Vianet Group plc

("Vianet", "the Company" or "the Group")

Interim Results for half year ended 30 September 2023

Momentum building and on track to deliver sustained growth.

Vianet Group plc (AIM: VNET), is the international provider of actionable data and business insight to the hospitality, unattended retail vending and remote asset management sectors through its ecosystem of connected hardware devices, management software platforms and smart insights portal, presents its unaudited results for the six months ended 30 September 2023.

Financial highlights

- H1 2024 revenue increased to £7.19m (H1 2023: £7.18m).
- Recurring revenues remained strong at 87% (H1 2023: 86%).
- Gross margin was very healthy and increased by 7.8% to 69% (H1 2023: 64%), driven by recurring revenue growth and operational cost management.
- Adjusted operating profit[(a)] up 7.4% to £1.30m (H1 2023: £1.21m).
- Like-for-like adjusted operating profit[(a)] up c 24% at £1.5m pre recently acquired BMI operating loss of £200k.
- PBT on a like-for-like basis was £29k (H1 2023: loss £107k) pre-BMI.
- Operational cash generation, post working capital was £1.29m (H1 2023: £0.71m), with strong cash conversion at over 105% of EBITDA.
- Net debt reduced to £2.09m (H1 2023: £3.56m).

[(a)] Adjusted operating profit is profit before exceptional costs, amortisation, interest, and share-based payments

[(b)EBITDA] is earnings before interest, tax, depreciation, and amortisation

We are pleased to report that despite a challenging economic environment, the Group has performed in line with management's expectations, achieving year-on-year growth in key performance indicators and that the Group is very much on track to meet management's profit expectations for the full year.

In the hospitality division, we maintained a strong performance in the UK's leased and tenanted sector and made inroads into the UK-managed sector. This was bolstered by introducing a new insights portal and the strategic acquisition of Beverage Metrics Inc ("BMI"), enhancing our ability to offer a comprehensive beverage management solution.

The Smart Machines division has also seen notable year-on-year growth, overcoming the initial delays in H1 orders due to customers' planning for the mobile network operators' ("MNO") 3G switch-off. Vianet's proactive support in transitioning customers from 3G to 4G has transformed this initial challenge into a sales catalyst in H2. The Company is not only upgrading its existing customer base but also capturing new business by replacing competitors' 3G units with our advanced 4G LTE products.

Overall, Vianet Group plc continues to demonstrate its industry leadership and commitment to helping businesses optimise their operations, increase profitability, and reduce their environmental impact.

Divisional highlights

1) Smart Machines

- In H1 2024, Smart Machines achieved sales of 5,264 units, a decrease from the previous year (6,306 units) primarily due to transitional delays in the 3G to 4G network upgrade, which we anticipate unwinding in H2 2024.
- The division saw a 5.9% annual growth in its operational estate, which now totals 55,575 devices.
- We also successfully established 4,246 new contactless payment connections, further consolidating our strong market position.
- The division's adjusted operating profit grew 29.6% to £1.05 million, reflecting our continued commitment to innovation and customer satisfaction.
- We secured 37 new contracts, spanning 3-5 years, demonstrating the success of our market engagement strategy whilst also achieving our strategic objective of expanding into the forecourt sector. This marks a significant diversification milestone.

2) Smart Zones

- Smart Zones UK reported a solid adjusted operating profit of £1.96 million, a modest increase from £1.89 million last year.
- Integrating BMI into our US operations and acquisition-related expenses impacted overall divisional profitability by £0.25m, resulting in an overall profit of £1.71 million.
- We secured two new long-term contracts and renewed three existing ones, reinforcing our strong market presence and the strength of our long-term client relationships.

Operational highlights

Integration of BMI

- We have integrated the newly acquired BMI with our draught monitoring platform, creating an advanced beverage management solution.

- This integration significantly enhances our market position in both the USA and UK hospitality sectors.

