

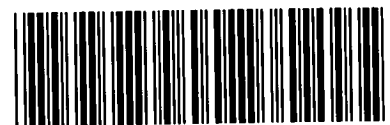
Company Number: SC138846

Vianet Limited

Annual Report

Year ended 31 March 2021

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Company Information

Directors
J W Dickson
S W Darling (Resigned 23rd February 2021)
M H Foster

Secretary
M H Foster

Registered office
4th Floor
115 George Street
Edinburgh
EH2 4JN

Registered number
SC138846

Auditor
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

Strategic Report

Principal activities

The principal activities of the company continue to be the design, product development, manufacture, sale and rental of data monitoring equipment, together with the provision of data management and related services to the licensed and vending trade.

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

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

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

Review of business and future developments

Prior to C19 pandemic the Company 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 Company 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.

Strategic Report (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 Company has high levels of contracted recurring income and will return to strong cash flow. The Company'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.

Business Risk

The Directors 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' Group 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 Company'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.

Strategic Report (continued)

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;
- 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; and
- 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.

Strategic Report (continued)

Key Performance Indicators

	Target	Actual 2021	Actual 2020
Percentage of revenue from recurring income streams ¹	75%	89%	93%
Gross Margin ²	55%	61%	67%
Employee Turnover ³	2%	2.29%	2.1%

We are pleased with the sustained recurring revenue streams.

Notes to KPI's

¹Percentage of revenue from recurring income streams = recurring income streams as a percentage of all income streams. Vianet Limited aims to increase shareholder value through growth in revenue, linked to profitability (see Gross Margin below). Source data is taken from management information. The company has exceeded its targets based on the nature of the company's long term contracts, cost control and revenue mix in the year.

²Gross Margin = Gross profit as a percentage of turnover. Vianet Limited aims to generate sufficient profit for both distribution to shareholders and re-investment in the company, as measured by Gross Margin. Source data is taken from the audited financial statements.

³Employee Turnover = Vianet Limited aims to be seen as a good, attractive employer with positive values and career prospects.

Financial risk management

The Directors are of the opinion that the going concern assessment is satisfactory based on the forecasts produced and that a healthy commercial proposition now exists. See Directors Report for further information on the going concern assessment.

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

The Company 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 Company is exposed are described below.

Foreign currency sensitivity

Exposures to currency exchange rates arise from the Company's overseas activities, all of which are denominated in US Dollars and Euros. Due to the non-material nature of the Company's exposure to foreign currency risk, sensitivity analyses to movement in exchange rates are not produced.

The Company has no long term foreign exchange exposure.

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

Credit risk analysis

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

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

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any Company 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 Company uses an expected credit loss model for impairment that represents its estimate of incurred losses in respect of the Trade Receivables as appropriate.

Strategic Report (continued)

The Company 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 Company's historical credit losses experienced over the two year period prior to the period end.

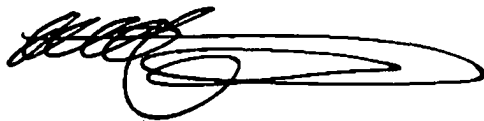
The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customer. Under the expected credit loss model impairment allowance wasn't material resulting in no provision being made.

Liquidity risk analysis

The Company 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 Company's regular rolling monthly reforecasting process. The Company'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 Company'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 strategic report was approved by the Board on 28 June 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M H Foster', with a large, stylized loop at the end.

M H Foster
Director

Report of the Directors

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

Directors

The current Directors of the company are shown on page 1, all of whom, served throughout the year and to the date of these financial statements.

Directors' Indemnity

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

Directors' responsibilities statement for the financial statements

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors confirm that:

- as far as each Director is aware there is no relevant audit information of which the company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Research and development

The company has a continuing commitment to levels of research and cost of ensuring systems perform optimally which reflect the need to be at the forefront of technological advance to ensure future growth. During the year expenditure on research and development was £2,312,000 (2020: £1,856,000) of which £2,312,000 was recognised as an asset on the balance sheet (2020: £1,856,000).

