Embargoed until 7am 27 December 2013

CSF Group plc
("CSF" or "the Group")

HALF-YEAR RESULTS
For the Six Months Ended 30 September 2013

CSF Group plc (AIM: CSFG), a leading provider of data centre facilities and services in South East Asia and the largest provider of data centre services in Malaysia, today announces its unaudited half-yearly results for the six months ended 30 September 2013.

Financial highlights:

- Group revenue at RM45.3m (£8.6m*) (H1 2013: RM63.9m (£12.1m*)).
- Loss before tax at RM88.7m (£16.9m*) (H1 2013 profit before tax: RM1.4m (£0.3m*)) due to lower data centre revenue at RM30.5m (£5.8m*) (H1 2013: RM51.0m (£9.7m*)), provision for onerous leases of RM40.0m (£7.6m*) (H1 2013: Nil)) and provision for doubtful debts on advances made to finance the fit-out of the data centre and operating expenditure of the joint-venture in Indonesia of RM31.0m (£5.9m*) (H1 2013: Nil)).
- EPS at loss 56.08 sen (loss 10.65p*) per share (H1 2013: profit 0.09 sen (profit 0.02 p*) per share).
- Closing cash position as at 30 September 2013 of RM43.7m (£8.3m*) (31 March 2013: RM61.9m (£11.8m*)).

Operational highlights

- Completed Block B fit-out works at CX5.
- Commenced Block C fit-out works at CX5 data centre which is scheduled for completion by first half of financial year 2015.
- Currently pursuing a pipeline of potential customers alongside ongoing development and marketing activities for CX2 and CX5.
- The Group has completed the initial phase of a strategic business review and continues to focus on two core business priorities, which are developing network connectivity in all CSF data centres to improve the fiber optic connectivity between the data centres and exploring opportunities for potential strategic partnership programmes with global service providers to deliver a total package to end users.

* *The pro forma balances in pounds Sterling are included solely for convenience. The pro forma balances in pounds Sterling are stated, as a matter of arithmetical computation only, on the basis of all current and prior year balances being translated from Malaysian Ringgits into pounds Sterling at the rate prevailing on 30 September 2013 of RM5.2666 : £1.00. This translation should not be construed as meaning that the Malaysian Ringgit amounts actually represent, have been, or could be converted into the stated number of pounds Sterling.*

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INTERIM CHAIRMAN'S STATEMENT

Overview of the current financial period

The Group continued to experience challenging conditions during the half year and as a result, incurred a net loss of RM89.7m (£17.0m*). This disappointing performance is mainly attributed to the loss of two key tenants in Block A of CX5 and CX2 as previously announced. The aforementioned tenants had approached the Group to settle the amounts owed over an extended period of time and negotiated break clauses, by way of a temporary suspension of the contract in the case of the tenant for Block A of CX5 and in the case of the tenant for CX2, a non-renewal of the contract. Hence, Block A of CX5 was vacated and the occupancy of CX2 decreased to approximately 60% which resulted in the Group incurring a gross loss of RM6.6m (£1.3m*) (H1 2013 gross profit: RM16.2m (£3.1m*)).

Loss before tax for the financial period amounted to RM88.7m (£16.9m*) (H1 2013 profit before tax: RM1.4m (£0.2m)) and was mainly attributable to (i) the gross loss incurred on the data centre rental business; (ii) provision for onerous leases of RM40.0m (£7.6m*) in the current financial period as a result of the uncertainty as to whether future revenues will be adequate to cover the lease rental and other operating costs of CX5; and (iii) a provision for doubtful debts relating to advances made to PT Cyber CSF, the Group's joint-venture in Jakarta, Indonesia of RM31.0m (£5.9m*) which are considered uncertain as the Group is now reviewing its long term strategy in that country.

As at 30 September 2013 the Group's bank balance was RM43.7m (£8.3m*) (31 March 2013: RM61.9m (£11.8m*)). In addition, the Group has approximately RM79.3m (£15.1m*) tied up as working capital for the development of CX5 which will be collected over the next financial year in line with the completion of the sale Blocks B and C in the last quarter of financial year 2014 and the first half of financial 2015, respectively. This will provide a short term increase in cash reserves, but will increase the level of lease rental payments. The completion and sale of Blocks B and C are contracted between the developer of CX5 (the seller of the facility) and the sovereign fund (the buyer of the facility) and are not dependent on the securing of tenants by CSF.

The Board wishes to clarify that it disagrees with the position taken by the Company's auditors in their report. We are pleased that they concur with our basis of preparation as a going concern. We do not agree that the terms outlined in their report represent a material uncertainty to this basis. The Company is expecting significant cash payments during 2014 linked to the development of CX5. These payments are legally binding subject to an independent inspection process, which in the case of Block B is already well progressed. We do not expect any significant delay in these payments but are confident that should a delay occur, any cash shortfall could be mitigated with sensible cash management.

