Embargoed until 7am 21 November 2014

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

HALF-YEAR RESULTS
For the Six Months Ended 30 September 2014

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 2014.

Financial highlights:

- Group revenue at RM47.5m (£8.9m*) (H1 2014: RM45.3m (£8.5m*)).
- Loss before tax significantly improved to RM6.4m (£1.2m*) compared to the loss before tax of RM88.7m** (£16.7m*) in H1 2014.
- EPS at loss of 4.13 sen (loss 0.78p*) per share (H1 2014: loss of 56.08 sen (loss 10.53p*) per share).
- Closing cash position as at 30 September 2014 remains robust at RM44.0m (£8.3m*) (31 March 2014: RM19.9m (£3.7m*)).

Operational highlights:

- Completed Block C fit-out works at CX5 and on track to receive the expected repayments on advances to the project owner for the development of CX5 before the end of December 2014.
- Continuing to pursue a pipeline of potential customers and marketing activities.
- Construction of the fibre optic network to connect all CSF data centres in progress and scheduled to be completed by the end of FY2015.

* *The proforma balances in pounds Sterling are included solely for convenience. The proforma 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 2014 of RM5.3264 : £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.*

** *Includes a provision for onerous leases of RM40.0m (£7.5m*) and a provision for doubtful debts on advances relating to joint venture activities that have been ceased of RM31.0m (£5.8m*). In the current financial period the latter did not recur. Based on management's latest forecasts, there has been a revision in the provision of onerous leases position, resulting in a net decrease of the provision of RM3.9m (£0.7m*).*

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INTERIM CHAIRMAN'S STATEMENT

Overview of the current financial period

The Group continued to incur an operating loss for the current financial period as the CX5 data centre has not yet attained the optimum level of occupancy and the new tenancy contracts that were secured towards the end of the previous financial year only started to generate rental revenue in 2H FY2015.

Loss before tax for the financial period however improved significantly and amounted to RM6.4m (£1.2m*) compared to the loss before tax of the corresponding period of the previous financial year of RM88.7m (£16.7m*). This included the following non-recurring items: (i) provision for onerous leases of RM40.0m (£7.5m*) 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 (ii) a provision for doubtful debts relating to advances made to PT Cyber CSF, the Group's joint-venture in Jakarta, Indonesia of RM31.0m (£5.8m*).

As at 30 September 2014 the Group's has cash and cash equivalents of RM44.0m (£8.3m*) (31 March 2014: RM43.7m (£8.2m*)). In addition, the Group has approximately RM66.2m (£12.4m*) (31 March 2014: RM84.2m (£15.8m*)) tied up as working capital for the development of CX5 which will be collected progressively by the end of FY2015 in line with the completion of the sale Blocks C in November 2014.

Business strategy

As highlighted in the full year results announced in September 2014, the Group remains focused on filling the remaining capacity of its data centres. It has also undertaken a number of strategic initiatives to improve its financial performance. The management continues to implement and pursue these initiatives especially in regard to the proposal to the lessor of the CX1, CX2 and CX5 data centres to reduce the lease rental rates and the government grant application for partial reimbursement of qualifying capital expenditure.

Given the need to conserve cash, the Board will continue to ensure that there is no significant cash outlay other than sums required to cover the committed lease rentals and other necessary operating overheads, subject to any further capital or operating expenditure that may be required in relation to tenancy contracts. In this regard, the Group commenced the construction of a fibre optic network to connect the Company's three data centre facilities in Cyberjaya, Malaysia which is due for completion in December 2014. Once completed, this enhanced data connectivity will significantly improve CSF's service offering for existing and potential customers.

Outlook

The Board believes that the key strategic initiatives that are being undertaken have positioned the business in the right direction and although these actions are still yet to bear fruit, the Board remains focused on these plans going forwards.

The Board and management team continue to follow-up on the key strategies and pursue the pipeline of potential customers and business alliances. An update will be made to shareholders on this progress in due course.