Unattended Retail divisions' proactive approach

- Our Unattended Retail division implemented the "Retain & Gain" strategy in response to the MNO 3G switch-off.
- This strategy led new and existing customers to commit to long-term contracts to upgrade to our 4G LTE solutions, expanding connectivity within their vending networks.

Expansion into the Forecourt sector

- In a significant strategic move, our Unattended Retail division has established a presence in the Forecourt sector, securing an initial order for approximately 800 units from a key industry player.

Carbon reduction

- Aligned with our ESG commitments, in H12024, we achieved a 63% reduction in energy consumption year-over-year, essentially achieving our goal to reduce our annual energy consumption at our headquarters by over two-thirds by 2025, reinforcing our dedication to environmental sustainability.

Commenting, James Dickson, Chairman and CEO of Vianet Group plc, said:

"Overall, we have had a notable improvement in the Group's performance with a good first half of the year despite challenging market conditions and the sales drag resulting from unattended retail customers taking time to understand the UK's 3G switch-off and develop their upgrade programmes. Although gradual at first, this transition is now providing a catalyst for continued sales growth in the second half of the year, underpinned by an increase in urgency in our customers' transition from 3G to 4G networks.

The efforts and strategies implemented in the first half are now bearing fruit, leading to robust sales growth across our hospitality, unattended retail, and forecourt sectors. This progress reinforces our confidence in meeting management's profit expectations for the full year.

Our strategic acquisition of BMI in the US for £577,500 marked a significant step in our international expansion, particularly in the US hospitality market. The acquisition has significantly bolstered our presence and growth potential in the region, accelerated our hospitality product roadmap by 12-18 months, and enabled integration with a leading pay-to-procure provider for alcohol supply in the USA.

Alongside our existing strategic relationships, this acquisition positions us well to establish a profitable and expanding footprint in a very large addressable market.

The receipt of a £924,774 HMRC refund and interest, coupled with our new banking agreement with HSBC, strengthens our financial foundation, enhances our liquidity position, and supports our ongoing growth strategy.

Our collaborations with Vendekin Technologies and Suresite have opened exciting new avenues in the unattended retail and fuel forecourt sectors, presenting us with opportunities to expand our market reach and enhance our revenue streams. Although still in its early stages, we are very excited about the potential of the mobile checkout market for unattended retail in the UK and the solutions we can now offer are being warmly received by our customers.

We have established a solid foundation for future growth, underpinned by a dynamic team, an innovative product range, robust recurring income streams and a strong sales pipeline in our key markets. Looking ahead, we are excited about the potential of our data capture technology in new, complementary verticals. Over the last four years, our unwavering commitment to becoming the trusted advisor in our chosen sectors has yielded significant results, with more operators seeking our expertise.
During this period, the Group has successfully navigated the post-pandemic landscape, making calculated strategic investments in sales, technology, new market sectors, product expansion, and strategic partnerships. These investments demonstrate their value, placing the Company in a strong position for sustained growth in recurring revenues and earnings, robust cash flow generation and dividend distribution.

As we continue implementing our long-term strategic vision and exploring new opportunities for Vianet, my optimism and confidence in our prospects have never been stronger."

– Ends –

James Dickson, Chairman & CEO, and Mark Foster CFO, will provide a live presentation relating to results for the six months ending 30 September 2023 via the Investor Meet Company platform today at 10:30 am GMT.

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard until 9 am the day before or during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet Vianet Group via:

https://www.investormeetcompany.com/vianet-group-plc/register-investor

Investors who follow Vianet Group plc on the Investor Meet Company platform will automatically be invited.

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About Vianet

Vianet has established itself as an industry leader with its award-winning, proprietary suite of solutions. Our offerings encompass telemetry, connectivity, payment solutions, inventory management, ERP software platforms, energy-saving solutions, and a comprehensive business insights and market data portal. These innovative solutions empower businesses in hospitality, unattended retail, and the fuel forecourt sectors to optimise costs, boost sales, and enhance profitability and cash flow while significantly reducing their carbon footprint.