Business strategy

As highlighted in the full year results in August 2013, the Company has completed the initial phase of a strategic business review (the 'Review'). This broader review is now complete and the Company continues to be focused on two core business priorities, which are as follows:

- Developing network connectivity in all CSF data centres to improve the fiber optic connectivity between the datacentres and into Singapore; and
- Exploring opportunities for potential strategic partnership programmes with global service providers to deliver a total package to end users.

To that end, a RM3.7m (£0.7m*) capital investment to connect the Company's three data centre facilities in Cyberjaya, Malaysia, with fiber optics has commenced and is due to be completed by Q1 2014. Once completed, this enhanced data connectivity will significantly improve CSF's service offering for existing customers and help better position the Company's facilities.

Management are now continuing to implement strategic initiatives across the Company's pricing model and customer relations and enhancing sales and marketing resources. Development and support have now been made a key priority as well as an on-going efficiency programme to manage the cost base.

The sales and marketing functions continue to be enhanced. The team is now in active discussions with several international and local businesses interested in potentially using facilities in Malaysia. The market within South East Asia for high quality, state of the art data centres remains competitive and therefore, management have sought to scale back all marketing activities outside the core geographic footprint in order to mitigate overseas exposure in both management time and capital expense. Our team continues to review the opportunities in Jakarta, Indonesia and assess long-term investment strategy in that country.

Following the Board changes in July 2013, the Board believes that stabilising the business should be the key focus and whilst progress has been made, more time is required to stabilise the performance of the Company before making such an important senior appointment as Chief Executive Officer.

The board remains focused on protecting the Company's cash position as well as aligning cost control with our future strategic direction and business planning. Whilst we attempt to implement a major restructuring of the business some further costs of investment will be incurred. However, although these costs will be strictly controlled the business is expected to incur further losses before the next financial year end. The Board is continuing to assess the best outcome for the Company including engaging in discussions with potential strategic partners and enhancing the value of assets. As the restructuring continues we will update shareholders in due course.

Dividends

The Board does not propose any payment of dividends in respect of the six months period ended 30 September 2013 (H1 2013: Nil).

Phil Cartmell
Interim Chairman
CSF Group plc

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CHIEF FINANCIAL OFFICER'S REVIEW

Introduction

The Group recorded basic earnings per share ("EPS") of loss 56.08 sen (loss10.65 p*) (H1 2013: profit 0.09 sen (profit 0.02 p*)).

Financial results

			Proforma	
	6 months ended 30 September 2013 RM'000 (unaudited)	**6 months ended 30 September 2012 RM'000 (unaudited)**	**6 months ended 30 September 2013 £'000 (unaudited)**	**6 months ended 30 September 2012 £'000 (unaudited)**
Total Group revenue	**45,283**	**63,888**	**8,598**	**12,130**
Gross (loss) / profit	(6,607)	16,293	(1,255)	3,093
Other operating income	351	1,067	67	203
Share of loss after tax of associate	-	(120)	-	(23)
Share of loss after tax of joint venture	(5,513)	(2,671)	(1,047)	(507)
Administrative expenses	(8,593)	(12,346)	(1,632)	(2,344)
Net allowance for doubtful debts – others	4,403	(429)	836	(82)
Net allowance for doubtful debts – joint venture	(31,000)	-	(5,886)	-
Share-based payment	(624)	(624)	(118)	(118)
Provision of onerous leases	(40,000)	-	(7,595)	-
Management restructuring cost	(1,036)	-	(197)	-
(Loss) / Profit from operations	**(88,619)**	**1,170**	**(16,827)**	**222**
Net finance income / (cost)	(125)	192	(24)	37
(Loss) / Profit before tax	**(88,744)**	**1,362**	**(16,851)**	**259**
Tax	(816)	(1,247)	(155)	(237)
Other comprehensive income	(188)	26	(36)	5
Total comprehensive income for the period	**(89,748)**	**141**	**(17,042)**	**27**
Basic EPS	(56.08) sen	0.09 sen	(10.65) p	0.02 p

Revenue

			Proforma	
	6 months ended 30 September 2013 RM'000 (unaudited)	6 months ended 30 September 2012 RM'000 (unaudited)	6 months ended 30 September 2013 £'000 (unaudited)	6 months ended 30 September 2012 £'000 (unaudited)
Data centre rental income	30,490	50,962	5,789	9,676
Maintenance income	4,876	4,225	926	802
	35,366	55,187	6,715	10,478
Design and fit-out of data centre facilities	9,917	8,701	1,883	1,652
Total Group revenue	**45,283**	**63,888**	**8,598**	**12,130**

Data centre rental revenue decreased by 40.1% to RM30.5m (£5.8m*) from RM51.0m (£9.7m*) in H1 2013 mainly due to the loss of two key tenants in Block A of CX5 and CX2. The customer in Block A of CX5 negotiated with the Group to temporarily suspend the contract and in the case of the customer in CX2, a non-renewal of the contract. Hence, Block A of CX5 was vacated and the occupancy of CX2 decreased to approximately 60%.

