideration is fair valued and represents management's estimate of the contingent consideration which will be paid and is discounted. Further details on the contingent consideration balance is included in notes 15 and 16.

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).

1. Significant accounting policies (continued)

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

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

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

1.19 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

A number of new standards, amendments and interpretations are effective for the year ended 31 March 2021. These are considered either not relevant or to have no material impact on the Group.

There are no standards that are issued but not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

1. Significant accounting policies (continued)

		Issued date	IASB mandatory effective date[1, 2] (UK mandatory effective date)[3, 4]	UK Adoption status (EU pre 31 December 2020)
	New Standards			
1	IFRS 17 Insurance contracts including Amendments to IFRS 17 (issued on 25 June 2020)	18 May 2017 and 25 June 2020	1 January 2023	TBC
	Amendments to Existing Standards			
2	Amendments to References to the Conceptual Framework in IFRS Standards	29 March 2018	1 January 2020	Endorsed
3	Amendments to IFRS 3 Business Combinations: Definition of a Business	22 October 2018	1 January 2020	Endorsed
4	Amendments to IAS 1 and IAS 8: Definition of Material	31 October 2018	1 January 2020	Endorsed
5	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	26 September 2019	1 January 2020	Endorsed
6	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	23 January 2020	1 January 2023	TBC
7	Amendments to: • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment; • IAS 37 Provisions, Contingent Liabilities and Contin-gent Assets	14 May 2020	1 January 2022	TBC
8	Annual Improvements to IFRSs (2018-2020 Cycle): • IFRS 1 • IFRS 9 • Illustrative Examples accompanying IFRS 16 • IAS 41	14 May 2020	1 January 2022	TBC
9	Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	28 May 2020	1 June 2020	Endorsed
10	Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	25 June 2020	1 January 2021	Adopted by UKEB
11	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	27 August 2020	1 January 2021	Adopted by UKEB
12	Amendments to IAS 8 - Definition of Accounting Estimates	12 February 2021	1 January 2023	TBC
13	Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies	12 February 2021	1 January 2023	TBC

1. Significant accounting policies (continued)

[1] Periods beginning unless noted otherwise.
[2] Note that transitional reliefs exist in many new Standards, Amendments and Interpretations meaning an entity's financial statements may not be affected as at the mandatory effective date.
[3] The UK (EU pre 31 December 2020) Regulation endorsing the new Standard, Amendment or Interpretation may include a mandatory effective date which is different (generally later) to the mandatory effective date of the new Standard, Amendment or Interpretation as issued by the IASB. Where this is the case, the UK (EU) mandatory effective date is shown in brackets.
[4] Note that, for entities reporting under UK-Adopted International Accounting Standards (EU-endorsed IFRSs for periods beginning on or before 31 December 2020), new Standards and Amendments cannot generally be applied without UK Adoption (EU Endorsement) as they often conflict with Adopted Standards. However, most IFRIC Interpretations can be applied without UK Adoption (EU Endorsement) as they do not usually conflict with Adopted guidance already in issue. The date the Standard, Amendment or Interpretation is endorsed and available for use is included in brackets in the adoption status column. An up-to-date adoption status report can be found on the UKEB website: https://www.endorsement-board.uk/uk-adopted-international-accounting-standards

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, obsolescence 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, loan impairment, contingent consideration fair value or pandemic costs. 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.

1.22 Government Grants and Other Government Assistance

Government grants shall be recognised when there is reasonable assurance that:

(a) the entity will comply with the conditions attaching to them; and

(b) the grants will be received.

Grants related to income are presented as part of profit or loss and are deducted in reporting the related expense. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as an expense the related costs for which the grants are intended to compensate.

The Group has received access to the UK Government's Coronavirus Job Retention Scheme during the year, with amounts equal to 80% of employee salaries being claim under the scheme.

In addition, the Group received further Government assistance in the form of VAT deferral agreement for 12 months from April 2021 through January 2022

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.

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

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

Impairment of intangible assets and property, plant and equipment (Significant Judgement)

The Group tests goodwill at least annually for impairment, as required by IAS36. 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 or value in use. Value in use is estimated using adjusted future cash flows and referenced to WACC/discount rates ranging between 8% and 12%. 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 (Estimate)

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.

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.

Detailed disclosure in respect of this estimate is included within Note 11 of these financial statements.

Development costs (Significant Judgement)

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.

Contingent Consideration valuation following Lookoutsolutions Acquisition (Estimate)

The directors have carefully considered the carrying value of the contingent consideration using the budget for the forthcoming financial year along with other potential contract wins and potential EBIT profit adjustments. The earnout period ends on 31 March 2022 when any final adjustments will be recognised. Discounting of 12% has been applied to the contingent consideration payable after more than one year.

COVID 19

Refer to Director Review at the front of these accounts.

In considering the going concern aspect of the business, the Directors paid due regard to the actions taken specifically around customer varied contracts to support them and generate a revenue stream, revised financial forecasts based on contracted varied revenue streams and how they impacted our financial facility streams, bank and cash reserve facilities pre Covid trading levels in FY20 and the Government expected roadmap out of Covid during FY22.

Covid-19 has impacted key estimates and judgements, including the cash flow forecasts used for the Going Concern assessment (as covered in both the Chairman review and Directors report) and in assessing whether an impairment is needed for Goodwill and other intangible assets. Further detail on this assessment can be found in Note 10.

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 Smart Machines (mainly adopted in the vending sector (particularly in vending machines)) supported by Corporate/Technology & stores costs.

The products/services offered by each operating segment are:

Smart Zones: Data insight & actionable data services, design, product development, sale and rental of fluid monitoring equipment.

Smart Machines: Data insight & actionable data services, design product development, sale and rental of machine monitoring equipment.