Vianet clients, typically engaged in 3-5-year contracts, benefit from our services by receiving operational alerts, performance dashboards and critical business insights. These tools are instrumental in transforming their operational efficiency and become even more vital during periods of economic downturns and uncertainty.

Chairman and Chief Executive Officer's Statement

The Group has achieved year-on-year growth in its core divisions, resulting in a 7.4% increase in adjusted operating profit to £1.30m, after accounting for approximately £200k in costs related to the BMI acquisition. Despite economic headwinds and the necessity for a 3G to 4G network upgrade, our strong H1 2024 performance and promising H2 2024 outlook affirm the Board's expectations of meeting management's profit expectations for the full year.

Performance

Group turnover stood at £7.19m (H1 2023: £7.18m). Our dependable recurring revenue, from 3-5 year contracts, rose to £6.28m, representing 87% of our H1 2024 turnover (H1 2023: £6.18m, 86%).

The Group's adjusted operating profit increased by 7.4% to £1.30m (H1 2023: £1.21m), including BMI's acquisition-related operational costs of about £200k. Without these additional one-off expenses, the growth would have been 24%, or £1.50m.

Our pre-tax loss was £0.17m (H1 2023: £0.11m loss), after considering £0.33m in exceptional costs primarily from acquisition activities.

Without the BMI-related operational costs of £200k, the pre-tax figure would have been a profit of approximately £0.03m.

The Group's loss per share was 0.58 pence (H1 2023: loss 0.27 pence), with earnings per share at 0.02p before accounting for BMI costs.

Smart Machines

Sales of new telemetry and contactless payment devices have driven a notable 29% increase in the adjusted operating profit of our Smart Machines division, reaching £1.05m from £0.81m in H1 2023. Year-on-year, our installed base expanded by approximately 5.9%, growing from around 52,500 to just under 55,600 connected units. The first half of the year saw a slower pace due to customers adapting to the 3G network phase-out and transitioning to 4G technology. This initial slowdown, combined with accumulated demand, is expected to boost sales in the second half of the year.

Our sales team in the Smart Machines division successfully secured 37 new contracts and renewed 8 existing ones, mainly on five-year agreements. The second half of 2024 is already showing promising signs, with more contracts being secured as operators increasingly choose our comprehensive offerings. Furthermore, we have made inroads into the petrol forecourt sector, attracting orders from key industry players.

The division is well-positioned, benefiting from our comprehensive end-to-end solution, industry-leading Suresite transaction rates, supportive commercial strategies for operators, a reputation for exceptional customer experience and growing status as a trusted advisor in the market. We are confident that the combination of these strengths and our strategic commercial initiatives will enable us to attract new customers and continue to propel our growth.

Smart Zones

Our core UK hospitality business in the UK delivered a 4% rise in adjusted operating profit to £1.97m (H1 2023: £1.89m). After deducting approximately £200k associated with Vianet Americas and the post-acquisition phase of BMI, the overall return for the Smart Zone division stood at £1.71m (H1 2023: £1.81m).

During this period, we saw a deceleration in the closure rate of pubs within our core UK installation base. The net decrease was limited to 150 contracted sites, bringing the total number of our UK sites to 9,720. The acquisition of BMI has significantly bolstered our operations in the US, adding around 120 revenue-generating sites to our portfolio. Whilst headlines on closures and the health of the pub industry may cause understandable concern, I am very confident that the Group’s hospitality division is positioned to deliver growth for the following reasons:

- The leased and tenanted sector has a high degree of resilience, which underpins existing recurring revenues. Having undergone decades of rationalisation, the remaining UK leased and tenanted estate is of decent quality. Leased and tenanted licensees are personally invested in the success of their business, both financially and in sweat equity. For the majority, the pub is also their home.
- Following the successful integration of BMI, the Group now has comprehensive beverage management and energy-saving solutions that enable UK and USA hospitality operators to significantly improve performance with 4 -7 months payback periods.