Dividends

The Board does not propose any payment of dividends in respect of the six months period ended 30 September 2014 (H1 2014: Nil).

Phil Cartmell
Chairman
CSF Group plc

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CHIEF FINANCIAL OFFICER'S REVIEW

Introduction

The Group recorded basic earnings per share ("EPS") of loss 4.13 sen (loss 0.78 p*) (H1 2014: loss 56.08 sen (loss 10.53 p*)).

Financial results

			Proforma	
	6 months ended 30 September 2014 RM'000 (unaudited)	**6 months ended 30 September 2013 RM'000 (unaudited)**	**6 months ended 30 September 2014 £'000 (unaudited)**	**6 months ended 30 September 2013 £'000 (unaudited)**
Total Group revenue	**47,523**	**45,283**	**8,922**	**8,502**
Gross loss	(12,617)	(6,607)	(2,369)	(1,240)
Other operating income	4	351	1	66
Gain on disposal of joint venture	17,001	-	3,192	-
Share of loss after tax of joint venture	(1,309)	(5,513)	(246)	(1,035)
Administrative expenses	(9,549)	(8,593)	(1,793)	(1,613)
Bad debts written off	(379)	-	(71)	-
Net allowance for doubtful debts – others	488	4,403	92	827
Net allowance for doubtful debts – joint venture	-	(31,000)	-	(5,820)
Share-based payment	-	(624)	-	(117)
Provision of onerous leases	3,906	(40,000)	733	(7,510)
Management restructuring cost	-	(1,036)	-	(195)
Loss from operations	**(2,455)**	**(88,619)**	**(461)**	**(16,637)**
Net finance cost	(3,909)	(125)	(733)	(24)
Loss before tax	**(6,364)**	**(88,744)**	**(1,194)**	**(16,661)**
Tax	(279)	(816)	(52)	(153)
Other comprehensive income	29	(188)	5	(35)
Total comprehensive income for the period	**(6,614)**	**(89,748)**	**(1,241)**	**(16,849)**
Basic EPS	(4.13) sen	(56.08) sen	(0.78) p	(10.53) p

Revenue

			Proforma	
	6 months ended 30 September 2014 RM'000 (unaudited)	6 months ended 30 September 2013 RM'000 (unaudited)	6 months ended 30 September 2014 £'000 (unaudited)	6 months ended 30 September 2013 £'000 (unaudited)
Data centre rental income	33,473	30,509	6,285	5,728
Maintenance income	5,238	4,857	983	912
	38,711	35,366	7,268	6,640
Design and fit-out of data centre facilities	8,812	9,917	1,654	1,862
Total Group revenue	**47,523**	**45,283**	**8,922**	**8,502**

Data centre rental revenue increased by 9.7% from RM30.5m (£5.7m*) in H1 2014 to RM33.5m (£6.3m*) in the six months under review, mainly due to new tenancy contracts secured for Block A of CX5 and CX2.

Revenue from the design and fit-out of data centre facilities decreased from RM9.9m (£1.9m*) in H1 2014 to RM8.8m (£1.7m*) mainly due to lower revenue recognised for the development of Block C of CX5. The total revenue derived from the fit-out works carried out at CX5 during the financial period amounted to RM3.8m (£0.7m*) (H1 2014: RM6.5m (£1.2m*)).

Gross (loss) / profit margin

The Group incurred a higher gross loss margin of 26.5% (H1 2014: gross loss margin of 14.6%) mainly due to the lease rental expenses on Block B of CX5 which commenced in April 2014. We expect the overall contribution of CX5 to improve progressively as the strategic initiatives take effect.

The gross profit margin on maintenance revenue was slightly lower at 57.4% (H1 2014: 63.3%) mainly due to a larger component of the maintenance revenue for the current financial period being attributable to higher cost of materials.

The lower gross profit margin on design and fit-out of data centre facilities of 11.9% (H1 2014: 16.1%) was mainly attributable to competitive pressure on the pricing of contracts secured.