Revenue from the design and fit-out of data centre facilities increased to RM9.9m (£1.9m*) from RM8.7m (£1.7m*) mainly due to higher revenue contributed with the development of Block C of CX5. The total revenue derived from project management services and fit-out works carried out at CX5 during the financial period amounted to RM6.5m (£1.2m*) (H1 2013: RM1.3m (£0.3m*)).

Gross (loss) / profit margin

The Group incurred a gross loss margin of 14.6% as compared to an average gross profit margin of H1 2013 of 25.5% mainly due to the significant decrease in data centre rental revenue as explained above. We continue to expect the overall contribution of CX5 to improve when customers are secured for Blocks A, B and C, and this remains a key priority for the Group.

The gross profit margin on maintenance revenue was slightly higher at 63.3% (H1 2013: 57.3%) mainly due to the improvement in efficiency in carrying out scheduled maintenance works.

The lower gross profit margin on design and fit-out of data centre facilities at 16.1% (H1 2013: 28.4%) was mainly attributable to certain projects secured during the financial period yielding lower profit margin.

Loss from operations

Loss from operations for the financial period amounted to RM88.6m (£16.8m*) (H1 2013 profit from operations: RM1.2m (£0.2m*)). The loss from operations was mainly attributable to (i) the gross loss incurred on the data centre rental business as explained above; (ii) the provision for onerous leases of RM40.0m (£7.6m*) in current financial period (H1 2013 – Nil) as a result of the uncertainty as to whether future revenues will be adequate to cover the lease rental and other operating costs of CX5 over the course of the lease; and (iii) provision for doubtful debts on advances to PT Cyber CSF, the Group's joint-venture in Jakarta, Indonesia of RM31.0m (£5.9m*) given the Group is still reviewing its long term investment strategy in that country.

Cash and working capital

As at 30 September 2013 the Group's bank balance was RM43.7m (£8.3m*). The Group generated negative net operating cash flow of RM14.4m (£2.7m*) (H1 2013: positive net operating cash flow of RM41.8m (£7.9m*)) mainly due to the lower data center rental revenue as explained above.

The net cash flow used in investing activities of RM4.3m (£0.8m*) was mainly due to cash advances to PT Cyber CSF of RM2.8m (£0.5m*) to fund capital expenditure and working capital, and payment to the outgoing shareholders of Third Wave Infrasys Sdn Bhd of RM1.2m (£0.2m*) after meeting the profit guarantee for the financial year ended 31 March 2013.

Critical accounting judgement and key sources of estimation uncertainty

The areas of critical accounting judgement and key sources of estimation uncertainty as disclosed on pages 41 to 43 of the Group's Annual Report for the year ended 31 March 2013 remain valid for the six months ended 30 September 2013 except for recoverability of amounts owing by PT Cyber CSF

As at 30 September 2013, the Group has provided an allowance of RM31,000,000 for impairment of the unsecured advances to PT Cyber CSF. This related company has been suffering financial losses since incorporation in June 2011 and requires a longer period to break even than earlier forecast.

Going concern

These financial statements have been prepared on a going concern basis. The directors' consideration of going concern and the associated uncertainties are provided in Note 1.

Lee King Loon
Chief Financial Officer
CSF Group plc

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2013

	Note	6 months to 30 September 2013 RM'000 (unaudited)	6 months to 30 September 2012 RM'000 (unaudited)	Proforma 6 months to 30 September 2013 £'000 (unaudited)	Proforma 6 months to 30 September 2012 £'000 (unaudited)
Revenue	6	45,283	63,888	8,598	12,130
Cost of sales		(51,890)	(47,595)	(9,853)	(9,037)
Gross (loss) / profit		(6,607)	16,293	(1,255)	3,093
Other operating income		351	1,067	67	203
Share of loss after tax					
- associate		-	(120)	-	(23)
- joint venture	7	(5,513)	(2,671)	(1,047)	(507)
Administrative expenses		(8,593)	(12,346)	(1,632)	(2,344)
Net allowance for doubtful debts					
- others		4,403	(429)	836	(82)
- joint-venture	7	(31,000)	-	(5,886)	-
Share-based payment	8	(624)	(624)	(118)	(118)
Provision for onerous leases	9	(40,000)	-	(7,595)	-
Management restructuring cost	10	(1,036)	-	(197)	-
Total operating expenses		(76,850)	(13,399)	(14,592)	(2,544)
Operating (loss) / profit		(88,619)	1,170	(16,827)	222
Finance income		668	368	127	70
Finance costs		(793)	(176)	(151)	(33)
(Loss) / Profit before tax		(88,744)	1,362	(16,851)	259
Tax		(816)	(1,247)	(155)	(237)
(Loss) / Profit for the financial period		(89,560)	115	(17,006)	22
Other comprehensive income					
Foreign currency translation		(188)	26	(36)	5
Total comprehensive income for the period		(89,748)	141	(17,042)	27
EPS					
- Basic (sen)	11	(56.08)	0.09	(10.65) p	0.02 p
- Diluted (sen)	11	(56.08)	0.09	(10.65) P	0.02 p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