The BMI acquisition has opened significant new avenues in the American market and accelerated our hospitality product roadmap by an estimated 12 to 18 months. This acquisition has also facilitated a partnership with a prominent alcohol procurement provider in the US. These developments and our strategic alliances have laid the groundwork for fruitful engagements with major US chains, setting the stage for a profitable expansion in a substantially larger addressable market by FY2025.

Dividend

We continue proactively managing our cash reserves, focusing on funding operations and growth initiatives. Our newly arranged banking facilities with HSBC enhance our financial flexibility and reduce loan repayments. In October 2023, the Board declared a final dividend of 0.5p for FY2023 but continues to adopt a cautious approach as we navigate the second half of the year. Consequently, we have not declared an interim dividend for H1 2024. However, subject to stable market conditions and sustained financial improvement, we anticipate the potential for a final dividend in October 2024 for FY2024, backed by our H2 2024 cash flow.

Outlook

Our strategic investments in technology and customer solutions, alongside our strategic launch into the forecourt sector and the acquisition of BMI, have laid a solid foundation for sustained momentum into H2 2024. These factors instil confidence in our ability to meet management's full-year profit expectations.

Our team's collaborative efforts with customers and suppliers in intelligent cash management solutions are generating good prospects in remote asset management, contactless payments, and market data insights. We see the integration of BMI and our expansion into the forecourt sector as exciting business accelerators.

Key Developments

- The migration to our SmartVend vending management platform, set to be completed by Summer 2024, is being well received. It promises significant operational benefits, leading to new installations as operators recognise the advantages of an integrated system and a fully connected vending estate. This will further cement Smart Machines' position as the market's leading end-to-end solution.
- Our proactive approach to the MNO 3G Switch and competitive Suresite transaction rates are enhancing customer retention and attracting new business, securing long-term recurring income.
- Material progress in the forecourt sector with our contactless payment solutions, including a recent major contract for approximately 800 devices that signals exciting growth potential.
- Despite economic challenges, the Smart Zones division is poised for growth in the UK and USA hospitality markets, driven by the launch of our Beverage Metrics bar management solution and energy-saving initiatives.
- The growing scope of unattended retail, the demand for machine connectivity solutions, and contactless payment systems are driving new sales opportunities, which we are actively addressing with support from our key partners.

The Board remains optimistic that the increasing relevance of our products will continue to drive growth, high-quality recurring income and cash generation and positions us well to continue delivering sustainable growth for our shareholders whilst successfully addressing new strategic opportunities.

James Dickson

Chairman & CEO

12 December 2023

Chief Financial Officer's Review

Our operational cash generation before working capital adjustments stood at £1.26m, continuing our track record of strong cash conversion, approximately 104% of EBITDA (H1 2023: £1.43m), even after accounting for BMI costs. Post working capital adjustments, our cash generation increased to £1.29m (H1 2023: £0.71m), over 105% of EBITDA. A significant boost came from a £922k tax rebate, raising our post-working capital figure to £2.21m, which is over 181% of EBITDA. Our working capital remained stable during this period, and we are seeing a return to the healthy profit-to-cash conversion trends typical for our business.

On 1 August, we transitioned to more flexible banking facilities, which have a more favourable repayment profile than the previous CBIL loans, easing our cash requirements.

Despite economic uncertainties, the progress we have made, together with our new banking facilities give us confidence in a robust cash flow trajectory to support our business operations. At the half-year, our net debt position improved to £2.09m (H1 2023: £3.56m), a result of solid trade performance, tax rebate, and the benefits of our new banking arrangements. Our gross debt was at £3.42m (H1 2023: £4.01m). We anticipate this positive trend will continue.

Exceptional costs were £0.33m (H1 2023: £0.04m), primarily due to BMI acquisition-related expenses.

Smart Machines

Turnover was £3.05m (H1 2023: £3.00m). Recurring revenue grew by £0.11m, 5% in the period and remained strong at over 77% (H1 2023: c76%).