Corporate/Technology: Centralised Group overheads along with technology and stores 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 of deferred tax. 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.

2021

Continuing Operations (post exceptional items)	**Smart Zones £000**	**Smart Machines £000**	**Corporate/ Technology £000**	**Total £000**
Total revenue	3,953	4,416	-	8,369
Of which is recurring	3,656	3,806	-	7,462
Pre-exceptional segment result	85	858	(3,372)	(2,429)
Exceptional costs	(81)	(147)	(115)	(343)
Post exceptional segment result	4	711	(3,487)	(2,772)
Finance costs	(28)	(23)	1	(50)
(Loss)/profit before taxation	(24)	688	(3,486)	(2,822)
Taxation				867
Loss for the year from continuing operations				(1,955)
Other information				
Additions to property, plant equipment and intangible assets	945	469	1,202	2,616
Depreciation and amortisation	651	505	1,076	2,232

Recurring revenue is contracted revenue payable monthly over the length of the customer contract

	Smart Zones £000	**Smart Machines £000**	**Corporate/ Technology £000**	**Total £000**
Segment assets	27,534	4,083	1,897	33,514
Unallocated assets	-	-	1,479	1,479
Total assets	27,534	4,083	3,376	34,993
Segment liabilities	7,466	-	485	7,951
Unallocated liabilities	-	-	1,243	1,243
Total liabilities	7,466	-	1,728	9,194

3. Segment reporting (continued)

2020

Continuing Operations (post exceptional items)	Smart Zones £000	Smart Machines £000	Corporate/ Technology £000	Total £000
Total revenue	11,061	5,221	-	16,282
Of which is recurring	10,819	4,162	-	14,981
Pre-exceptional segment result	4,299	1,260	(3,044)	2,515
Exceptional costs	(462)	867	(404)	1
Post exceptional segment result	3,837	2,127	(3,448)	2,516
Finance costs	(86)	(40)	13	(113)
Profit/(loss) before taxation	3,751	2,087	(3,435)	2,403
Taxation				28
Profit for the year from continuing operations				2,431
Other information				
Additions to property, plant equipment and intangible assets	842	801	1,107	2,750
Depreciation and amortisation	669	485	910	2,064

	Smart Zones £000	Smart Machines £000	Corporate/ Technology £000	Total £000
Segment assets	28,069	4,083	1,767	33,919
Unallocated assets	-	-	510	510
Total assets	28,069	4,083	2,277	34,429
Segment liabilities	5,291	-	316	5,607
Unallocated liabilities	-	-	1,141	1,141
Total liabilities	5,291	-	1,457	6,748

Analysis of revenue by category

	2021 £000	2020 £000
Continuing operations		
Sale of goods		
- Smart Zones and Smart Machines	906	1,302
Rendering of services		
- Smart Zones and Smart Machines	7,463	14,980
	8,369	16,282

Included in rendering of services is £1,852,000 (2020: £2,303,000) of income related to lessor income

	2021 £000	2020 £000
Geographical analysis		
- United Kingdom	5,754	14,586
- Rest of Europe	2,484	1,276
- United States/Canada	131	420
	8,369	16,282

99% of the Rest of Europe revenue is derived from the Netherlands

3. Segment reporting (continued)

Major Clients

In 2021 there was one major client that individually accounted for at least 10% of total revenues (2020: two clients). The revenues relating to this client in 2021 was £1.27m (2020: £2.66m and £1.98m)

The client is in the Smart Machines segment (2020: both clients in the Smart Zones Segment)

4. Exceptional items

	2021 £000	2020 £000
Corporate activity and Acquisition costs	-	311
Disposal costs	101	-
Staff transitional costs	154	415
Contingent consideration release	-	(1,086)
Network obsolesce costs	8	50
Loan Impairment	-	200
Other	80	109
	343	(1)

Corporate activity and acquisition costs relate to fees paid to corporate advisors in respect of prospective acquisitions and corporate evaluations.

Disposal costs relate to the exit of the Stockport property lease, disposal of associated leasehold improvements and associated costs.

Staff transitional costs relate to the transition of people and management to ensure we have to succession and calibre of people on board to deliver the strategic aims and aspirations of the Group.

The loan impairment reflects the Directors view of recoverability of a loan made to a business of strategic interest which was impacted by COVID19.

The contingent consideration release refers to the acquisition of Vendman Systems Limited to where a proportion of the consideration was based upon results of the company for two years post acquisition. This balance has now been fair valued at the year end with the change in fair value recognised through the income statement as the deferred period has now closed.

5. (Loss)/Profit for the year

The following items have been included in arriving at (loss)/profit for the year:

	2021 £000	2020 £000
Employee benefits expense (note 22)	5,979	7,203
Depreciation of property, plant and equipment (note 12)	499	530
Depreciation of property, plant and equipment – right of use assets (note 12)	64	144
Amortisation of intangible assets (note 11)	1,669	1,390
Loss on disposal of property, plant and equipment	126	3

5. (Loss)/Profit for the year (continued)

Auditor's remuneration

Services to the company and its subsidiaries	2021 £000	2020 £000
Fees payable to the company's auditor for the audit of the annual financial statements	30	18
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	50	25
Audit related services – interim review	-	13
Other services relating to tax - taxation compliance services	10	8
Other services relating to tax – taxation advisory services	-	6
Other services – IR35 advice	-	5
	90	75

6. Net finance costs

	2021 £000	2020 £000
Interest payable on bank borrowings	42	113
Interest payable on leasing arrangements	9	13
	51	126

	2021 £000	2020 £000
Interest receivable on bank deposits	1	13
	1	13
Net Interest Payable	50	113

7. Taxation

Analysis of credit in period:

	2021 £000	2020 £000
Current tax expense		
- Amounts in respect of the current year	-	-
- Amounts in respect of prior periods	-	-
	-	-
Deferred tax credit		
- Amounts in respect of the current year	(846)	(9)
- Amendment re-recognition of losses	(21)	(19)
Income tax credit	(867)	(28)

Reconciliation of effective tax rate

The tax for the 2021 period is lower (2020 was lower) than the standard rate of corporation tax in the UK (2021: 19% and 2020: 19%). The differences are explained below:

	2021 £000	2020 £000
(Loss)/profit before taxation - Continuing operations	(2,822)	2,403
(Loss)/profit before taxation multiplied by rate of corporation tax in the UK of 19% (2020:19%)	(536)	457
Effects of:		
Other expenses not deductible for tax purposes	15	132
Non-taxable income	16	(205)
Amortisation of intangibles	254	201
Losses not provided for	82	46
Adjustments for prior years	(21)	(19)
Research and development	(677)	(640)
Total tax credit	(867)	(28)

Unutilised Trading Losses

The Company continues to carry forward unutilised trading losses of £7,784k (2020: £2,684k). A Deferred Tax Asset of £1,479k (2020: £510k) has been recognised as at 31 March 2021 in respect of the unutilised trading losses. The unused tax losses must be utilised by 31 March 2027. The deductible temporary differences can be carried forward indefinitely. No further Deferred Tax Asset has been recognised because the Board envisages that a significant period of time will be required to generate sufficient profits to utilise the trading losses carried forward.

No deferred tax asset has been provided for in relation to the loss making US subsidiary.

Deferred Tax Assets of £1,479k is recognised in respect of unutilised trading losses and short-term timing differences. Deferred Tax Liabilities of £1,243k arise on timing differences in the carrying value of certain of the Company's assets for financial reporting purposes and for corporation tax purposes. These will reverse as the fair value of the related assets are depreciated over time. Deferred Tax balances have been calculated at the rate of 19%, being the rate of Corporation Tax expected to be in force when the timing differences reverse.

8. Earnings per share

Loss per share for the year ended 31 March 2021 was (6.75)p (2020: earnings per share 8.56p)

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders (Loss: £1,955k) 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

		2021			2020	
	Loss £000	Basic earnings per share	Diluted earnings per share	Earnings £000	Basic earnings per share	Diluted earnings per share
Post-tax profit attributable to equity shareholders	(1,955)	(6.75p)	(6.75p)	2,431	8.56p	8.47p

	2021 Number	2020 Number
Weighted average number of ordinary shares	28,953,414	28,410,348
Dilutive effect of share options	-	281,866
Diluted weighted average number of ordinary shares	28,953,414	28,692,214

Due to the loss in the year no dilutive effect of share options is required to be calculated.

9. Ordinary dividends

	2021 £000	2020 £000
Final dividend for the year ended 31 March 2020 of nil (year ended 31 March 2019: 4.0p)	-	1,123
Interim dividend paid in respect of the year of nil (2020: 1.70p)	-	481
Amounts recognised as distributions to equity holders	-	1,604

In addition, the directors are not proposing a final dividend in respect of the year ended 31 March 2021. Total dividend payable nil (2020: 1.70p).

10. Goodwill

Group	2021 £000	2020 £000
Cost		
At 1 April	17,856	17,975
Disposal	-	(119)
At 31 March	17,856	17,856
Accumulated impairment losses		
At 1 April and 31 March	-	-
Net book amount	17,856	17,856

Goodwill is tested for impairment annually as required by IAS36. 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:

	2021 £000	2020 £000
Smart Zones	15,384	15,384
Smart Machines	2,472	2,472
Carrying amount 31 March	17,856	17,856

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 2022 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 an improvement in profitability, based on committed (medium to long term contracts) and pipeline orders akin to pre-covid-19 trading performance.

Budgets and assumptions are based around historical track record and committed medium to long term contracts. All property, plant and equipment and other intangibles have been allocated to their respective cash generating unit.

More sensitised tests have been performed this year due to COVID19 beyond what we normally regard as the growth rates.

Research & Development, as well as other intangibles and Property, Plant and Equipment, has been allocated to the respective Smart Zone and Smart Machine divisions. The impairment review considers a fall in profits in FY21 due to COVID19 and then a slow return to more normal levels such as those in FY20, using various discount rates between 10% and 12% with a 10% discount rate accepted as a reasonable base. The impairment review takes a prudent view of the recovery pace versus the market expectation and Government intent.

10. Goodwill (continued)

Sector growth assumptions, applied to the Smart Zones and Smart Machines segment: 3% based on estimates of specific industry rates, where available.

Discount rate assumptions, applied to the Smart Zones and Smart Machines segment: between 10% and 12% based on management's view of risks specific to the group.

A combination of sensitivities, using 0-3% sector growth rates and 10-12% discount rate assumptions were considered and no impairment was noted. Due to this, and the knowledge that our forecast profit improvement assumptions, as noted earlier, are considered to be cautious, as we believe the time period it will take to recover to pre C19 levels of trading/profit, based on current momentum/outlook, will be significantly quicker than the time period actually modelled, we consider that there are no reasonable possible combination of assumption changes expected to arise, that would create an impairement.