	Note	As at 30 September 2013 RM'000 (unaudited)	As at 31 March 2013 RM'000 (audited)	Proforma As at 30 September 2013 £'000 (unaudited)	Proforma As at 31 March 2013 £'000 (unaudited)
Non-current assets					
Property, plant and equipment		25,329	25,548	4,810	4,851
Interest in associate		-	-	-	-
Other Investments		213	213	40	40
Goodwill on consolidation		3,750	3,750	712	712
Other receivable	12	28,085	74,890	5,333	14,220
Deferred tax asset		559	377	106	72
		57,936	104,778	11,001	19,895
Current assets					
Inventories		5,578	3,984	1,059	756
Trade and other receivables		90,779	77,235	17,237	14,665
Current tax assets		1,759	1,740	334	330
Restricted cash		12,826	13,109	2,435	2,489
Cash and cash equivalents		45,772	64,025	8,691	12,157
		156,714	160,093	29,756	30,397
Total assets		214,650	264,871	40,757	50,292
Current liabilities					
Trade and other payables		52,905	60,763	10,045	11,538
Current tax liabilities		-	212	-	40
Obligations under finance leases		140	90	27	17
		53,045	61,065	10,072	11,595
Non-current liabilities					
Interest in joint venture		13,968	7,758	2,653	1,473
Obligations under finance leases		515	285	98	54
Bank borrowings		3,438	3,213	653	610
Trade and other payables		13,173	12,835	2,501	2,437
Deferred tax liabilities		-	80	-	15
Onerous leases	9	40,000	-	7,595	-
		71,094	24,171	13,500	4,589
Total liabilities		124,139	85,236	23,572	16,184
Net assets		90,511	179,635	17,185	34,108

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

	Note	As at 30 September 2013 RM'000 (unaudited)	As at 31 March 2013 RM'000 (audited)	Proforma As at 30 September 2013 £'000 (unaudited)	Proforma As at 31 March 2013 £'000 (unaudited)
Equity					
Share capital		78,936	78,936	14,988	14,988
Share premium		104,499	104,499	19,842	19,842
Shares held under Employee Benefit Trust		(2,300)	(2,300)	(437)	(437)
Other reserve		(66,153)	(66,153)	(12,561)	(12,561)
Share option reserve		4,013	3,389	762	643
Retained earnings		(28,484)	61,264	(5,409)	11,633
Total equity		90,511	179,635	17,185	34,108

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 September 2013

	6 months ended 30 September 2013 RM'000 (unaudited)	6 months ended 30 September 2012 RM'000 (unaudited)	Proforma 6 months ended 30 September 2013 £'000 (unaudited)	Proforma 6 months ended 30 September 2012 £'000 (unaudited)
Net cash (outflow) / inflow from operating activities **(Note 13)**	(14,448)	41,840	(2,743)	7,945
Investing activities				
Interest received	668	368	127	70
Capital expenditure	(945)	(3,495)	(180)	(664)
Purchase of subsidiary, net of cash	(1,200)	335	(228)	64
Loan to joint venture	(2,775)	(10,353)	(527)	(1,966)
Repayment of advances from the owner of a development project	-	30,033	-	5,702
Loan advances to the owner of a development project	-	(6,000)	-	(1,139)
Net cash (used in) / generated from investing activities	(4,252)	10,888	(808)	2,067
Financing activities				
Repayment of obligations under finance leases	(70)	(47)	(13)	(9)
Decrease / (Increase) in restricted cash	282	(3,157)	53	(599)
Drawdown of borrowings	225	2,461	43	467
Dividend paid	-	(15,049)	-	(2,858)
Net cash generated from / (used in) financing activities	437	(15,792)	83	(2,999)
Net (decrease) / increase in cash and cash equivalents	(18,263)	36,936	(3,468)	7,013
Cash and cash equivalents at beginning of financial period **(Note 13)**	61,930	52,802	11,759	10,026
Cash and cash equivalents at end of financial period	43,667	89,738	8,291	17,039