Dividends

A dividend payment of £nil (2020: £3,000,000) was made during the year.

Report of the Directors (continued)

Going Concern

The financial statements have been prepared on a going concern basis. The Directors have taken note of the guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements and have considered a number of factors.

The board has considered going concern and conclude we have sufficient cash and reserves to get through the 12 months post the signing date. Going Concern is covered in more detail in the Accounting Policies within these financial statements.

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 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). Together with both the comments noted in the Strategic and Director reports, 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 business 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.

In addition, Vianet Group plc will not call for repayment of the intra-group loan and will continue to support Vianet Limited.

COVID19

Please refer to the business risk section on page 3

Employees

Vianet Limited 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 Vianet Limited's performance through the use of share options. Employees have frequent opportunities to meet and have discussions with management. Vianet Limited aims to keep employees regularly informed of the financial and economic factors affecting the performance of Vianet Limited and its objectives in part through the intranet and website and in part through regular communication.

The quality and commitment of our people overall has continued to play a major role in our business performance. This has been demonstrated in many ways, including improvements in customer satisfaction, contract gains and continued profitability, the development of customer offering and the flexibility they have shown in adapting to changing business requirements and new ways of working. Employees' performance is aligned to company goals through an annual performance review process that is carried out with all employees. Employee turnover was 2.29%, above the threshold we have set.

Vianet Limited'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.

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 28 June 2021 and signed on its behalf by:



M H Foster
Director

Independent auditor's report to the members of Vianet Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Vianet Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Vianet Limited ("the company") for the year ended 31 March 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101).

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 are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, 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.

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 company'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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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 regards.

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

Other Companies Act 2006 reporting

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 directors' responsibilities statement, 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 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 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 Company and the industries in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company'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 Company 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 inquiries 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 (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 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.

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

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 for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

Mark Langford

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Mark Langford
For and on behalf of BDO LLP
Statutory Auditor
Leeds, United Kingdom

29 June 2021

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

Statement of Comprehensive Income

for the year ended 31 March 2021

		2021	2020
		£	£
Turnover	3	8,239,764	13,799,856
Cost of sales		(3,243,514)	(4,616,914)
		<hr/>	<hr/>
Gross profit		4,996,250	9,182,942
Administrative expenses		(8,876,709)	(6,216,013)
Exceptional items	4	(275,437)	1,088,586
		<hr/>	<hr/>
(Loss)/Profit from operations	4	(4,155,896)	4,055,515
Interest receivable	6	72,192	85,792
Interest payable	7	(327,195)	(440,312)
		<hr/>	<hr/>
(Loss)/Profit before taxation		(4,410,899)	3,700,995
Tax credit/(charge)	8	806,493	(46,579)
		<hr/>	<hr/>
Total comprehensive income for the year		(3,604,406)	3,654,416
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All activities relate to continuing operations

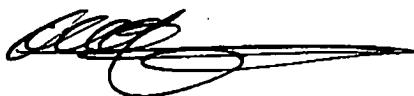
The notes for the financial statements are from page 15 to 43.

Balance Sheet

at 31 March 2021

		2021 £	2020 £
Non-current assets			
Goodwill	10	15,149,687	15,148,137
Other intangible assets	11	5,583,551	4,406,430
Tangible assets	12	3,352,464	3,589,634
Investments	13	4,004,067	4,004,067
Deferred tax	18	325,382	-
		<u>28,415,151</u>	<u>27,148,268</u>
Current assets			
Stocks	14	1,419,683	1,477,051
Debtors	15	2,672,031	5,561,806
Cash at bank and in hand		88,745	5,457
		<u>4,180,459</u>	<u>7,044,314</u>
Creditors: amounts falling due within one year	16	<u>(15,344,477)</u>	<u>(15,469,306)</u>
Net current liabilities		<u>(11,164,018)</u>	<u>(8,424,992)</u>
Total assets less current liabilities		17,251,133	18,723,276
Creditors: amounts falling due after more than one year	17	(3,382,735)	(812,697)
Deferred Tax	19	-	(478,970)
Net assets		<u>13,868,398</u>	<u>17,431,609</u>
Capital and reserves			
Called up share capital	20	100	100
Merger Reserve	21	1,551,400	1,551,400
Capital Redemption Reserve	21	157,500	157,500
Capital Reserve	21	100,000	100,000
Profit and loss account	21	12,059,398	15,622,609
Shareholders' funds		<u>13,868,398</u>	<u>17,431,609</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2021.
Signed on behalf of the Board of Directors:



M H Foster
Director

The notes for the financial statements are from page 15 to 43.

Statement of changes in equity

For the year ended 31 March 2021

	Share capital £	Merger reserve £	Capital Redemption Reserve £	Capital Reserve £	Retained profit £	Total £
At 1 April 2019	100	1,551,400	157,500	100,000	14,965,703	16,774,703
Dividends	-	-	-	-	(3,000,000)	(3,000,000)
Capital contribution	-	-	-	-	2,490	2,490
Transactions with owners	-	-	-	-	(2,997,510)	(2,997,510)
Profit and total comprehensive income for the year	-	-	-	-	3,654,416	3,654,416
Total comprehensive income less owners transactions	-	-	-	-	656,906	656,906
At 31 March 2020	100	1,551,400	157,500	100,000	15,622,609	17,431,609
At 1 April 2020	100	1,551,400	157,500	100,000	15,622,609	17,431,609
Capital contribution	-	-	-	-	41,195	41,195
Transactions with owners	-	-	-	-	41,195	41,195
Loss and total comprehensive income for the year	-	-	-	-	(3,604,406)	(3,604,406)
Total comprehensive income less owners transactions	-	-	-	-	(3,563,211)	(3,563,211)
At 31 March 2021	100	1,551,400	157,500	100,000	12,059,398	13,868,398

The notes for the financial statements are from page 15 to 43.

1. Company information

Company name	Vianet Limited
Registered office	4 th Floor 115 George Street Edinburgh EH2 4JN
Principal location	One Surtees Way Surtees Business Park Stockton on Tees TS18 3HR
Registered number	SC138846
Country of incorporation	Scotland
Reporting period	31 March 2021

2. Accounting policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal 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 (£).

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 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). Together with both the comments noted in the Strategic and Director reports, 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 Company 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.

2.2 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.

Accounting policies (Continued)

- 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;

- 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
- 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
- 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
- Company cash and bank facilities
- Overlay of opportunities won or likely to be won above those scenario reviews
- Trade receivable receipts post 31 March 2021
- 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.
- 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.
- Shareholder dividend has been cancelled for the forthcoming Final and Interim dividend due in July 2021 and January 2022
- Loan and mortgage payments have resumed, reducing by over £1 million by April 2022
- VAT deferral agreement for 12 months from April 2021 through January 2022
- 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.

Accounting policies (Continued)

As a result of the above principal factors, the Management consider the Company 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.

2.3 Parent Company

The Company is a wholly owned subsidiary of Vianet Group plc which prepares publicly available consolidated 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. The Company is included in the consolidated financial statements of Vianet Group plc for the year ended 31 March 2020. These accounts are available from One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR.

The Company has taken advantage of the s400 Companies House exemption on preparing group accounts due to the Company being included in the EEA accounts of a larger group (s400 CA 2006).

2.4 Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all relevant 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;
- Presentation of comparative reconciliations for property, plant and equipment, intangible assets, investment properties and agriculture ;
- 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;
- Certain disclosures in respect of IFRS 15;
- Certain disclosures in respect of IFRS 16;
- Disclosures in relation to impairment of assets; and
- Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value).

2.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss.

