

ANNUAL REPORT 2017

CSF GROUP PLC

Contents

Chairman's Statement	1
Chief Financial Officer's Review	4
Board of Directors	11
Directors' Report	12
Corporate Governance Statement	15
Directors' Remuneration Report	19
Statement of Directors' Responsibilities	20
Independent Auditor's Report	21
Consolidated Statement of Comprehensive Income	23
Consolidated Statement of Financial Position	24
Consolidated Statement of Changes In Equity	26
Consolidated Statement of Cash Flow	28
Notes to the Financial Statements	29
Company Statement of Comprehensive Income	66
Company Statement of Financial Position	67
Company Statement of Changes In Equity	68
Company Statement of Cash Flow	69
Notes to the Financial Statements	70
Company Information	73

CSF GROUP PLC

Vision and Mission Statement

Who We Are

CSF Group is principally engaged in the business of providing a full range of services associated with data centres, namely the design and development of data centres including project management, fit-out and integration of the equipment within data centre facilities and other computer rooms, and data centre tenancy solutions.

Vision Statement

To maintain our position as the region's leading and trusted solution provider in all aspects of data centre infrastructure services. We aim to be the best in delivering the highest level of quality service in data centre design, development and management.

Mission Statement

Within CSF Group of companies, we strive to deliver our promises to our customers through service excellence with quality, reliability and timeliness.

Core Values

In CSF, our core values define us and shape the frame for all aspects of our business operations. They serve as a guide in upholding our commitment to our customers, our organization, our shareholders and the social well being amongst us.

- We believe that we should operate with integrity and bring value and integrity to our customers*
- We believe that we should always give back to the societies in which we operate*

CSF GROUP PLC

CHAIRMAN'S STATEMENT

Overview of the Year

CSF Group is a provider of data centre facilities and services in South East Asia. The Group's revenue is generated from the provision of data centre design and development services, support and maintenance agreements and the rental of data centre space. The Group's business model is to lease its data centre facilities from a freeholder, rather than own the property assets underlying its data centres.

The Group incurred a loss for the financial year ended 31 March 2017, which was principally due to its CX2 and CX5 data centres having not yet attained an optimum level of occupancy. The Group reported an increase in gross loss from RM1.5m (£0.3m*) in FY2016 to RM3.2m (£0.6m*) in the current financial year. Notwithstanding the higher gross loss, the Group reported a slightly lower net loss of RM34.6m (£6.3m*) for the year under report as compared to a net loss of RM36.3m (£6.6m*) in FY2016. The net loss in the prior year was mainly attributable to a provision for doubtful debts of RM30.0m (£5.5m*) to cover the inherent risks associated with trade receivables that are expected to be collected over a longer period of time, offset by a net reduction in the provision for onerous leases of RM10.9m (£2.0m*) and reversal of impairment of tangible assets of RM13.1m (£2.4m*). Although there was a net reversal of provision for doubtful debts of RM1.0m (£0.2m*) in the current financial year, the Group recorded a net increase in the provision of onerous leases of RM8.2m (£1.5m*) due to revisions in the outlook of the data centre rental business.

The higher gross loss in the year under report is mainly due to the reduction in gross profit of the maintenance segment and design and development segment of the business resulting from a decline in revenue in each of these segments, coupled with higher costs incurred in respect of comprehensive maintenance contracts.

As reported in the prior year, in December 2015 the Group completed its negotiations with the freeholder of CX1, CX2 and CX5 data centres to restructure the lease rental payments. The Group has finalised the debt settlement agreement but supplemental lease agreements remain to be finalised. Following the completion of the Conditional Disposal, further details of which are below, CX2 and CX5 will no longer form part of the Group, but CSF will continue to seek to finalise the supplemental lease agreement in respect of CX1.

The revised lease payments and the management's commendable effort in implementing tighter credit control had resulted in an increase in the Group's closing cash position from RM43.6m (£7.9m*) as at 31 March 2016 to RM58.0m (£10.5m*) as at the year-end.

Notwithstanding the increase in cash position, the Group is conscious that monthly revenues are presently insufficient to cover monthly operating overheads and the capital expenditure required for the replacement of aging data centre equipment. In this regard, the management continues to identify areas for cost reduction, including discussions with the freeholder for further concessions.

The Group recently entered into an agreement to dispose of its entire equity interest in CSF CX Sdn Bhd ("CSF CX"), the loss-making subsidiary which is also the operator and lessee of the CX2 and CX5 data centres, to BDC AssetCo Pte Ltd for a cash consideration of RM2.00 (approximately £0.36*) (the "Conditional Disposal").

CSF GROUP PLC

CHAIRMAN'S STATEMENT (*Continued*)

CX2 and CX5 are carrier-neutral multi-storey commercial data centre facilities located in the Selangor state of Malaysia, which occupy a total net floor area of approximately 345,000 square feet. The Group commenced to lease CX2 and CX5 in 2009 and 2012 respectively from an independent third party (the freeholder).