Loss from operations

Loss from operations for the financial period amounted to RM2.5m (£0.5m*) (H1 2014 loss from operations: RM88.6m (£16.6m*)). The loss from operations was mainly attributable to the gross loss incurred on the data centre rental business as explained above, partially reduced by the gain on disposal of our investment in the joint venture of RM17.0m (£3.2m*). The higher loss from operations for H1 2014 was mainly attributable to: (i) the provision for onerous leases of RM40.0m (£7.5m*) 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 (ii) provision for bad debts on advances to PT Cyber CSF, the Group's former joint-venture in Jakarta, Indonesia of RM31.0m (£5.8m*). In the current financial period the latter did not recur and based on management's latest forecasts, there has been a revision in the provision of onerous leases position, resulting in a net decrease of RM3.9m (£0.7m*).

Cash and working capital

As at 30 September 2014 the Group had cash and cash equivalents of RM44.0m (£8.3m*). The Group incurred a lower net operating cash outflow of RM2.7m (£0.5m*) compared to a net operating cash outflow of RM14.4m (£2.7m*) in H1 2014 mainly due better management of collections and payments.

The net cash flow generated from investing activities of RM26.1m (£4.9m*) was mainly due to the repayment of advances by IDCB of RM20.0m (£3.8m*) in line with the completion of the sale of Block B of CX5 and the net proceeds received from the disposal of investment in PT Cyber CSF of RM8.9m (£1.7m*), partially offset by the utilisation of RM3.3m (£0.6m*) to purchase additional plant and equipment.

Critical accounting judgment and key sources of estimation uncertainty

The areas of critical accounting judgment and key sources of estimation uncertainty as disclosed on pages 42 to 44 of the Group's Annual Report for the year ended 31 March 2014 remain valid for the six months ended 30 September 2014 except for the recoverability of the amounts owing from PT Cyber CSF which is no longer applicable following the completion of the disposal of investment in PT Cyber CSF in May 2014.

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 2014

	Note	6 months to 30 September 2014 RM'000 (unaudited)	6 months to 30 September 2013 RM'000 (unaudited)	Proforma 6 months to 30 September 2014 £'000 (unaudited)	Proforma 6 months to 30 September 2013 £'000 (unaudited)
Revenue	5	47,523	45,283	8,922	8,502
Cost of sales		(60,140)	(51,890)	(11,291)	(9,742)
Gross loss		(12,617)	(6,607)	(2,369)	(1,240)
Other operating income		4	351	1	66
Gain on disposal of joint venture	6	17,001	-	3,192	-
Share of loss after tax					
- joint venture	6	(1,309)	(5,513)	(246)	(1,035)
Administrative expenses		(9,549)	(8,593)	(1,793)	(1,613)
Net allowance for doubtful debts					
- others		488	4,403	92	827
- joint-venture		-	(31,000)	-	(5,820)
Bad debts written off		(379)	-	(71)	-
Share-based payment		-	(624)	-	(117)
Provision for onerous leases	7	3,906	(40,000)	733	(7,510)
Management restructuring cost		-	(1,036)	-	(195)
Total operating expenses		(5,534)	(76,850)	(1,039)	(14,428)
Operating loss		(2,455)	(88,619)	(461)	(16,637)
Finance income		467	668	88	125
Interest payable on bank loans, overdrafts and finance leases		(470)	(793)	(88)	(149)
Unwinding of discounts on provisions		(3,906)	-	(733)	-
Finance costs		(4,376)	(793)	(821)	(149)
Loss before tax		(6,364)	(88,744)	(1,194)	(16,661)
Tax		(279)	(816)	(52)	(153)
Loss for the financial period		(6,643)	(89,560)	(1,246)	(16,814)
Other comprehensive income					
Foreign currency translation		29	(188)	5	(35)
Total comprehensive income for the period		(6,614)	(89,748)	(1,241)	(16,849)
EPS					
- Basic (sen)	8	(4.13)	(56.08)	(0.78) p	(10.53) p
- Diluted (sen)	8	(4.13)	(56.08)	(0.78) P	(10.53) p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