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 September 2013

	Share capital RM'000 (unaudited)	Share premium RM'000 (unaudited)	Shares held under Employee Benefit Trust RM'000 (unaudited)	Other reserve RM'000 (unaudited)	Share option reserve RM'000 (unaudited)	Retained earnings RM'000 (unaudited)	Total RM'000 (unaudited)
At 1 April 2012	78,936	104,499	(2,300)	(66,153)	2,141	109,138	226,261
Profit for the period	-	-	-	-	-	141	141
Dividend paid	-	-	-	-	-	(15,049)	(15,049)
Share based payment	-	-	-	-	624	-	624
At 30 September 2012	78,936	104,499	(2,300)	(66,153)	2,765	94,230	211,977
At 1 April 2013	78,936	104,499	(2,300)	(66,153)	3,389	61,264	179,635
Loss for the period	-	-	-	-	-	(89,748)	(89,748)
Share based payment	-	-	-	-	624	-	624
At 30 September 2013	78,936	104,499	(2,300)	(66,153)	4,013	(28,484)	90,511

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 September 2013

	Proforma						
	Share capital £'000 (unaudited)	**Share premium £'000 (unaudited)**	**Shares held under Employee Benefit Trust £'000 (unaudited)**	**Other reserve £'000 (unaudited)**	**Share option reserve £'000 (unaudited)**	**Retained earnings £'000 (unaudited)**	**Total £'000 (unaudited)**
At 1 April 2012	14,988	19,842	(437)	(12,561)	407	20,723	42,962
Profit for the period	-	-	-	-	-	27	27
Dividend paid	-	-	-	-	-	(2,857)	(2,857)
Share based payment	-	-	-	-	118	-	118
At 30 September 2012	14,988	19,842	(437)	(12,561)	525	17,893	40,250
At 1 April 2013	14,988	19,842	(437)	(12,561)	644	11,633	34,109
Profit for the period	-	-	-	-	-	(17,042)	(17,042)
Share based payment	-	-	-	-	118	-	118
At 30 September 2013	14,988	19,842	(437)	(12,561)	762	(5,409)	17,185

Notes 1 to 19 form an integral part of the condensed consolidated interim financial results.

1. General information

The Company is incorporated in Jersey as a public par value company limited by shares under the laws of Jersey. The registered address of the Company is Ordnance House, 31 Pier Road, St Helier, Jersey.

The Company has its primary listing on AIM, a market operated by the London Stock Exchange.

These condensed consolidated interim financial results were approved for issue by the Board of Directors on 27 December 2013 and are unaudited.

The financial information contained in the interim report also does not constitute statutory accounts. The financial information for the year ended 31 March 2013 is based on the statutory accounts for the year ended 31 March 2013, which were approved by the Board of Directors on 7 August 2013 and delivered to the Jersey Registrar of Companies in November 2013. The auditor reported on those accounts was unqualified and did not draw attention to any matters by way of emphasis.

(i) Forward-looking statements

Certain statements in these condensed consolidated interim financial results are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

(ii) Basis of preparation

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. Whilst the condensed consolidated interim financial results have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements, this announcement does not itself contain sufficient information to comply with IFRSs. The condensed consolidated interim financial results should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

(iii) Going concern

The Company is restructuring in order to mitigate its ongoing and forecast operating losses. The directors believe that the successful renegotiation of certain key contracts and the establishment of new strategic partner relationships will be critical to creating a long term sustainable business model. Whilst the successful outcome of these activities is inherently uncertain, the directors are confident of achieving a positive outcome for the shareholders.

In addition, the directors have prepared trading and cash flow forecasts for a period up to 31 March 2015, which include significant cash receipts in the short term from ongoing projects. Whilst these projects are continuing to perform to plan, the Company has experienced delays in its cash receipts in the past and a significant delay in the forecast receipts beyond their contractual due dates would cause a funding shortfall. Whilst management do not anticipate any such delay in contractual payments, they are confident that any such delays could be mitigated with sensible cash management.

1. General information (Cont'd)

In reaching their conclusion regarding going concern, the directors have paid particular attention to the following factors:

- The positive progress that is already being made in restructuring the business and the heightened focus on cash management;
- The existing cash reserves of the business, and the fact that the Group has low levels of bank borrowings with low financial covenants;
- The Group's business model is to lease its data centres as opposed to outright ownership. As a result, the Group is committed to regular lease rental payments, which constitute a significant proportion of the Group's cost base. The Group therefore needs to achieve a certain level of tenant occupancy to cover the minimum lease and other operating costs of a given data centre;
- The Group is due to receive significant cash receipts upon the completion and subsequent sale of Blocks B and C of CX5 during 2014 and 2015. This will provide a short term increase in cash reserves, but will also increase the level of lease rental payments. The financial projections include these receipts at the contracted amounts governed by legal agreements between the Group, the developer and the freeholder;
- The advanced stage of the independent inspection process required for acceptance of Block B of CX5;
- The funding requirements of existing and proposed new ventures and/or projects, including PT Cyber CSF; and
- Additional cash conservation strategies which could be employed in the event of short term liquidity issues.