Smart Zones

Our core draught beer monitoring operations turnover of £4.14m (H1 2023: £4.18m), is a resilient overall performance, with a strong base of recurring revenue accounting for over 94% of the total (H1 2023: 93%)

In the UK, pre-exceptional profit reached £1.97m (H1 2022: £1.81m), representing growth of around 4%. Including the US operations and considering the post-acquisition costs of BMI, the Smart Zones division's overall profit for H1 was £1.71m.

Looking Forward

Despite the ongoing economic uncertainties and the challenges of transitioning from 3G to 4G in H1, it is encouraging to see the business achieve solid year-on-year growth. This success is supported by the commercial opportunities in both existing and new sectors, coupled with more flexible banking facilities, bolstering our confidence in our growth plans.

Mark Foster

Chief Financial Officer

12 December 2023.

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2023

	Note	**Before Exceptional 6 months** Ended 30 Sept 2023 £'000	**Total Unaudited 6 months** Ended 30 Sept 2023 £'000	**Before Exceptional 6 months** Ended 30 Sept 2022 £'000	**Total Unaudited 6 months** Ended 30 Sept 2022 £'000	**Audited Year** Ended 31 March 2023 £'000
Continuing operations						
Revenue	3	7,194	7,194	7,181	7,181	14,115
Cost of sales		(2,203)	(2,203)	(2,574)	(2,574)	(4,737)
Gross profit		4,991	4,991	4,607	4,607	9,378
Administration and other operating expenses	4	(3,694)	(4,024)	(3,397)	(3,439)	(6,395)
Operating profit pre amortisation and share based payments	3	**1,297**	**967**	**1,210**	**1,168**	**2,983**
Intangible asset amortisation		(1,042)	(1,042)	(1,170)	(1,170)	(2,254)
Share based payments		(20)	(20)	(42)	(42)	(71)
Operating profit/(loss) post amortisation and share based payments		235	(95)	(2)	(44)	658
Net finance costs		(76)	(76)	(63)	(63)	(206)
Profit/(Loss) from continuing operations before tax		159	(171)	(65)	(107)	452
Income tax credit/(charge)	5	-	-	30	30	(291)
Profit/(Loss) and other comprehensive income for the year	3	159	(171)	(35)	(77)	161
Loss/earnings per share Continuing Operations						
– Basic	6		(0.58p)		(0.27p)	0.56p
– Diluted	6		(0.58p)		(0.27p)	0.56p

Consolidated Balance Sheet
At 30 September 2023

	Unaudited As at 30 Sept 2023	Unaudited As at 30 Sept 2022	Audited As at 31 March 2023
	£'000	£'000	£'000
Assets			
Non-current assets			
Intangible assets	**23,495**	23,597	23,281
Property, plant and equipment	**3,249**	3,265	3,370
Deferred Tax asset	**-**	416	-
Total non-current assets	**26,744**	27,278	26,651
Current assets			
Inventories	**2,371**	1,846	2,275
Trade and other receivables	**3,295**	2,948	3,781
Cash and cash equivalents	**1,323**	449	69
	6,989	5,243	6,125
Total assets	**33,733**	32,521	32,776
Equity and liabilities			
Liabilities			
Current liabilities			
Trade and other payables	**2,892**	2,798	2,348
Borrowings	**206**	2,143	1,925
Leases	**50**	13	70
	3,148	4,954	4,343
Non-current liabilities			
Deferred tax liability	**827**	-	827
Borrowings	**3,209**	1,867	1,517
Leases	**124**	-	122
	4,160	1,867	2,466
Equity attributable to owners of the parent			
Share capital	**2,955**	2,880	2,880
Share premium account	**11,737**	11,711	11,711
Capital redemption	**15**	15	15
Share based payment reserve	**583**	541	563
Merger reserve	**818**	310	310
Retained profit	**10,317**	10,243	10,488
Total equity	**26,425**	25,700	25,967
Total equity and liabilities	**33,733**	32,521	32,776