	Note	As at 30 September 2014 RM'000 (unaudited)	As at 31 March 2014 RM'000 (audited)	Proforma As at 30 September 2014 £'000 (unaudited)	Proforma As at 31 March 2014 £'000 (unaudited)
Non-current assets					
Property, plant and equipment		13,171	11,825	2,473	2,220
Interest in associate		-	-	-	-
Other investments		172	172	32	32
Goodwill on consolidation		3,750	3,750	704	704
Deferred tax asset		691	729	130	137
		17,784	16,476	3,339	3,093
Current assets					
Inventories		3,490	2,978	655	338
Trade receivables		63,921	69,982	12,001	13,139
Other receivables	9	48,175	67,758	9,044	12,721
Current tax assets		532	495	100	93
Restricted cash		12,206	13,231	2,292	2,484
Cash and cash equivalents		46,184	21,972	8,671	4,125
		174,508	176,416	32,763	33,120
Total assets		192,292	192,892	36,102	36,213
Current liabilities					
Trade and other payables		57,237	54,829	10,747	10,294
Current tax liabilities		588	491	110	92
Bank borrowings		-	3,213	-	603
Obligations under finance leases		140	140	26	26
Investment held for sale		-	6,392	-	1,200
		57,965	65,065	10,883	12,215
Non-current liabilities					
Obligations under finance leases		375	445	70	84
Bank borrowings		3,243	225	609	42
Trade and other payables		26,925	16,679	5,055	3,131
Deferred tax liabilities		-	80	-	15
Onerous leases	7	62,500	62,500	11,734	11,734
		93,043	79,929	17,468	15,006
Total liabilities		151,008	144,994	28,351	27,221
Net assets		41,284	47,898	7,751	8,992

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

	Note	As at 30 September 2014 RM'000 (unaudited)	As at 31 March 2014 RM'000 (audited)	Proforma As at 30 September 2014 £'000 (unaudited)	Proforma As at 31 March 2014 £'000 (unaudited)
Equity					
Share capital		78,936	78,936	14,820	14,820
Share premium		104,499	104,499	19,619	19,619
Shares held under Employee Benefit Trust		(2,300)	(2,300)	(432)	(432)
Other reserve		(66,153)	(66,153)	(12,420)	(12,420)
Share option reserve		4,117	4,117	773	773
Retained earnings		(77,815)	(71,201)	(14,609)	(13,368)
Total equity		41,284	47,898	7,751	8,992

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 September 2014

	6 months ended 30 September 2014 RM'000 (unaudited)	6 months ended 30 September 2013 RM'000 (unaudited)	Proforma 6 months ended 30 September 2014 £'000 (unaudited)	Proforma 6 months ended 30 September 2013 £'000 (unaudited)
Net cash outflow from operating activities **(Note 10)**	(2,695)	(14,448)	(506)	(2,713)
Investing activities				
Interest received	467	668	88	125
Capital expenditure	(3,291)	(945)	(618)	(177)
Purchase of subsidiary, net of cash	-	(1,200)	-	(225)
Loan to joint venture	-	(2,775)	-	(521)
Repayment of advances from joint venture	8,921	-	1,675	-
Repayment of advances from the owner of a development project	20,000	-	3,755	-
Proceeds from sale of property, plant and equipment	18	-	3	-
Net cash generated from / (used in) investing activities	26,115	(4,252)	4,903	(798)
Financing activities				
Repayment of obligations under finance leases	(70)	(70)	(13)	(13)
Decrease in restricted cash	1,025	282	192	53
Drawdown of borrowings	-	225	-	42
Repayment of borrowings	(194)	-	(36)	-
Net cash generated from financing activities	761	437	143	82
Net increase / (decrease) in cash and cash equivalents	24,181	(18,263)	4,540	(3,429)
Cash and cash equivalents at beginning of financial period **(Note 11)**	19,839	61,930	3,724	11,627
Cash and cash equivalents at end of financial period	44,020	43,667	8,264	8,198