11. Other intangible assets

Group	Capitalised development £000	Order book £000	Software £000	Customer contracts £000	Patents £000	Total £000
Cost						
At 31 March 2019	7,763	281	366	3,229	113	11,752
Internally generated development costs	1,941	-	-	-	-	1,941
Additions	-	-	64	-	15	79
At 31 March 2020	9,704	281	430	3,229	128	13,772
Internally generated development costs	2,312	-	-	-	-	2,312
Additions	-	-	21	-	15	36
At 31 March 2021	12,016	281	451	3,229	143	16,120
Amortisation						
At 31 March 2019	4,262	281	297	1,979	58	6,877
Charge for the year	989	-	34	356	11	1,390
At 31 March 2020	5,251	281	331	2,335	69	8,267
Charge for the year	1,257	-	44	356	12	1,669
At 31 March 2021	6,508	281	375	2,691	81	9,936
Net book amount						
At 31 March 2021	5,508	-	76	538	62	6,184
At 31 March 2020	4,453	-	99	894	59	5,505

The £2,312,000 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 when brought into use from April 2021 over 5 years.

Included within the net book value of capitalised development is £4,387,000 (2020: £3,219,000) relating to research and development technology roadmaps in various stages of progress which is being amortised in accordance with the policies in note 1.7.

12. Property, plant and equipment

Group	Freehold Land and buildings £000	Leasehold Land and buildings £000	Plant, vehicles and equipment £000	Fixtures and fittings £000	Total £000
Cost					
At 31 March 2019	3,125	141	1,496	2,090	6,852
Additions	38	-	607	85	730
Additions – right of use assets	-	-	239	-	239
Disposals	-	-	(8)	(10)	(18)
At 31 March 2020	3,163	141	2,334	2,165	7,803
Additions	-	-	201	67	268
Additions – right of use assets	-	-	18	-	18
Disposals	-	(141)	(77)	(15)	(233)
At 31 March 2021	3,163	-	2,476	2,217	7,856
Accumulated depreciation					
At 31 March 2019	756	46	634	1,913	3,349
Charge for the year	73	-	504	97	674
Disposals	-	-	(6)	(9)	(15)
At 31 March 2020	829	46	1,132	2,001	4,008
Charge for the year	60	9	411	83	563
Disposals	-	(55)	(36)	(15)	(106)
At 31 March 2021	889	-	1,507	2,069	4,465
Net book amount					
At 31 March 2021	2,274	-	969	148	3,391
At 31 March 2020	2,334	95	1,202	164	3,795

Included in the net carrying amount of property, plant and equipment as at 31 March 2021, are right-of-use assets as follows:

	Carrying amount £'000	Depreciation expense £'000	Impairment £'000
Motor vehicles	33	64	-
	33	64	-

As at 31 March 2020, right-of-use assets were as follows:

	Carrying amount £'000	Depreciation expense £'000	Impairment £'000
Motor vehicles	96	144	-
	96	144	-

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

The bank has a fixed and floating charge over all assets of the Group.

13. Inventories

	2021 £000	2020 £000
Finished goods	1,488	1,622
Provision on finished goods	(57)	(131)
	1,431	1,491

No reversal of previous write-downs was recognised as a reduction of expense in 2021 or 2020. In 2021 £1,259,000 (2020: £2,663,000) 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

	2021 £000	2020 £000
Trade receivables	2,276	2,901
Other receivables	7	9
Prepayments	457	494
Contract Assets	18	140
	2,758	3,544

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

The carrying amounts of trade and other receivables are considered to be reasonable approximations to fair value.

The Group's trade receivables have been reviewed for expected credit losses particularly related to COVID19. Provisions have been made amounting to £111,000 (2020: £147,000). It is considered that expected credit loss for receivables balances less than six months is immaterial. Movements on provisions for doubtful debts on trade receivables are as follows:

	£000
Loss allowance as at 1 April 2020 calculated under IFRS9	147
Loss allowance unused and reversed during the year	(147)
Loss allowance provided	111
Loss allowance as at 31 March 2021	111

The expected credit loss for trade receivables as at 31 March 2021 was determined as follows:

	Current	Less than 3 months	Less than 6 months	More than 6 months	Total
Expected credit loss rate	0%	0%	0%	62%	-
Gross carrying amount	1,074	824	329	178	2,405
Lifetime expected credit loss	-	-	-	111	111

The expected credit loss for trade receivables as at 31 March 2020 was determined as follows:

	Current	Less than 3 months	Less than 6 months	More than 6 months	Total
Expected credit loss rate	0%	0%	36%	100%	-
Gross carrying amount	1,281	1,474	229	64	3,048
Lifetime expected credit loss	-	-	83	64	147

15. Trade and other payables

	2021 £000	2020 £000
Trade payables	784	974
Other taxation and social security	771	547
Corporation tax liability	-	-
Accruals	1,266	690
Contract Liabilities	414	477
Contingent consideration	22	22
	3,257	2,710

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

Contract Liabilities arises when a customer pays the Group in advance (in advance is defined at more than one monthly period) for unfulfilled performance obligations relating to data insight. The entity has contracts spanning from two to four years at the year end. The deferred income will be released to the income statement as the performance obligations are met. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £477k (2020: £662k). No revenue has been recognised in the reporting period in respect of performance obligations satisfied in previous periods.

Contingent consideration has been included in both current liabilities and other payables due to the nature of the maturity. The Group has one contingent consideration liability, from the acquisition of Lookoutsolutions Limited in October 2011.

The contingent consideration period for Lookoutsolutions Limited was 10 years to March 2022. The expected cash outflows in respect of the Lookoutsolutions Limited contingent consideration have been discounted by 12%.

16. Other payables

	2021 £000	2020 £000
Contingent consideration	86	117
	86	117

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

Contingent consideration has been included in both current liabilities and other payables due to the nature of the maturity. The Group has one contingent consideration liability, from the acquisition of Lookout Solutions Limited in October 2011.

The contingent consideration period for Lookout Solutions Limited was 10 years to March 2022. The expected cash outflows in respect of the Lookout Solutions Limited contingent consideration have been discounted by 12%.