Summarised Consolidated Cash Flow Statement

For the six months ended 30 September 2023

	Unaudited 6 months Ended 30 Sept 2023 £'000	Unaudited 6 months Ended 30 Sept 2022 £'000	Audited Year Ended 31 March 2023 £'000
Cash flows from operating activities			
(Loss)/profit for the period	**(171)**	(77)	161
Adjustments for			
Net Interest payable	**76**	63	206
Income tax (credit)/charge	-	(30)	1,213
Amortisation of intangible assets	**1,042**	1,170	2,254
Depreciation	**273**	243	519
Loss on sale of property, plant and equipment	**23**	15	24
Share-based payments expense	**20**	42	71
Operating cashflow before changes in working capital and provisions	**1,263**	1,426	4,448
Change in inventories	**(96)**	(273)	(702)
Change in receivables	**(418)**	(258)	(1,091)
Change in payables	**540**	(185)	(618)
	26	(716)	(2,411)
Net cash from operating activities	**1,289**	710	2,037
Income tax refund	**922**	-	-
Net cash from operating activities	**2,211**	710	2,037
Purchases of property, plant and equipment	**(175)**	(260)	(651)
Purchase of intangible assets	**(695)**	(936)	(1,699)
Purchases of other intangible assets	-	-	(4)
Net cash from/(used) in investing activities	**(870)**	(1,196)	(2,354)
Cash flows used in financing activities			
Net Interest payable	**(76)**	(63)	(206)
Issue of share capital	**32**	-	-
New leases	**31**		231
Repayment of leases	**(49)**	(12)	(65)
New borrowings	**3,440**	-	-
Repayments of borrowings	**(2,297)**	(558)	(992)
Payment of contingent consideration	-	-	(16)
Net cash from/(used in) financing activities	**1,081**	(633)	(1,048)
Net increase/(decrease) in cash and cash equivalents	**2,422**	(1,119)	(1,365)
Cash and cash equivalents at beginning of period	**(1,099)**	266	266
Cash and cash equivalents at end of period	**1,323**	(853)	(1,099)
Reconciliation to the cash balance in the Consolidated Balance Sheet			
Cash balance as per consolidated balance sheet	**1,323**	449	69
Bank overdrafts	-	(1,302)	(1,168)
Balance per statement of cash flows	**1,323**	(853)	(1,099)

Statement of changes in equity

Six months ended 30 September 2023

	Share capital £000	**Share premium account £000**	**Share based payment reserve £000**	**Merger reserve £000**	**Capital Redemption £000**	**Retained profit £000**	**Total £000**
At 1 April 2023	2,880	11,711	563	310	15	10,488	25,967
Share based payment	-	-	20	-	-	-	20
Issue of share capital	75	26	-	508	-	-	609
Transactions with owners	75	26	20	508	-	-	629
Loss and total comprehensive expense for the period	-	-	-	-	-	(171)	(171)
Total comprehensive incomeless owners transactions	75	26	20	508	-	(171)	458
At 30 September 2023	2,955	11,737	583	818	15	10,317	26,425

Six months ended 30 September 2022

	Share capital £000	Share premium account £000	Share based payment reserve £000	Merger reserve £000	Capital Redemption £000	Retained profit £000	Total £000
At 1 April 2022	2,880	11,711	499	310	15	10,320	25,735
Share based payment	-	-	42	-	-	-	42
Issue of share capital	-	-	-	-	-	-	-
Transactions with owners	-	-	42	-	-	-	42
Loss and total comprehensive expense for the period	-	-	-	-	-	(77)	(77)
Total comprehensive income less owners transactions	-	-	42	-	-	(77)	(35)
At 30 September 2022	2,880	11,711	541	310	15	10,243	25,700

12 months ended 31 March 2023

	Share capital £000	Share premium account £000	Share based payment reserve £000	Merger reserve £000	Capital Redemption £000	Retained profit £000	Total £000
At 1 April 2022	2,880	11,711	499	310	15	10,320	25,735
Issue of shares	-	-	-	-	-	-	-
Cancellation of shares	-	-	-		-	-	-
Share option forfeitures	-	-	(7)	-	-	7	-
Share based payment	-	-	71	-	-	-	71
Transactions with owners	-	-	64	-	-	7	71
Profit and total comprehensive income for the year	-	-	-	-	-	161	161
Total comprehensive income less owners transactions	-	-	64	-	-	168	232
At 31 March 2023	2,880	11,711	563	310	15	10,488	25,967