Based on the trading and cash flow forecasts for the period to 31 March 2015 and taking into consideration the matters set out above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated half-yearly information for the six months ended 30 September 2013.

(iv) Proforma

The pro forma balances in pounds Sterling are included solely for convenience. The pro forma balances in pounds Sterling are stated, as a matter of arithmetical computation only, on the basis of all current and prior year balances being translated from Malaysian Ringgits into pounds Sterling at the rate prevailing on 30 September 2013 of RM5.2666 : £1.00 This translation should not be construed as meaning that the Malaysian Ringgit amounts actually represent, have been or could be converted into the stated number of pounds Sterling.

(v) Basis of accounting

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2013, as described in those financial statements.

Taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values of the assets acquired, liabilities incurred or assumed and equity instruments issued at the date of exchange. The excess of acquisition cost over the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill, while the shortfall is immediately credited to the consolidated income statement.

Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

3. Revenue recognition and contract accounting

Revenue represents amounts receivable for work carried out in the rental of data centre space (including reimbursement for electricity consumed by customers), design and development of data centre facilities, the maintenance of data centres and imputed interest on loans to data centre developers.

Revenue from design and development is recognised in the consolidated statement of comprehensive income based on the stage of completion which is determined based on the contract costs incurred for work performed to date in proportion to the estimated total contract costs and recognised over the period of the activity and in accordance with the underlying contract. Revenue is measured by reference to the fair value of consideration received or receivable from customers. Cost overspends on design and development are recognised as they arise and cost under-spends recognised when it is known with reasonable certainty the final position of the relevant contract. Where design and development projects are in progress and sales invoiced exceed the value of work completed, the excess is shown as deferred income, within other financial assets. When it is probable that total fit-out costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Income from support and maintenance agreements and the rental of data centre space is recognised on a straight line basis over the period of the related activity. Data centre space is rented out under operating leases.

4. Advances to a third party for a development project

As at 30 September 2013 the Group advances to Integrated DC Builders Sdn Bhd (“IDCB”) the developer of the CX5 data centre remained at RM47.9m (31 March 2013: RM47.9m). During this period, the Group advanced cash loans of Nil (30 September 2012: RM6.0m). Such loans are either interest free or the effective interest rate is below a fair market rate. The notional interest income on the loan computed based on the difference between the effective rate and a fair market rate is included as a part of the contract revenue receivable by the Group relating to the Group’s services in connection with the development of CX5.

5. Interest in joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economy activity that is subject to joint control.

The results and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

When a Group entity transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

6. Segment reporting

The management regularly reviews segment information based on the key products and services provided to its customers; rental of data centre space, maintenance (including) support of data centres, and the design and development of data centre facilities.

6 months ended 30 September 2013	**Data centre rental RM'000 (unaudited)**	**Maintenance RM'000 (unaudited)**	**Design and development of data centre facilities RM'000 (unaudited)**	**Consolidated RM'000 (unaudited)**
Revenue	30,490	4,876	9,917	45,283
Cost of Sales	(41,786)	(1,788)	(8,316)	(51,890)
Gross profit	(11,296)	3,088	1,601	(6,607)
Onerous leases	(40,000)	-	-	(40,000)
Other operating income	-	-	351	351
Administrative cost	(1,891)	(221)	(785)	(2,897)
Allowance for doubtful debts	-	(144)	-	(144)
Write back of doubtful debts	2,570	-	1,977	4,547
Staff costs	(2,181)	(506)	(694)	(3,381)
Segment depreciation	(17)	(11)	(27)	(55)
Segment result	(52,815)	2,206	2,423	(48,186)
Allowance for doubtful debts – joint venture				(31,000)
Management restructuring costs				(1,036)
Corporate costs				(3,986)
Gain/Loss on foreign exchange				1,102
Share of loss of jointly controlled entity				(5,513)
Finance income				668
Finance cost				(793)
Loss before tax				(88,744)
Tax				(816)
Loss for the financial period				(89,560)
Other comprehensive income				(188)
Total comprehensive income for the period				(89,748)