Further details of the accounting treatment for the contingent consideration is included in Note 2 and Note 3 of these financial statements.

17. Leases

Current	2021 £000	2020 £000
Lease liability	53	64
	53	64

Non-current	2021 £000	2020 £000
Lease liability	-	35
	-	35

17. Leases (continued)

During the year, the group capitalised £18k (2020: £239k) of right of use assets. These were capitalised in accordance with IFRS16 and are amortised over the remaining length of the lease.

The Group has leases for some vehicles. With the exception of a short term property lease, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 12).

Leases of vehicles are generally limited to a lease term of 3 to 4 years.

Lease payments are fixed over the term of the lease.

Each lease generally imposes a restriction that the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over vehicles, the Group must keep those vehicles legally maintained and roadworthy and must return in a good condition at the end of the lease.

18. Borrowings

Current	2021 £000	2020 £000
Bank overdraft	-	1,347
Bank loans	1,265	664
	1,265	2,011

Non-current	2021 £000	2020 £000
Bank loans	3,290	670
	3,290	670

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.

During the year the company took of a Coronavirus Business Interruption Loan for £3.5m and a £0.04m loan from the American Small Business Administration. All UK loans are secured against the Groups assets, the £0.04m loan from the American SBA was forgiven on 16 April 2021. This loan was not secured against any of the Group assets.

The availability of the bank overdraft is £1.5m, which is due for annual renewal on 30 April 2022.

The effective interest rates on the Group's borrowings were as follows above base rate:

	2021 %	2020 %
Bank overdrafts	2.50	2.50
Bank borrowings - CBIL loan	3.65	-
Bank borrowings – Acquisition loan	3.10	3.10
Bank borrowings – commercial mortgage	1.00	1.00

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

18. Borrowings (continued)

	2021 £000	2020 £000
Between one and two years	1,749	670
Between two and five years	1,541	-
	3,290	670

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

None of the above cash flows have been discounted.

19. Financial Instruments

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

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.

Denominated in US Dollars	2021 $000	2020 $000
Financial assets	7	55
Financial liabilities	-	-
Exposure	7	55

Denominated in Euros	2021 €000	2020 €000
Financial assets	10	21
Financial liabilities	-	-
Exposure	10	21

The Group has no long term foreign exchange exposure.

At the beginning, during 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.

	2021 £000	2020 £000
Cash and cash equivalents	1,894	1,728
Trade and receivables	2,283	3,050
Contract Assets	18	140
	4,195	4,918

19. Financial Instruments (continued)

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.

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, therefore no significant mitigating actions are required in respect of credit risk.

The Group uses an expected credit loss model for impairment that represents its estimate of incurred losses in respect of the Trade Receivables as appropriate.

The Group applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The expected loss rates are based on the Group's historical credit losses experienced over the two year period prior to the period end.

The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customer. Under the expected credit loss model impairment allowance wasn't material resulting in no provision being made.

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. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Budgets and forecasts are agreed and set by the Board in advance to ensure the Group's cash requirement to be anticipated.

This has all been formally considered in the going concern review of the business and the facilities we have access to.

The maturity profile of the Group's financial liabilities at the reporting dates, based on contractual undiscounted payments including lease payments, are summarised below:

At 31 March 2021	**Upto 3 months £000**	**Between 3 and 12 months £000**	**Between 1 and 5 years £000**	**Over 5 years £000**
Trade payables and other payables	1,719	1,538	86	-
Loans and borrowings	316	949	3,290	-
Lease liabilities	13	40	-	-
Total	**2,048**	**2,527**	**3,376**	**-**

At 31 March 2020	**Upto 3 months £000**	**Between 3 and 12 months £000**	**Between 1 and 5 years £000**	**Over 5 years £000**
Trade payables and other payables	1,835	875	117	-
Loans and borrowings	503	1,508	670	-
Lease liabilities	16	48	35	-
Total	**2,354**	**2,431**	**822**	**-**

19. Financial Instruments (continued)

Categories of financial assets and financial liabilities

Accounting policy 1.16 provides a description of each category of financial assets and liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

31 March 2021 Financial assets	Amortised cost £000	FVTPL £000
Cash and cash equivalents	1,894	-
Trade and other receivables	2,283	-
Debenture	-	-
Total assets	**4,177**	**-**

31 March 2021 Financial liabilities	Amortised cost £000	FVTPL £000
Non-current borrowings	3,290	-
Current borrowings	1,265	-
Trade payables	784	-
Contingent consideration	-	108
Total financial liabilities	**5,339**	**108**

31 March 2020 Financial assets	Amortised cost £000	FVTPL £000
Cash and cash equivalents	1,728	-
Trade and other receivables	3,050	-
Debenture	-	-
Total assets	**4,778**	**-**

31 March 2020 Financial liabilities	Amortised cost £000	FVTPL £000
Non-current borrowings	670	-
Current borrowings	2,011	-
Trade payables	974	-
Contingent consideration	-	139
Total financial liabilities	**3,655**	**139**

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.

No supplier financing arrangements or credit insurance is in place.

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.

19. Financial Instruments (continued)

	2021 £000	2020 £000
Total equity	25,799	27,681
Less cash equivalents	(1,894)	(1,728)
	23,905	25,953

The Group is not subject to external imposed capital requirements and any bank covenants have been relaxed until September 2022, other than the minimum capital requirements and duties regarding reduction of capital as imposed by the Companies Act 2006 for all public limited companies.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Debenture	-	-	-	-
Total financial assets			-	-

31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Debenture	-	-	-	-
Total financial assets			-	-

31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Contingent consideration	-	-	86	86
Total financial liabilities			86	86

31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial liabilities				
Contingent consideration	-	-	117	117
Total financial liabilities			117	117

The following valuation techniques are used for instruments categorised as level 3:

19. Financial Instruments (continued)

Debenture

The fair value of this balance is based on the expected future cash flows to be received from the entity, taking into consideration a risk premium.