The Conditional Disposal is conditional upon, *inter alia*, the receipt of various regulatory consents and is also subject to certain timing restrictions. There can be no certainty that the Conditional Disposal's conditions can be fulfilled within the prescribed timeframe and there is a possibility that the transaction might not complete, in which case the Conditional Disposal would be terminated without any material financial compensation being paid by either CSF or the purchaser of CSF CX.

The Board expects that the Conditional Disposal will improve the Group's financial position, principally due to the elimination of the net liabilities of CSF CX and the elimination of the Group's obligations on the leases payable, and the return of cash deposits pledged for banking facilities and rental deposits (approximately up to RM6 million (£1.1 million*)) in connection with CX2 and CX5. The Group intends to apply the proceeds from the Conditional Disposal and the returned cash deposits towards additional working capital.

Following completion of the Conditional Disposal, the Group will continue its maintenance and data centre design and development business. In addition the Group will also continue to market its data centre services in respect of its CX1 data centre. CX1 is a commercial data centre facility located in the Selangor state of Malaysia, which has been in operation since 2003 with a total net floor area of approximately of 45,500 square feet.

Current Trading

In conjunction with seeking to progress the Conditional Disposal, the Group continues to focus on filling the available capacity of the CX2 and CX5 data centres and recognizes the importance of forging business partnerships that would attract more technology companies to utilise the Group's data centres. Therefore, the Board and management team continue to follow-up on a number of key strategic initiatives and pursue a pipeline of potential customers and business alliances, and remains focused on these plans going forward.

The Board and management will continue implement measures to reduce the burn rate of the Group's cash reserves. The Board will continue to ensure that there is no significant cash outlay other than the 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. Following the completion of the Conditional Disposal, the Group is expected to have additional working capital from the return of cash deposits pledged for banking facilities and rental deposits (approximately up to RM6m (£1.1m*)) in connection with CX2 and CX5.

In view of the accumulated losses of the Group, the Board is not recommending the payment of a dividend.

CSF GROUP PLC

CHAIRMAN'S STATEMENT (*Continued*)

Data Centre Rental

During the year, the Group successfully renegotiated the contract with an existing tenant and secured a new tenancy contract with a large multinational company. The Group continues to actively pursue new customers directly and is working closely with a network of resellers and business partners to fill in the remaining available capacity at CX2 and CX5 to a sustainable level.

The fibre optic cable linking CX1, CX2 and CX5 commissioned in the prior year has started to generate initial revenues for the Group and the management have now implemented cross-connect charges for the utilisation of network connectivity within each data centre facility and also across the three data centres.

Following the completion of the Conditional Disposal of CSF CX, the Group will have approximately 45,500 sq ft of data centre space and approximately 1 MW of IT power capacity in Malaysia.

Maintenance, Design and Fit-out of Data Centres

The maintenance and the design and development segments of the business have experienced intense competition and pricing pressure during the year. Notwithstanding, the management continues to pursue new contracts to enhance our recurring maintenance revenue streams and other design and fit-out projects revenue.

Outlook

The Board will continue to support the efforts of the management in implementing its stated business strategies including the Conditional Disposal, which the Board believes will improve the Group's financial position.

The Board will therefore prioritise the implementation of the Conditional Disposal. Thereafter, the Group can better focus its resources towards sustaining the rental revenue of the CX1 data centre, growing the design and development and maintenance business, and identifying further cost reduction measures, with the objective of returning the Group to profitability.

The Board is cautiously optimistic that the Group's financial results will show an improved net trading position in the next financial year, following the completion of the Conditional Disposal of CSF CX, although on significantly decreased revenues.

* *The translation of the financial statements into pro forma balances in pounds Sterling is included solely for convenience and information. The pro forma balances in pounds Sterling are stated, as a matter of arithmetical computation only, on the basis of all balances being translated from Ringgit Malaysia into pounds Sterling at the rate prevailing on 31 March 2017 of RM5.5053 : £1.00. This translation should not be construed as meaning that the Ringgit Malaysia amounts actually represent, or have been or could be translated into the stated number of pounds Sterling.*

CSF GROUP PLC

CHIEF FINANCIAL OFFICER'S REVIEW

Introduction

The Group incurred a net loss of RM34.6m (£6.3m*) for FY2017 as compared to a net loss of RM36.3m (£6.6m*) in FY2016 which translated to basic loss per share ("LPS") of 21.63 sen (3.93p*) as compared to a basic ("LPS") of 22.70 sen (4.12p*) in FY2016.

The lower net loss for FY2017 was mainly attributable to lower bad debt provisions of RM1.04m (£0.1m*) as compared to RM30.0m (£5.5m*) in FY2016 which was partly offset by the net increase in onerous leases of RM8.2m (£1.5m*) as compared to a net decrease of RM10.9m (£2.0m*) in FY2016. The net increase in onerous leases was mainly due to revisions in the outlook of the data centre rental business over the longer term.