6. Segment reporting (continued)

6 months ended 30 September 2012	Data centre rental RM'000 (unaudited)	Maintenance RM'000 (unaudited)	Design and development of data centre facilities RM'000 (unaudited)	Consolidated RM'000 (unaudited)
Revenue	50,962	4,225	8,701	63,888
Cost of Sales	(39,562)	(1,806)	(6,227)	(47,595)
Gross profit	11,400	2,419	2,474	16,293
Other operating income	822	114	131	1,067
Administrative cost	(1,675)	(371)	(470)	(2,516)
Allowance for doubtful debts	(371)	(111)	53	(429)
Staff costs	(2,556)	(1,250)	(2,104)	(5,910)
Segment depreciation	-	(30)	(35)	(65)
Segment result	7,620	771	49	8,440
Corporate costs				(4,479)
Share of loss of associate				(120)
Share of loss of jointly controlled entity				(2,671)
Finance income				368
Finance cost				(176)
Profit before tax				1,362
Tax				(1,247)
Profit for the financial period				115
Other comprehensive income				26
Total comprehensive income for the period				141

7. Share of loss after tax – Jointly controlled entity

	Six months ended 30 September 2013 RM'000 (unaudited)	Six months ended 30 September 2012 RM'000 (unaudited)
Share of loss after tax – joint venture	5,513	2,671

This represents the share of result of our investment in PT Cyber CSF, which is incorporated in Jakarta, Indonesia. The Group owns 49% of the equity interest in the entity.

As at 30 September 2013, the Group has provided an allowance of RM31,000,000 for impairment of the unsecured advances to PT Cyber CSF. This related company has been suffering financial losses since incorporation in June 2011 and requires a longer period to break even than earlier forecast.

8. Share-based payment

The Company has a share option plan for all employees of the Group and also for the Non-executive Directors. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options shall expire. Options are forfeited if the employee leaves the Group before the options are exercised. The Group adopted the Black Scholes model in determining the fair value of share options. The key inputs considered in computing the fair value include the share price volatility of the Company and its peers, staff turnover rate of the Group and the vesting period of the Share Option Plan.

As of 30 September 2013, options granted to the employees and directors of the Group that give them the entitlement to subscribe for a total of 4,004,000 shares (30 September 2012 : 7,000,000 shares) in the Company. The charge to the income statement for the current financial period amounts to RM624,000 (30 September 2012 : RM624,000).

9. Onerous leases

The Group operates its data centre rental business on a sale and lease back arrangement, the Group typically commits to long term lease between 10 to 15 years. The Group is required under International Accounting Standard (IAS37) to assess at the end of each reporting period whether any contract which the unavoidable costs of meeting the future lease obligations under the contract exceed the economic benefits expected to be received under it based on the information available at the end of each reporting period.

The cost of onerous leases in the financial statements represents the present value of the future lease payments that the Group is presently obliged to make under non-cancellable operating lease contracts, less revenue expected to be earned on the lease. The estimate may vary as a result of changes in the utilisation of the data centres. The unexpired terms of the leases range from 8 to 10 years.

10. Management restructuring cost

This represents the restructuring cost incurred to develop a detailed plan to improve the Group performance.

11. Earnings per share

The calculation for earnings per share, based on the weighted average number of shares, is shown in the table below:

	Six months ended 30 September 2013 (unaudited)	**Six months ended 30 September 2012 (unaudited)**
Net (loss) / profit for the financial period after taxation attributable to members (RM'000)	(89,748)	141
Weighted average number of ordinary shares for basic earnings per share ('000)	160,029	160,029
Weighted average number of ordinary shares for diluted earnings per share ('000)	160,029	160,029

The number of ordinary shares for diluted earnings per share at 30 September 2013 is the weighted average number of ordinary shares of CSF Group plc that would have been in issue had all the share options which were below the current market share price been exercised.

12. Other receivable (non-current)

	As at 30 September 2013 RM'000 (unaudited)	As at 31 March 2013 RM'000 (audited)
Loans to Integrated DC Builders Sdn Bhd ("IDCB") for the development of the CX5 data centre	27,936	47,936
Advances to PT Cyber CSF	149	26,954
	28,085	74,890

Loan to IDCB	As at 30 September 2013 RM'000	As at 31 March 2013 RM'000
Brought forward as start of financial period / year	47,936	41,969
Loans to IDCB during the period / year	-	6,000
Repayment of advances	-	(33)
Reclassified to other receivables (current)	(20,000)	-
	27,936	47,936

The loan to IDCB is unsecured and interest free and repayable upon the completion and sale of Phase 2 and Phase 3 of the CX5 data centre by IDCB.

Advances to PT Cyber CSF	As at 30 September 2013 RM'000	As at 31 March 2013 RM'000
Advances to PT Cyber CSF	31,149	26,954
Allowance for doubtful debts (note 7)	(31,000)	-
	149	26,954

Amount owing by joint venture represents amount owing by PT Cyber CSF, Indonesia. The said amount, which arose mainly to fund its capital expenditure and working capital requirement are interest bearing of 6% per annum and repayable on demand.