Contingent consideration

The fair value of the contingent consideration related to the acquisitions of Vendman Systems Limited and Lookout Solutions Limited are estimated using a present value technique. The fair value is estimated based on the expected target level achieved. The inputs into the fair value have been disclosed in notes 2.1, 15 and 16.

20. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 19%).

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

Deferred tax asset

	2021 £000	2020 £000 As restated
At 1 April	510	313
Profit and loss debit in respect of losses realised	969	197
At 31 March	1,479	510

Deferred tax liability

	2021 £000	2020 £000
At 1 April	(1,141)	(972)
Profit and loss credit in respect of timing differences	(102)	(169)
At 31 March	(1,243)	(1,141)
Net position per the Balance sheet at 31 March	236	(631)

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 £1,479k (2020: £510k) are amounts of £1,479k relating to tax losses (2020: £510k).

A prior year adjustment has been made to offset deferred tax assets and deferred tax liabilities in line with the criteria set out within IAS 12. See Note 30 for further details of this prior year adjustment.

21. Issued share capital

	2021 £000	2020 £000
Issued and fully paid		
Ordinary shares of 10p each: 28,953,414 (2020: 28,953,414)	2,895	2,895

22. Employees and directors

Employee benefit expense during the period

	2021 £000	2020 £000
Wages and salaries	6,273	6,288
Furlough receipts	(1,068)	-
Social security costs	482	578
Pension costs	219	212
Share based payments	73	125
	5,979	7,203

Furlough receipts claimed during the year was £1,068k (2020: £nil)

Average monthly number of people (including directors) employed

	2021 Number	2020 Number
Sales	15	11
Engineering	24	28
Volume Recovery	8	5
Management	10	10
Administration	101	112
	158	166

Key management personnel - Directors

Group	2021 £000	2020 £000
Short term employment benefits	890	758
Pension contributions	22	11
Share based payments	73	125
	985	894

During the year one (2020: one) directors had benefits accruing under defined contribution pension schemes.

Highest paid director

	2021 £000	2020 £000
Short term employment benefits	416	301
Pension contributions	-	-
	416	301

23. Operating lease commitments

Following the Group's adoption of IFRS16 Leases, these are now primarily accounted for as finance leases however, the table below represents where low value or short term exemptions have been taken.

The total future operating lease commitments at the Statement of Financial Position date are:

	2021 £000	2020 £000
Properties		
Due in more than five years	-	-
Due between two and five years	-	30
Due within one year	-	20
	-	50
Plant and vehicles		
Due in more than five years	-	-
Due between two and five years	-	-
Due within one year	-	-
	-	-
	-	50

24. 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:

	2021		2020	
	Number of share options	Weighted average exercise price(p)	Number of share options	Weighted average exercise price(p)
At start of the financial year	1,312,550	90.7	1,017,550	92.3
Exercised	-	-	(215,000)	(93.1)
Granted	485,000	67.4	510,000	63.5
Forfeited	-	-	-	-
Lapsed	(55,800)	(96.5)	-	-
At end of financial year	1,741,750	76.7	1,312,550	80.9
Exercisable at end of financial year	716,759	90.3	772,550	90.7

24. Share-based payments (continued)

The below share options are serving Directors only:

Name of director / senior employee	Date of grant	Number of options	Exercise price	Exercise date	Weighted average share price at date of exercise	Gain on exercise	Exercise period
M H Foster	09/04/14	135,000	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
M H Foster	24/02/21	100,000	72.0p	-	-	-	24/02/24 to 23/02/31

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 £73,000 (2020: £125,000) in relation to equity settled share-based payment transactions in the year.

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 Mark Foster in the overall award pool is 29%.

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

25. Related party transactions

IAS 24 (Related party transactions) requires the disclosure of the details of material transactions between reporting entities and related parties. Transactions with group entities are eliminated on consolidation. C Williams, a non-executive director, invoiced Vianet Group plc for fees totalling £25,982 (2020: £29,688). As at 31 March 2021, there was £nil outstanding (2020: £nil). D Coplin, a non-executive director, invoiced Vianet Group plc for fees totalling £26,880 (2020: £32,270). As at 31 March 2021 there was £nil outstanding (2020: £nil).

IAS 24:17 required disclosures are included in Note 22

26. Notes supporting statement of cash flows

	Borrowings due within one year £000	Borrowings due after one year £000	Total £000
Net debt as at 1 April 2019	(662)	(1,333)	(1,995)
Cash flows	(115)	663	548
Non-cash flows			
- Interest accruing in the period	113	-	113
Net debt as at 31 March 2020	(664)*	(670)	(1,334)
Cash flows	(442)	(2,829)	(3,271)
Non-cash flows			
- Interest accruing in the period	50	-	50
Net debt as at 31 March 2021	(1,056)	(3,499)	(4,555)

* The net debt as at 31 March 2020 for borrowing due within one year of £664k as stated here, does not agree to the Balance Sheet amount of £2,011, as this does not include the bank overdraft of £1,347k as at 31 March 2020.

Cash and cash equivalents for the purpose of the statement of cash flows comprises

	2021 £000	2020 £000
Cash at bank available on demand	93	58
Short term deposits	1,800	1,667
Cash on hand	1	3
Adjusted net cash generation	1,894	1,728

No significant non-cash transactions from investing activities are noted.

27. Alternative Performance Measures

In the reporting of financial information, the Directors have adopted the APMs "Adjusted operating (loss)/profit", "Adjusted operating cash generation", "Adjusted net cash generation" and "Net debt " (APMs were previously termed 'Non-GAAP measures'), which is not defined or specified under International Financial Reporting Standards (IFRS).