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 September 2014

	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 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
At 1 April 2014	78,936	104,499	(2,300)	(66,153)	4,117	(71,201)	47,898
Loss for the period	-	-	-	-	-	(6,614)	(6,614)
At 30 September 2014	78,936	104,499	(2,300)	(66,153)	4,117	(77,815)	41,284

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 September 2014

	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 2013	14,820	19,619	(432)	(12,420)	636	11,502	33,725
Loss for the period	-	-	-	-	-	(16,850)	(16,850)
Share based payment	-	-	-	-	117	-	117
At 30 September 2013	14,820	19,619	(432)	(12,420)	753	(5,348)	16,992
At 1 April 2014	14,820	19,619	(432)	(12,420)	773	(13,367)	8,993
Profit for the period	-	-	-	-	-	(1,242)	(1,242)
At 30 September 2014	14,820	19,619	(432)	(12,420)	773	(14,609)	7,751

Notes 1 to 14 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 21 November 2014 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 2014 is based on the statutory accounts for the year ended 31 March 2014, which were approved by the Board of Directors on 26 September 2014 and will be delivered to the Jersey Registrar of Companies in November 2014. The auditor reported on those accounts was unqualified and did contain an emphasis of matter as described below.

In forming their opinion on the financial statements, which was not qualified, the auditors considered the adequacy of the disclosure made in the financial statements concerning the Group's ability to continue as a going concern and the basis of calculation of the onerous lease provision.

(i) Basis of preparation

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. 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. The condensed consolidated interim financial results should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

(ii) Proforma

The proforma balances in pounds Sterling are included solely for convenience. The proforma 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 2014 of RM5.3264 : £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.

(iii) Basis of accounting

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2014, 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.

1. General information (Cont'd)

(iv) 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.

(v) Going concern

The Directors have prepared financial projections, including cash flows, for a period up to 31 March 2017. The projections include sensitivity testing to consider a reasonable worst case scenario. Based on these projections and taking into consideration the current financial position of the Group and future capital and lease commitments, 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 annual financial statements. In reaching this conclusion 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;

- 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 costs of ownership of a given data centre;

- The Group has already secured new tenants for part of CX5 and is in active discussions with a number of other potential tenants to secure an adequate level of occupancy;

- Due to changes in the data centre rental market, current market rentals rates have declined. In this regard, the Group is in active negotiations to restructure the operating lease payments, and is confident that the restructuring will be successful;

- The Group received significant cash receipts of RM20.0 million upon the completion of blocks B of CX5 in April 2014 and is to due to receive additional significant cash receipts of RM49.7 million on the completion of block C of CX5, which is expected to complete before the end of FY2015. This will provide a short term increase in cash reserves, however will increase the level of lease rental payments. Such receipts are governed by legal agreements between the Group, the developer and the freeholder;

- The proceeds received from disposal of the investment in PT Cyber CSF in May 2014;

- The funding requirements of existing and proposed new ventures and/or projects.

1. General information (Cont'd)

(v) Going concern (Cont'd)

Given prevailing market conditions and the current levels of occupancy in the Group's data centres, the Group is forecast to continue to make operating losses and have operating cash outflows. The Board is continuing to review the Group's business model with the aim of establishing sustainable profitable trading. Furthermore, the financial projections show that the Group needs to complete negotiations to reduce the level of lease rental commitments in order to have a sustainable business model and that the cash receipts from IDCB are required to enable the Group to continue to operate within its existing facilities in the short term. The directors note that the receipt of proceeds for block C of CX5 is governed by existing contractual arrangements and that based on the current status of the development and discussions with the freeholder they have no reason to believe that the receipt of proceeds will be subject to significant delay or other issue. The directors believe that they will be successful in negotiating a lease rental reduction and therefore reducing the cost base of the Group to a sustainable level, and that such rental reduction can be achieved without other adverse impacts on the Group. On this basis they continue to adopt the going concern basis. However, there is inherent uncertainty around the timing, amount and other impacts of any lease rental reduction, which is considered to represent a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above and taking into consideration the current financial position, future capital and lease commitments of the Group, 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 2014. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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.