The Companies Act 2006 requires acquired goodwill to be reduced by provisions for amortisation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure from the requirements of the Companies Act 2006, for the overriding purpose of giving a true and fair view. The effect of this departure has been quantified within the Goodwill note (Note 10).

Accounting policies (continued)

2.6 Impairment of assets

At each balance sheet date, the Company 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 statement of comprehensive income.

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 the statement of comprehensive income. Impairment losses on goodwill are not subsequently reversed.

2.7 Intangible assets

Initial recognition of other intangible assets

Product development costs and internally developed software

Expenditure on the research phase of projects to develop new products or internally developed software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Directly attributable costs include employee costs incurred on along with an appropriate portion of relevant overheads and borrowing costs. Development costs not meeting these criteria for capitalisation are expensed as incurred.

Accounting policies (continued)

Subsequent measurement

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists, they are subject to impairment testing as described in Note 2.6.

The following useful lives are applied:

Internally developed software: 5 years
Product development costs: 5 years
Patents: 10 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 2.6.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

2.8 Investments in subsidiaries, associates and joint ventures

Investments in subsidiary undertakings are stated at cost less any applicable provision for impairment. Contingent consideration classed as an asset or liability is subsequently measured through profit and loss.

2.9 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.

PPE is subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis (unless otherwise stated) to write down the cost less estimated residual value of PPE. The following useful lives are applied:

- Property: 50 years
- Land: Nil
- Plant: 4 years
- Computers, fixtures and fittings: 4 years
- Motor vehicles: 4 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or administrative expenses.

2.10 Stock

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.

Accounting policies (continued)

2.11 Financial instruments

The Company 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 Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial Assets

Initial recognition and measurement

In accordance with IFRS 9, 'Financial Instruments' the Company 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 Company does not have any financial assets classified as FVOCI.

The Company 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.

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 collective basis considering forward-looking information.

The company 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.

Financial assets at fair value through profit or loss (FVPL)

The Company holds one asset at FVPL. This is a debt investment that does not qualify for measurement at amortised cost or fair value through other comprehensive income. This is a loan balance where the Company has an option to convert the loan into equity of the borrower. This assets has been measured at fair value with gains or losses recognised in profit or loss.

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 Company designated 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.

Accounting policies (continued)

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 16 and 17.

2.12 Leased Assets

The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company 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 Company 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 Company; and
- the Company 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 Company has the right to direct the use of the identified asset throughout the period of use. The Company 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 Company 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 Company, 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 Company 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 Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company 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 Company'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 Company 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 included in trade and other payables.

Accounting policies (continued)

2.13 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.

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

Any reimbursement that is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

2.14 Equity, reserves and dividend payments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the Company's ordinary shares are recognised directly in equity.

Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

Accounting policies (continued)

2.15 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. 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.

Accounting policies (continued)

2.16 Revenue – other revenue streams

Interest receivable

Interest receivable is reported on an accrual basis using the effective interest method.

2.17 Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Where a gain or loss on a non-monetary item is recognised in other comprehensive income the foreign exchange component of that gain or loss is also recognised in other comprehensive income.

2.18 Income taxes

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

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.

Accounting policies (continued)

2.19 Post-employment benefits and short-term employee benefit

Short-term employee benefits

Short term employee benefits including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at undiscounted amount that the Company expects to pay as a result of unused entitlement.

Post-employment benefit plans

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

2.20 Share based payments

Where equity settled share options are awarded by the parent company to employees of this Company the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in retained earnings.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Recharges from the parent company for the use of options over the parent company shares are deducted from equity.

2.21 Exceptional Items

The Company 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 Company. 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 Company's financial performance.

2.22 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 Company recognises as an expense the related costs for which the grants are intended to compensate.

Accounting policies (continued)

The Company 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 Company received further Government assistance in the form of VAT deferral agreement for 12 months from April 2021 through January 2022

2.23 Significant judgement in applying accounting policies and key estimation uncertainty

The preparation of the financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

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

Certain accounting policies are particularly important to the preparation and explanation of the Company'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 company 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.