These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMS, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Purpose

The Directors believe that this APM assists in providing additional useful information on the underlying trends, performance and position of the Group. This APM is also used to enhance the comparability of information between reporting periods and business units, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and this remains consistent with the prior year. Adjusted APMs are used by the Group in order to understand underlying performance and exclude items which distort compatibility, as well as being consistent with public broker forecasts and measures.

	2021 £000	**2020 £000**
Operating (loss)/profit (IFRS measure)	(2,772)	2,516
Add back/(deduct):		
Amortisation charge	1,669	1,390
Share based payments charge	73	125
Exceptional items charge/(credit)	343	(1)
Adjusted operating (loss)/profit	(687)	4,030

	2021 £000	**2020 £000**
Operating cash generation (IFRS measure)	(339)	3,722
Add back:		
LTIP tax payment	-	17
Adjusted operating cash generation	(339)	3,739

	2021 £000	**2020 £000**
Net cash generation (IFRS measure)	1,052	4,216
Add back:		
LTIP tax payment	-	17
Adjusted net cash generation	1,052	4,233

	2021 £000	**2020 £000**
Net debt (IFRS measure) (Note 26)	(4,555)	(1,334)
Add back:		
Cash and cash equivalents	1,893	381
'Net Debt' as noted in Strategic Report	(2,662)	(953)

28. Post Balance Sheet Events

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 31 March 2021 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the impact to the closing DT position would be to increase the deferred tax liability by £117k.

No other post balance sheet events were noted.

29. Controlling party

The Directors consider there to be no ultimate controlling party of the Group.

30. Prior period adjustment

A prior year adjustment has been made to offset deferred tax assets and deferred tax liabilities in line with the criteria set out within IAS 12.

As at 31 March 2021, Vianet Group Plc, the Group, had deferred tax assets and deferred tax liabilities in respect of 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.

As per IAS 12, 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. As this criteria is met, for 31 March 2021 the deferred tax balances have been offset in line with the requirements of IAS 12. The nature of these conditions has not changed in the last 12 months and therefore the deferred tax balances should have also been offset in the prior financial period. The comparative for 2020 has also been restated to reflect the offsetting of deferred tax balances. There is no impact on comparative opening reserves, profit or loss or cash flow movements.

The effects of the restatements are set out in the table below:

Consolidated balance sheet

	Previously reported £'000	**As restated £000**
Deferred tax asset	510	-
Total non-current assets	27,666	27,156
Total assets	34,429	33,919
Deferred tax liability	(1,141)	(631)
Total non-current liabilities	(1,963)	(1,452)
Total equity and liabilities	(34,429)	(33,919)

COMPANY BALANCE SHEET

at 31 March 2021

	Note	2021 £000	2020 £000 As restated
Fixed assets			
Investments in subsidiaries	2	4,990	4,949
Other intangible assets	3	60	55
Tangible assets	4	3	6
		5,053	5,010
Current assets			
Debtors	5	10,782	12,784
Cash at bank		1,800	1,667
		12,582	14,451
Creditors: amounts falling due within one year	6	(501)	(338)
Net current assets		12,081	14,113
Net assets		17,134	19,123
Capital and reserves			
Ordinary share capital	7	2,895	2,895
Share premium	8	11,709	11,709
Share based payment reserve	8	437	364
Own shares	8	-	-
Merger reserve	8	310	310
Retained earnings	8	1,783	3,845
Total equity		17,134	19,123

The company has taken the exemption under s408 of the Companies Act 2006 to not included the Company Statement of Comprehensive Income

The company's loss for the financial year was £2,062,000 (2020: £770,000).

The balance sheet was approved by the Board on 14 June 2021 and signed on its behalf by:

J Dickson
Director
Company number: 05345684

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 2021

	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 2019	2,874	11,530	(754)	314	310	3,013	17,287
Dividends	-	-	-	-	-	(1,604)	(1,604)
Issue of shares	21	179	-	-	-	-	200
Share based payment	-	-	-	125	-	-	125
Share option forfeiture	-	-	-	(43)	-	43	-
LTIP exercise	-	-	12	(32)	-	3	(17)
Disposal of own shares	-	-	232	-	-	(2)	230
Disposal of treasury shares	-	-	510	-	-	162	672
Total transactions with owners	21	179	754	50	-	(1,398)	(394)
Profit and total comprehensive income for the year	-	-	-	-	-	2,230	2,230
At 31 March 2020/1 April 2020	2,895	11,709	-	364	310	3,845	19,123
Share based payment	-	-	-	73	-	-	73
Total transactions with owners	-	-	-	73	-	-	73
Profit and total comprehensive income for the year	-	-	-	-	-	(2,062)	(2,062)
At 31 March 2021	2,895	11,709	-	437	310	1,783	17,134

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

Going concern has been considered as part of the Group position. See section 1.1 on page 41.

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.

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	5 years

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

1.8 Own shares

The Group held its own shares in treasury and in Trust for the settlement of any share based payment schemes. The Trust has been aggregated for the company only financial statements.

1.9 Intercompany balances

The Company provides for impairment for amounts due from subsidiary undertakings based on forward looking going concern assessments for the Group including its individual subsidiaries including and excluding Parent Company guarantees.

The Company uses an expected credit loss model for impairment that represents its estimate of incurred losses in respect of the Amounts due from subsidiaries as appropriate.

The Company applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for amounts due from subsidiaries. The expected loss rates are based on the Company's historical credit losses experienced over the two year period prior to the period end.

The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's subsidiaries. Under the expected credit loss model impairment allowance was considered relevant in respect of amounts due from Vianet Americas Inc, with 100% provision being made at 31 March 2021.