2. Basis of consolidation (Cont'd)

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. 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 until the date the Group ceases to have joint control over 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.

5. 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.

6 months ended 30 September 2014	**Data centre rental RM'000 (unaudited)**	**Maintenance RM'000 (unaudited)**	**Design and development of data centre RM'000 (unaudited)**	**Consolidated RM'000 (unaudited)**
Revenue	33,473	5,238	8,812	47,523
Cost of Sales	(50,143)	(2,234)	(7,763)	(60,140)
Gross profit	(16,670)	3,004	1,049	(12,617)
Other operating income	-	-	4	4
Onerous leases	3,906	-	-	3,906
Administrative cost	(1,869)	(603)	(823)	(3,295)
Allowance for doubtful debts	(102)	-	-	(102)
Write back of doubtful debts	346	-	244	590
Loss on disposal of plant and equipment	(46)	-	-	(46)
Staff costs	(2,370)	(391)	(735)	(3,496)
Segment depreciation	(14)	(10)	(44)	(68)
Segment result	(16,819)	2,000	(305)	(15,124)
Bad debts written off				(379)
Corporate costs				(2,436)
Loss on foreign exchange				(208)
Gain on disposal of joint venture				17,001
Share of loss of jointly controlled entity				(1,309)
Finance income				467
Finance cost				(4,376)
Loss before tax				(6,364)
Tax				(279)
Loss for the financial period				(6,643)
Other comprehensive income				29
Total comprehensive income for the period				(6,614)

5. Segment reporting (continued)

6 months ended 30 September 2013	Data centre rental RM'000 (unaudited)	Maintenance RM'000 (unaudited)	Design and development of data centre 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 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. Joint venture

	Six months ended 30 September 2014 RM'000 (unaudited)	Six months ended 30 September 2013 RM'000 (unaudited)
Share of loss after tax – joint venture	1,309	5,513

Share of loss after tax – joint venture
This represents the share of result of the Group's former investment in PT Cyber CSF, which is incorporated in Jakarta, Indonesia. The Group owned 49% of the equity interest in the entity.

The Group has reclassified the interest in joint venture to investment held for sale since 24 March 2014 after the Group had entered into an agreement with a third party to dispose of its entire interest in PT Cyber CSF. On 22 May 2014, the Group completed the disposal of its entire interest in PT Cyber CSF including the settlement of the net receivable owed by PT Cyber CSF to the Group for a net consideration USD2,732,483 (RM8,921,284).

Gain on disposal of joint venture
The gain on disposal of joint venture is as follow:

	RM'000 (unaudited)
Net liabilities of the joint venture (CSF Group plc's proportion of ownership interest)	(17,001)
Gain on disposal	17,001
Net cash inflow/ proceed on disposal	-*

* Sale proceed USD1 on the disposal of joint venture

Allowance for doubtful debts
The allowance of RM31,000,000 in H1 2014 pertained to amounts owing by PT Cyber CSF, Indonesia.

7. Onerous leases

Movement in provision of onerous leases	As at 30 September 2014 RM'000 (unaudited)	As at 31 March 2014 RM'000 (audited)
At start of financial period/ year	62,500	-
Additional provision	20,094	62,500
Utilisation of provision	(24,000)	-
Unwinding of discount	3,906	-
At end of financial period/ year	62,500	62,500

The Group's business model is to lease data centres and committed to lease rentals and certain other costs of ownership. As such, the Group needs to achieve a certain level of rental income from tenants over the life of the data centre lease such that revenue received will exceed costs.

The provision 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.

The onerous lease provision included in long term liabilities has been calculated on the assumption that the Group will agree a reduction in ongoing lease rental costs in respect of certain of its data centres. Whilst the directors expect such a lease rental reduction to be successfully negotiated, there is no legal agreement in place as at the date of approval of these financial statements, and it is inherently uncertain whether such a legal agreement will be achieved. If such an agreement is not reached then the onerous lease provision would be increased from RM62.5 million to RM165.7 million. This is a significant judgement which is considered to represent a material uncertainty.