Income taxes

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

Research and development costs

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

Revenue

The adoption of IFRS 15 required the Company to identify its performance obligations, determine the transaction price and allocate this to the performance obligations and to recognise revenue when/as performance obligations are satisfied. The Directors have concluded that the sale of the connected device and the provision of data insight are separate performance obligations, based on their assessment of the nature and benefits of the goods and services including the level of customisation.

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.

3. Turnover

Turnover relates to the principal activities and derives from the following geographical locations.

	2021 £	2020 £
United Kingdom	5,755,984	12,597,544
Rest of Europe	2,483,780	1,202,312
	<hr/>	<hr/>
Total	8,239,764	13,799,856
	<hr/>	<hr/>

Total revenue, analysed by category, was as follows:

	2021 £	2020 £
Sales of goods	906,225	937,746
Rendering of services	7,333,539	12,862,110
	<hr/>	<hr/>
Total	8,239,764	13,799,856
	<hr/>	<hr/>
Interest receivable (note 6)	72,192	79,299
	<hr/>	<hr/>
Total	8,311,956	13,879,155
	<hr/>	<hr/>

4. Operating (loss)/profit

The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting);

	2021	2020
	£	£
Depreciation of tangible assets (note 12)	447,749	432,090
Depreciation of tangible assets – right of use assets (note 12)	64,419	143,340
Amortisation of intangible assets (note 11)	1,301,297	1,010,300
Staff costs (note 5)	4,790,273	5,155,475
Impairment of Vianet America intercompany debt	2,900,071	-
Auditor's remuneration – Fees payable to the Company's auditor for the audit of the Company's annual accounts	22,500	22,500
Foreign exchange losses	4,932	5,017

Non-audit fees and tax compliance fees incurred by the Parent Company are not considered practical to allocate amongst group entities.

Exceptional costs

	2021	2020
	£	£
Staff transitional costs	153,407	-
Disposal costs	100,806	-
Network obsolescence costs	8,109	-
Contingent consideration release	-	(1,088,586)
Other	13,115	-
	<u>275,437</u>	<u>(1,088,586)</u>

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.

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

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. Directors and employees

Staff costs, including Directors, comprised the following:

	2021 £	2020 £
Wages and salaries	4,176,620	4,579,066
Social security costs	375,896	412,116
Share based payment	41,195	2,490
Pension costs	196,562	161,803
	<hr/>	<hr/>
	4,790,273	5,155,475
	<hr/>	<hr/>

	2021 Number of employees	2020 Number of employees
Sales	15	5
Engineering	24	28
Volume Recovery	8	8
Management	5	3
Administration	101	100
	<hr/>	<hr/>
	153	144
	<hr/>	<hr/>

The costs of the two Directors (2020: three) were borne by a fellow Group company and it is not practicable to split.

6. Interest receivable

	2021 £	2020 £
Interest on balances due from group companies	72,192	85,792
	<hr/>	<hr/>
	72,192	85,792
	<hr/>	<hr/>

7. Interest payable

	2021 £	2020 £
Interest on bank loans and overdrafts	42,272	110,992
Interest on leasing arrangements	8,929	12,862
Interest on balances due to group companies	275,994	316,458
	<u>327,195</u>	<u>440,312</u>

8. Tax on profit

The tax (credit)/charge is based on the profit for the year and represents:

	2021 £	2020 £
UK corporation tax on profits of the period	-	-
Adjustment in respect of prior period	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Reversal of timing differences (note 19)	(806,493)	46,579
	<u>(806,493)</u>	<u>46,579</u>
Total tax (credit)/charge	(806,493)	46,579
	<u>(806,493)</u>	<u>46,579</u>
Analysed as follows		
Relating to continuing operations	(806,493)	46,579
	<u>(806,493)</u>	<u>46,579</u>

8. Tax on profit (continued)

The tax assessed differs from the standard rate of corporation tax in the United Kingdom at 19% (2020: 19%). The differences are explained as follows:

	2021 £	2020 £
(Loss)/profit before tax	(4,410,899)	3,700,995
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(838,071)	703,189
Capital allowances in excess of depreciation	16,780	983
Research and development	(776,257)	(639,742)
Other timing differences	(20,787)	(2,977)
Goodwill Amortisation	244,549	191,957
Income not subject to tax	567,293	(206,831)
Total tax (credit)/charge	(806,493)	46,579

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.