2. Investments in subsidiaries

Company	2021 £000	2020 £000
Cost and net book amount:		
Shares in subsidiaries		
At 1 April	4,949	4,946
Additions	41	3
At 31 March	4,990	4,949

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

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

Subsidiary	Shareholding	Country of incorporation and registration	Principal activity
Brulines Group Limited	100%	UK	Dormant
Vianet Americas Inc	100%	USA	Leisure Solutions
Vianet Limited	100%	UK	Leisure Solutions

Brulines Limited and Vendman Systems Limited, are indirect investments via Vianet Limited in Leisure.

The registered address of the above subsidiaries is:-

Brulines Group Limited – One Surtees Way, Surtees Business Park, Stockton On Tees, TS18 3HR

Vianet Americas Inc - 251 Little Falls Drive, Wilmington, New Castle, DE, 19808

Vianet Limited - 4th Floor 115 George Street, Edinburgh, EH2 4JN

3. Other intangible assets

	Patents £000	Software £000	Total £000
Cost			
At 31 March 2019	86	165	251
Additions	15	-	15
At 31 March 2020	101	165	266
Additions	15	-	15
At 31 March 2021	116	165	281
Amortisation			
At 31 March 2019	36	165	201
Charge for the year	10	-	10
At 31 March 2020	46	165	211
Charge for the year	10	-	10
At 31 March 2021	56	165	221
Net book amount			
At 31 March 2021	60	-	60
At 31 March 2020	55	-	55

4. Tangible Assets

	Fixtures and fittings £000
Cost	
At 31 March 2019	42
Additions	3
At 31 March 2020	45
Disposals	(15)
At 31 March 2021	30
Accumulated depreciation	
At 31 March 2019	30
Charge for the year	9
At 31 March 2020	39
Charge for the year	3
Disposals	(15)
At 31 March 2021	27
Net book amount	
At 31 March 2021	3
At 31 March 2020	6

5. Debtors

	2021 £000	2020 £000 As restated
Amounts due more than 1 year		
Amounts due from subsidiaries	10,730	12,722
Amounts due within 1 year		
Amounts due from subsidiaries	-	-
Other debtors	37	39
Other taxation	15	23
	10,782	12,784

All intercompany debt is repayable on demand. Interest is charged at base rate plus 2.5%.

The amounts due from subsidiaries have been reviewed for expected credit losses.

A provision against an amount due from a subsidiary totalling £1,536k has been made.

A prior year adjustment has been made to present amounts due from subsidiaries as more than 1 year in line with the criteria set out within IAS 1:66.

6. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Other payables	99	71
Accruals	402	267
	501	338

7. Issued share capital

	2021 £000	2020 £000
Issued and fully paid		
Ordinary shares of 10p each: 28,953,414 (2020: 28,953,414)	2,875	2,875

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

	2021 £000	2020 £000
Final dividend for the year ended 31 March 2020 of nil (year ended 31 March 2019: 4.0p)	-	1,123
Interim dividend paid in respect of the year of nil (2020: 1.70p)	-	481
Amounts recognised as distributions to equity holders	-	1,604

In addition, the directors are not proposing a final dividend in respect of the year ended 31 March 2021. Total dividend payable nil (2020: 1.70p).

10. Employees and directors

Employee benefit expense during the period

	2021 £000	2020 £000
Wages and salaries	847	710
Social security costs	107	92
Pension costs	22	11
Share based payments	73	125
	1,049	938

Average monthly number of people (including directors) employed

	2021 Number	2020 Number
Management	5	5
	5	5

11. Directors

	2021 £000	2020 £000
Directors' emoluments	890	758
Pension contribution	22	11
	912	769

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

	2021 £000	2020 £000
Directors' emoluments	416	301
Pension contribution	-	-
	416	301

For other Directors' emoluments see page 19 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 24, for details.

13. Parent Company Profit and Loss Account

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the financial year was £2,062,000 (2020: loss £770,000).

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 £25,982 (2020: £29,688). As at 31 March 2021, there was £nil outstanding (2020: £nil). D Coplin, a non-executive director, invoiced Vianet Group plc for fees totalling £26,880 (2020: £32,270). As at 31 March 2021 there was £nil outstanding (2020: £nil).

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

15. Post Balance Sheet Events

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, and due to the company not realising any deferred tax balances as at 31 March 2021 no increase or decrease in any liability is measured.

No other post balance sheet events were noted.

16. Prior period adjustment

A prior year adjustment has been made to present amounts due from subsidiaries as more than one year in line with the criteria set out within IAS 1:66.

As at 31 March 2021, Vianet Group Plc, the company, had receivables owing to it from its underlying operating subsidiaries amounting to £10,730k (2020: £12,772k). Whilst legally these loans are repayable of demand, given the nature of the funding is for the subsidiaries exploration activity on long term assets, it is unlikely that these loans will be called in the next 12 months or realised within a 12 month period. For 31 March 2021 the loans have been classified to non-current assets which reflects the period in which these assets will be realised in line with the requirements of IAS 1. The nature of these loans has not changed in the last 12 months and therefore the loans should have also been classified as non-current in the prior financial period. The comparative for 2020 has also been restated to reflect the loans as non-current assets. The overall impact in 2020 is a decrease in current assets of £12,772k and an increase in non-current assets of £12,772k on the Company statement of financial position. There is no impact on comparative total assets, net assets, profit or loss or cash flow movements.

The effects of the restatements are set out in the table below:

Company balance sheet

Current assets	**Previously reported £'000**	**As restated £000**
Amounts due from subsidiaries: amounts falling due → one year	-	12,772
Amounts due from subsidiaries: amounts falling due ← one year	12,772	-

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