8. 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 2014 (unaudited)	Six months ended 30 September 2013 (unaudited)
Net loss for the financial period after taxation attributable to members (RM'000)	(6,614)	(89,748)
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 is the weighted average number of ordinary shares of CSF Group plc that would have been in issue. The calculation of the diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would increase the net profit or decrease the net loss per share. As the Group is currently in a loss making position than the inclusion of potential ordinary shares associated with share options in the diluted loss per share calculation would serve to decrease the net loss per share. On that basis, no adjustment has been made for diluted loss per share.

9. Other receivable (current)

	As at 30 September 2014 RM'000 (unaudited)	As at 31 March 2014 RM'000 (audited)
Loans to Integrated DC Builders Sdn Bhd ("IDCB") for the development of the CX5 data centre	27,936	47,936
Deposits, prepayment and other receivables	20,239	19,822
	48,175	67,758

As at 30 September 2014 the Group advances to Integrated DC Builders Sdn Bhd ("IDCB"), the developer of the CX5 data centre, remained at RM27.9m (31 March 2014: RM47.9m). The loan to IDCB is unsecured and interest free and repayable upon the completion and sale of block C of the CX5 data centre by IDCB.

During this period, the Group received RM20 million in line with the completion of block B of CX5.

10. Note to the cash flow statement

	6 months ended 30 September 2014 RM'000 (unaudited)	6 months ended 30 September 2013 RM'000 (unaudited)
Loss for the financial period	(6,614)	(89,748)
Adjustments for:		
Allowance for doubtful debts – joint venture	-	31,000
Allowance for doubtful debts – others	102	119
Allowance for doubtful debts written back	(590)	(4,522)
Bad debts written off	379	-
Depreciation of property, plant and equipment	1,881	1,505
Property, plant and equipment written off	-	8
Gain on disposal of joint venture	(17,001)	-
Loss on disposal of property, plant and equipment	46	-
Interest expense	4,376	793
Interest income	(467)	(668)
Share based payment	-	624
Unrealised gain on foreign exchange	-	(719)
Share of loss after tax of jointly controlled entity	1,309	5,513
Onerous leases	(3,906)	40,000
Tax	279	816
Operating cash outflow before movements in working capital	(20,206)	(15,279)
Increase in inventories	(512)	(1,593)
Decrease in receivables	6,130	10,857
Increase / (decrease) in payables	12,630	(6,637)
Cash used in operations	(1,958)	(12,652)
Interest paid	(470)	(488)
Income taxes paid	(267)	(1,308)
Net cash outflow from operating activities	(2,695)	(14,448)

11. Cash and cash equivalents

	Six months ended 30 September 2014 (unaudited)	Six months ended 30 September 2013 (unaudited)
Cash and cash equivalents- statement of financial position	21,972	64,025
Deposit held on behalf of employee benefit trust	(2,133)	(2,095)
Cash and cash equivalents at beginning of the financial period – cash flow	19,839	61,930

	As at 30 September 2014 RM'000 (unaudited)	As at 31 March 2014 RM'000 (audited)
Cash and cash equivalents- statement of financial position	46,184	21,972
Deposit held on behalf of employee benefit trust	(2,164)	(2,133)
Cash and cash equivalents at the end of the financial period – cash flow	44,020	19,839

12. Dividend

The Board does not propose any payment of dividends in respect of the six months period to 30 September 2014 (H1 2014: Nil).

13. Contingencies

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

	As at 30 September 2014 RM'000 (unaudited)	As at 31 March 2014 RM'000 (audited)
Banking guarantees	30,833	25,508

14. Commitment

	As at 30 September 2014 RM'000 (unaudited)	As at 31 March 2014 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 2014, the Group has provided a total loan of RM77,970,000 to IDCB, out of which RM50,033,000 has been repaid to the Group.

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