9. Dividends

	2021 £	2020 £
Paid during the year (£nil per share (2020: £3,000))	-	3,000,000
	-	3,000,000

10. Goodwill

	2021 £	2020 £
Cost		
At 1 April and 31 March	15,148,137	15,267,532
Transfer from subsidiary (note 27)	3,100	-
Disposal	-	(119,395)
 At 31 March 2021	 <u>15,151,237</u>	 <u>15,148,137</u>
Accumulated impairment		
At 1 April	-	-
Charge for year	1,550	-
At 31 March	<u>1,550</u>	<u>-</u>
 Carrying amount		
At 31 March	<u>15,149,687</u>	<u>15,148,137</u>

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

The transfer from subsidiary movement in the year relates to the hive up of Vendman Systems Limited which became a dormant company on the 1 April 2020 (see note 27).

	2021 £	2020 £
Smart Zones	15,148,137	15,148,137
Smart Machines	1,550	-
 Carrying amount 31 March	 <u>15,149,687</u>	 <u>15,148,137</u>

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 impairment. Under FRS 101 goodwill is not amortised, but is instead assessed for impairment annually, this is a departure from the Companies Act 2006. If amortised over 20 years the net book value of Goodwill would have been £11,821,204 as at 31 March 2021 (2020: £12,242,429).

11. Other intangible fixed assets

	Intellectual Property £	Software £	Development costs £	Patents £	Total £
Cost					
At 1 April 2020	159,737	212,217	6,997,188	9,303	7,378,445
Additions	-	20,839	2,312,356	-	2,333,195
Transfer from subsidiary (note 27)	-	482	144,741	-	145,223
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	159,737	233,538	9,454,285	9,303	9,856,863
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation					
At 1 April 2020	126,707	112,074	2,725,129	8,105	2,972,015
Charge for the year	15,746	43,557	1,241,124	870	1,301,297
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	142,453	155,631	3,966,253	8,975	4,273,312
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2021	17,284	77,907	5,488,032	328	5,583,551
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	33,030	100,143	4,272,059	1,198	4,406,430
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The development costs additions in the year relate to capitalised expenditure on research and development.

12. Tangible assets

	Website	Computers, Fixtures & Fittings	Rental Units	Gateway Refresh	Right of Use Assets	Dev Tools	Property	Total
	£	£	£	£	£	£	£	£
Cost								
At 1 April 2020	150	624,222	1,258,053	311,356	248,658	19,949	2,812,652	5,275,040
Additions	-	67,004	201,070	-	18,083	-	-	286,157
Transferred from subsidiary (note 27)	-	19,229	-	-	-	-	95,058	114,287
Disposals	-	-	(70,237)	-	-	-	(95,058)	(165,295)
At 31 March 2021	150	710,455	1,388,886	311,356	266,741	19,949	2,812,652	5,510,189
Depreciation								
At 1 April 2020	146	488,288	354,050	195,106	150,681	19,804	477,351	1,685,406
Charge for year	-	80,174	250,007	48,719	64,419	145	68,704	512,168
Disposals	-	-	(30,477)	-	-	-	(9,372)	(39,849)
At 31 March 2021	146	568,462	573,580	243,825	215,080	19,949	536,683	2,157,725
Net book value								
At 31 March 2021	4	141,993	815,308	67,531	51,661	-	2,275,969	3,352,464
At 31 March 2020	4	135,934	904,003	116,250	97,997	145	2,335,301	3,589,634

The net book value of land and building comprises:

	2021 £	2020 £
Freehold building	2,075,969	2,135,301
Land	200,000	200,000
	<u>2,275,969</u>	<u>2,335,301</u>

The company has bank loans which are secured by legal charges on the company's freehold property.