Notes to the interim report

1. Statutory information

The interim financial statements are neither audited nor reviewed and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The financial information for the year ended 31 March 2023 has been derived from the published statutory accounts. A copy of the full accounts for that period, on which the auditor issued an unmodified report that did not contain statements under 498(2) or (3) of the Companies Act 2006, has been delivered to the Registrar of Companies.

These interim financial statements will be posted to all shareholders and are available from the registered office at One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR or from our website at www.vianetplc.com/investors.

2. Accounting policies

The interim financial statements have been prepared in accordance with the AIM Rules for Companies and on a basis consistent with the accounting policies and methods of computation as published by the Group in its Annual Report for the year ended 31 March 2023, which is available on the Group's website. The Group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing these interim financial statements and therefore the Interim financial information is not in full compliance with International Financial Reporting Standards.

Having considered current trading performance and change of bank facilities on 1 August 2023, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Financial forecasts and projections, taking account of reasonably possible changes and sensitivities in future trading performance and the market value of the Group's assets, have been prepared and show that the Group is expected to be able to operate within the level of cash and existing banking facilities.

The Directors are confident that the Company will be able to meet its liabilities as they fall due over the next 12 months and beyond. As a result, this financial information has been prepared on a going concern basis.

3. Segmental information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. The segment operating results are regularly reviewed by the Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance. Vianet Group is analysed into to two trading segments (defined below) being Smart Zones (mainly adopted in the leisure sector, including USA (particularly in pubs and bars)) and Smart Machines (mainly adopted in the vending sector (particularly in unattended retail vending machines)) supported by Corporate/Technology & Stores costs.

The products/services offered by each operating segment are:

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

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

- Corporate/Technology: Centralised Group overheads along with technology and stores related costs for the Group.

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

The segmental results for the six months ended 30 September 2023 are as follows:

Continuing Operations	**Smart Zones**	**Smart Machines**	**Corporate/ Technology**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Total revenue	**4,144**	**3,050**	**-**	**7,194**
Profit/(loss) before amortisation, share based payments and exceptional costs	**1,711**	**1,048**	**(1,462)**	**1,297**
Pre-exceptional segment result	1,384	866	(2,015)	235
Exceptional costs	(155)	-	(175)	(330)
Post exceptional segment result	1,229	866	(2,190)	(95)
Finance income	-	-	-	-
Finance costs	(76)	-	-	(76)
Profit/(loss) before taxation	1,153	866	(2,190)	(171)
Taxation				-
Loss for the year from continuing operations				(171)

	Smart Zones	**Smart Machines**	**Corporate/ Technology**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Segment assets	29,552	4,083	98	33,733
Unallocated assets	-	-	-	-
Total assets	29,552	4,083	98	33,733
Segment liabilities	6,290	-	191	6,481
Unallocated assets	-	-	827	827
Total liabilities	6,290	-	1,018	7,308

Notes to the interim report (continued)

The segmental results for the six months ended 30 September 2022 are as follows:

Continuing Operations	Smart Zones £'000	Smart Machines £'000	Corporate/ Technology £'000	Total £'000
Total revenue	**4,175**	**3,006**	**-**	**7,181**
Profit/(loss) before amortisation, share based payments and exceptional costs	**1,814**	**814**	**(1,418)**	**1,210**
Pre-exceptional segment result	1,519	652	(2,173)	(2)
Exceptional costs	-	(19)	(23)	(42)
Post exceptional segment result	1,519	633	(2,196)	(44)
Finance income	-	-	-	-
Finance costs	(63)	-	-	(63)
Profit/(loss) before taxation	1,456	633	(2,196)	(107)
Taxation				30
Loss for the year from continuing operations				(77)