13. Note to the cash flow statement

	6 months ended 30 September 2013 RM'000 (unaudited)	6 months ended 30 September 2012 RM'000 (unaudited)
(Loss) / Profit for the financial period	(89,748)	141
Adjustments for:		
Allowance for doubtful debts – joint venture	31,000	506
Allowance for doubtful debts – others	119	-
Allowance for doubtful debts written back	(4,522)	(77)
Depreciation of property, plant and equipment	1,505	1,466
Property, plant and equipment written off	8	-
Interest expense	793	176
Interest income	(668)	(368)
Impairment of investment	-	50
Share based payment	624	624
Unrealised gain on foreign exchange	(719)	1
Share of loss after tax of associate	-	120
Share of loss after tax of jointly controlled entity	5,513	2,671
Onerous leases	40,000	-
Tax	816	1,247
Operating cash (outflow) / inflows before movements in working capital	(15,279)	6,557
Increase in inventories	(1,593)	(1,103)
Decrease in receivables	10,857	40,203
Decrease in payables	(6,637)	(2,468)
Cash used in operations	(12,652)	43,189
Interest paid	(488)	(176)
Income taxes paid	(1,308)	(1,173)
Net cash (outflow) / inflow from operating activities	(14,448)	41,840

14. Cash and cash equivalents

	Six months ended 30 September 2013 (unaudited)	Six months ended 30 September 2012 (unaudited)
Cash and cash equivalents- statement of financial position	64,025	54,644
Deposit held on behalf of employee benefit trust	(2,095)	(1,842)
Cash and cash equivalents at beginning of the financial period – cash flow	61,930	52,802

	As at 30 September 2013 RM'000 (unaudited)	As at 31 March 2013 RM'000 (audited)
Cash and cash equivalents- statement of financial position	45,772	64,025
Deposit held on behalf of employee benefit trust	(2,105)	(2,095)
Cash and cash equivalents at the end of the financial period – cash flow	43,667	61,930

15. Dividend

The Board does not propose any payment of dividends in respect of the six months period to 30 September 2013 (H1 2013: Nil).

16. Commitment

	As at 30 September 2013 RM'000 (unaudited)	As at 31 March 2013 RM'000 (audited)
Commitment for a loan to IDCB for development of CX5 data centre	2,030	2,030

The Group committed to provide a loan of up to RM80,000,000 to IDCB for development of the CX5 data centre. Up to 30 Sept 2013, the Group has provided a total loan of RM77,970,000 to IDCB, out of which RM30,033,000 has been repaid to the Group.

17. Operating Lease Arrangements

	6 months ended 30 September 2013 RM'000 (unaudited)	6 months ended 30 September 2012 RM'000 (unaudited)
Operating lease expense	24,584	23,966

As at 30 September 2013, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 30 September 2013 RM'000 (unaudited)	As at 31 March 2013 RM'000 (audited)
Within one year	45,721	45,721
In the second to fifth years	189,676	189,676
After five years	269,878	292,739
	505,275	528,136

18. Contingencies

The Group holds a number of guarantees with various banks in respect of banking facilities as follows:

	As at 30 September 2013 RM'000 (unaudited)	As at 31 March 2013 RM'000 (audited)
Banking guarantees	16,999	19,922

19. Related party transactions

Key management compensation amounted to RM2,080,000 for the six months to 30 September 2013 (30 September 2012 : RM2,107,000).

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the 6 months period ended 30 September 2013, Group subsidiaries entered into the following transactions with related parties which are not members of the Group:

6 months ended 30 September 2013	Note	*Sale of goods and services RM'000 (unaudited)*	*Purchase of goods and services RM'000 (unaudited)*	*Advances to related parties RM'000 (unaudited)*	*Amount owed by related parties RM'000 (unaudited)*	*Amount owed to related parties RM'000 (unaudited)*
PT Cyber CSF		-	-	2,775	31,149	-
		-	-	2,775	31,149	-

6 months ended 30 September 2012	Note	*Sale of goods and services RM'000 (unaudited)*	*Purchase of goods and services RM'000 (unaudited)*	*Advances to related parties RM'000 (unaudited)*	*Amount owed by related parties RM'000 (unaudited)*	*Amount owed to related parties RM'000 (unaudited)*
PT Cyber CSF		-	-	10,353	15,422	-
		-	-	10,353	15,422	-

INDEPENDENT REVIEW REPORT TO CSF GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified conclusion

Whilst we concur that the basis of preparation remains appropriate, in our opinion the company has made inadequate disclosure of the material uncertainty in relation to going concern. This uncertainty arises from the risk of delay to forecast significant contractual receipts which the company is reliant upon in order to continue as a going concern.

We disagree with the directors who do not deem the uncertainties described above to be material. In our opinion, the interim financial information requires disclosure of this matter as a material uncertainty relating to the ability of the company to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the basis of preparation described in Note 1 (ii).

Deloitte LLP
Chartered Accountants
Gatwick, UK

27 December 2013