13. Investments

Investments comprise the following:

	2021 £	2020 £
Investments in subsidiaries	4,004,067	4,004,067
	<u>4,004,067</u>	<u>4,004,067</u>
Cost		£
At 1 April 2020 and 31 March 2021		4,004,067
Net book value		
At 31 March 2020 and 31 March 2021		<u>4,004,067</u>

Investments in subsidiaries relates to a 100% investment in Vendman Systems Limited.
Registered office: One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR.

14. Stock

	2021 £	2020 £
Raw materials	67,795	66,346
Finished Goods	1,351,888	1,410,705
	<u>1,419,683</u>	<u>1,477,051</u>

There is no significant difference between the replacement cost of stock and its carrying amount.

Stock recognised in cost of sales during the year as an expense was £1,259,174 (2020: £2,662,544).

Stock is stated after a provision for impairment of £60,030 (2020: £130,826).

15. Debtors

Amounts falling due within one year:	2021	2020
	£	£
Trade debtors	2,224,721	2,273,387
Other debtors	4,629	8,983
Amounts due from group undertaking	-	2,871,955
Contract Assets	442,681	407,481
	<u>2,672,031</u>	<u>5,561,806</u>

All intercompany debt is repayable on demand. Interest is charged at Bank of England base rate plus 2.5%. The amount due from Vianet Americas has been wholly provided for.

Trade debtors are shown after a provision for impairment of £109,339 (2020: £74,375).

The Group's trade receivables have been reviewed for expected credit losses particularly related to COVID19. Provisions have been made amounting to £109,339 (2020: £74,375). 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:

	£
Loss allowance as at 1 April 2020 calculated under IFRS9	74,375
Loss allowance unused and reversed during the year	(74,375)
Loss allowance provided	109,339
	<u>109,339</u>

16. Creditors: amounts falling due within one year

	2021	2020
	£	£
Overdraft	-	1,347,074
Bank loans (note 17)	1,224,154	663,784
Trade creditors	744,188	822,159
Amounts owed to group undertaking	11,325,474	11,321,320
Other taxation and social security	756,101	467,339
Contract Liabilities	1,225,545	753,148
Leases	52,880	63,774
Contingent consideration	16,135	30,708
	15,344,477	15,469,306

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

Contract Liability rises when a customer pays the Company in advance (in advance is defined at more than one monthly period) for unfulfilled performance obligations relating to data insight. In the year this balance has reduced as the Company recognises revenue as it provides 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.

Contingent consideration has been included in both current liabilities and other payables due to the nature of the maturity. The Company has an element of contingent consideration relating to the acquisition of Lookoutsolutions Limited in October 2011.

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.

17. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Contingent Consideration	91,851	107,986
Leases	-	34,823
Bank loan	3,290,884	669,888
	<u>3,382,735</u>	<u>812,697</u>

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 Company.

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 Company's assets, the £0.04m loan from the American SBA was forgiven on 16 April 2021. This loan was not secured against any of the Company 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 Company'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 company's bank loans, was as follows:

	2021 £	2020 £
Between one and two years	1,224,154	663,784
Between two and five years	3,290,884	669,888
	<u>4,515,038</u>	<u>1,333,672</u>

18. Leases

	2021	2020
	£	£
Current		
Lease Liability	52,880	63,774
	<u>52,880</u>	<u>63,774</u>
Non Current		
Lease Liability	-	34,823
	<u>-</u>	<u>34,823</u>

During the year, the company 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 Company 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 Company 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 Company. 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 Company is prohibited from selling or pledging the underlying leased assets as security. For leases over vehicles, the Company must keep those vehicles legally maintained and roadworthy and must return in a good condition at the end of the lease.