	Smart Zones £'000	Smart Machines £'000	Corporate/ Technology £'000	Total £'000
Segment assets	27,614	4,083	408	32,105
Unallocated assets	-	-	416	416
Total assets	27,614	4,083	824	32,521
Segment liabilities	6,647	-	174	6,821
Unallocated assets	-	-	-	-
Total liabilities	6,647	-	174	6,821

Notes to the interim report (continued)

The segmental results for the 12 months ended 31 March 2023 are as follows:

Continuing Operations	**Smart Zones**	**Smart Machines**	**Corporate/ Technology**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Total revenue	**8,163**	**5,952**	**-**	**14,115**
Profit/(loss) before amortisation, share based payments and exceptional costs	**3,423**	**2,012**	**(2,330)**	**3,105**
Pre-exceptional segment result	3,174	1,667	(4,061)	780
Exceptional costs	-	(19)	(103)	(122)
Post exceptional segment result	3,174	1,648	(4,164)	658
Finance costs	(206)	-	-	(206)
Profit/(loss) before taxation	2,968	1,648	(4,164)	452
Taxation				(291)
Profit for the year from continuing operations				161

	Smart Zones	**Smart Machines**	**Corporate/ Technology**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Segment assets	28,593	4,083	100	32,776
Unallocated assets	-	-	-	-
Total assets	28,593	4,083	100	32,776
Segment liabilities	5,743	-	239	5,982
Unallocated assets	-	-	827	827
Total liabilities	5,743	-	1,066	6,809

Notes to the interim report (continued)

4. Exceptional items

	6 months Ended 30 Sept 2023 £'000	6 months Ended 30 Sept 2022 £'000	Year Ended 31 March 2023 £'000
Corporate activity and Acquisition costs	**254**	23	103
Corporate restructuring and transitional costs	**26**	18	17
Contingent consideration costs	**-**	-	-
Bank facility restructure	**50**	-	-
Other	**-**	1	2
	330	42	122

Corporate activity and acquisition costs relate to the trade and asset acquisition of Beverage Metrics Inc. in the main. Corporate restructuring and transitional costs relate to the transition of people and management to ensure we have the succession and calibre of people on board to deliver the strategic aims and aspirations of the Group.

5. Tax

The charge/(credit) for tax is based on the profit/(loss) for the period and comprises:

	6 months Ended 30 Sept 2023 £'000	6 months Ended 30 Sept 2022 £'000	Year Ended 31 March 2023 £'000
United Kingdom corporation tax	**-**	30	(291)

No tax charge provision is made given the tax losses brought forward and the immaterial likely deferred tax position. The tax credit for Sept 22 reflects the utilisation of brought forward trading losses, which had previously been recognised as a deferred tax asset, against the taxable profit for the period within Vianet Limited.

6. Loss per share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders (loss of £171k) by the weighted average number of ordinary shares outstanding during the period.

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

The table below shows the earnings per share result.

	30 September 2023			**30 September 2022**		
	(Loss)	**Basic (loss) per share**	**Diluted (loss) per share**	**(Loss)**	**Basic (loss) per share**	**Diluted (loss) per share**
	£000			**£000**		
Post-tax loss attributable to equity shareholders	(171)	(0.58p)	(0.58p)	(77)	(0.27p)	(0.27p)
Operating profit	1,297	-	-	1,210	-	-
Operating profit pre BMI costs	1,475	-	-	N/A	-	-
Post tax profit attributable to equity shareholders pre BMI costs	7	0.02p	0.02p	N/A	N/A	N/A

	30 Sept 2023 Number	**30 Sept 2022 Number**
Weighted average number of ordinary shares	29,353,449	28,808,914
Dilutive effect of share options	-	-
Diluted weighted average number of ordinary shares	29,353,449	28,808,914

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

INDEPENDENT REVIEW REPORT TO VIANET GROUP PLC

For H1 2023, we have chosen not to undertake an independent audit review which is an agreed standard approach.