19. Deferred tax

Deferred tax is provided for at 19% (2019: 19%) in the financial statements and consists of the following:

	2021	2020
	£	£
Accelerated capital allowances	(1,154,127)	(989,492)
Unrelieved losses	1,479,509	510,522
	<u>325,382</u>	<u>(478,970)</u>

The amount of deferred tax recognised in the profit and loss was as follows:

	2021	2020
	£	£
Accelerated capital allowances	162,494	243,478
Losses provided	(968,987)	(196,899)
	<u>(806,493)</u>	<u>46,579</u>

20. Called up share capital

	2021	2020
	£	£
Authorised, allotted and fully paid		
Equity: 1,000 ordinary shares of £0.10 each	100	100
	<hr/>	<hr/>
Ordinary shares		
	2021	2020
	Number	Number
At 1 April 2020 and 31 March 2021	1,000	1,000
	<hr/>	<hr/>

21. 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

Capital redemption reserve – represents amounts transferred from share capital on redemption of issued shares

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.

22. Share based payments

Employees of the Company are entitled to participate in an equity-settled share option scheme operated by the Company's ultimate parent company Vianet Group plc

The options granted over the ultimate parent Company's shares have a fixed exercise price and have a vesting period of ten years. The main vesting condition is that employees must remain in employment during the vesting period. There are no other performance or market conditions attached to the share options.

The share based payment charge relating to employee shares has been treated as a capital contribution to Vianet Group plc

The number of options outstanding at the end of the year in respect of Company employees were 1,087,750 (2020: 712,750)

No share options were exercised throughout the year (2020: 215,000)

The weighted average share price of Vianet Group plc was £0.90 (2020: £1.33)

The range of exercise prices for share options outstanding was between £0.60 and £1.02 (2020: between £0.60 and £1.68)

The remaining contractual life of the share options were between 10 years and 3 years (2020: between 10 years and 8 months)

23. Financial Commitments

Following the Group's adoption of IFRS16 Leases, these are now primarily accounted for as right of use assets.

The Company's future minimum lease payments where exemptions have been taken are as follows:

	2021 £	2020 £
Properties		
Due in more than five years	-	-
Due between two and five years	-	30,000
Due within one year	-	20,000
	<hr/>	<hr/>
	-	50,000
	<hr/>	<hr/>
Plant and vehicles		
Due in more than five years	-	-
Due between two and five years	-	-
Due within one year	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Total	-	50,000
	<hr/>	<hr/>

24. Related party disclosures

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

25. Immediate and ultimate parent undertaking

The Company is controlled by its immediate parent company Vianet Group plc, a company incorporated in England and Wales. The ultimate parent undertaking is Vianet Group plc.

The largest and smallest group in which the results of the Company are consolidated is that headed by the ultimate parent company Vianet Group plc. The consolidated accounts of Vianet Group plc are available from the address as stated in note 1 or on the group's website www.vianetplc.com.

26. 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.

27. Group reorganisation

Hive up of Vendman Systems Limited

On 1 April 2020, Vendman Systems Limited, a subsidiary of the Company, transferred its trade and assets to the company. Assets and liabilities transferred can be broken down as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value	Fair value adjustment £	Fair value £
Fixed assets			
Other intangibles	145,223	-	145,223
Tangible	114,287	-	114,287
	<hr/>	<hr/>	<hr/>
	259,510	-	259,510
Current assets			
Debtors	755,372	-	755,372
Cash at bank and in hand	16,808	-	16,808
	<hr/>	<hr/>	<hr/>
Total assets	<hr/> 1,031,690	<hr/> -	<hr/> 1,031,690
Creditors			
Due within one year	429,473	-	429,473
	<hr/>	<hr/>	<hr/>
Total identifiable net assets	602,217	-	602,217
Goodwill			3,100
			<hr/>
Total purchase consideration			605,317

Consideration

Consideration settled by intercompany creditor

605,317

Total purchase consideration

605,317