The Group's closing cash position increased from RM43.6m (£7.9m*) as at 31 March 2016 to RM58.0m (£10.5m*) as at the year-end, mainly due improvement in the management of customer credit.

Based on the Group's unrestricted cash and bank balances at the financial year end of RM58.0m (£10.5m*), the restricted cash of RM14.1m (£2.6m*) and the net current assets balance of RM71.1m (£12.9m*) and taking into consideration the financial projections, including cash flows, for the period up to 31 March 2019, the Board believes that the Group has adequate resources to continue in operational existence for the foreseeable future.

CSF GROUP PLC

CHIEF FINANCIAL OFFICER'S REVIEW (Continued)

Financial results

The financial results of the Group are summarised below:

	2017	2016	Proforma*	
	RM'000	RM'000	2017 £'000	2016 £'000
Total Group Revenue	82,420	83,987	14,971	15,256
Gross loss	(3,238)	(1,529)	(589)	(277)
Other operating income	1,940	105	352	19
(Loss) / gain on disposal of other investment	(11)	3	(2)	1
Administrative expenses	(16,975)	(19,388)	(3,083)	(3,522)
Allowance for doubtful debts, net	1,054	(30,050)	191	(5,458)
Bad debts written off	-	(51)	-	(9)
Reduction of contingent consideration	-	950	-	173
Impairment of tangible assets reversal	-	13,100	-	2,380
Net movement on onerous leases	(8,163)	10,950	(1,483)	1,989
Loss from operations	(25,393)	(25,910)	(4,614)	(4,704)
Net finance (cost) / income	(1,282)	274	(233)	50
Unwinding of discounts on provision	(7,238)	(7,650)	(1,315)	(1,390)
Other gain	737	291	134	53
Loss before tax	(33,176)	(32,995)	(6,028)	(5,991)
Tax	(1,445)	(3,331)	(262)	(605)
Foreign currency translation	(480)	(363)	(87)	(66)
Total comprehensive loss for the financial year	(35,101)	(36,689)	(6,377)	(6,662)
Basic LPS	(21.63 sen)	(22.70 sen)	(3.93p)	(4.12p)
Weighted average number of ordinary shares for basic EPS ('000)	160,029	160,029	160,029	160,029

	2017	2016	Proforma*	
			2017	2016
Key Performance Indicators				
Gross loss margin	(3.9%)	(1.8%)	(3.9%)	(1.8%)
Loss from operations (excluding allowance for doubtful debts, reduction of contingent consideration, impairment of tangible assets and net movement) margin	(20.6%)	(24.8%)	(20.6%)	(24.8%)
Trade receivables turnover (days)	330	442	330	442
Trade payables turnover (days)	60	84	60	84
Quick ratio	7.0	7.0	7.0	7.0

CSF GROUP PLC

CHIEF FINANCIAL OFFICER'S REVIEW (Continued)

Revenue

	2017		2016		Proforma*	
	RM'000	RM'000	£'000	£'000	2017	2016
Data centre rental income	66,526	63,959	12,084	11,618		
Maintenance income	7,183	8,579	1,305	1,558		
	73,709	72,538	13,389	13,176		
Design and development of data centre facilities income	8,711	11,449	1,582	2,080		
Total Group revenue	82,420	83,987	14,971	15,256		

The total revenue recorded remained broadly unchanged at RM82.4m (£15.0m*) as compared to RM84.0m (£15.3m*) in FY2016.

The increase in data centre rental revenue of RM2.6m (£0.5m*) was mainly attributable to new customers secured during the year and a higher utilization of data centre capacity by certain existing customers. The decrease in maintenance revenue of RM1.4m (£0.2m*) was mainly attributable to the non-renewal of a comprehensive maintenance contract.

Gross loss

The Group recorded a gross loss margin of 3.9% in the current financial year as compared to a gross loss margin of 1.8% in FY2016 as tabulated below:

	2017		2016		Proforma*	
	RM'000	RM'000	£'000	£'000	2017	2016
Gross loss on data centre rental	(10,517)	(13,559)	(1,910)	(2,463)		
Gross profit on maintenance	4,255	5,846	773	1,062		
Gross loss on design and development	3,024	6,184	549	1,124		
Total gross loss	(3,238)	(1,529)	(588)	(277)		
Total revenue	82,420	83,987	14,971	15,256		
Total gross loss margin	(3.9%)	(1.8%)	(3.9%)	(1.8%)		

This higher gross loss margin was mainly attributable to the lower gross profit margin of the maintenance segment and higher gross loss margin of the design and development segment, which was partly offset by the lower gross loss margin of the data centre rental segment as tabulated below:

	2017		2016		Proforma*	
	RM'000	RM'000	£'000	£'000	2017	2016
Maintenance revenue	7,183	8,579	1,305	1,558		
Direct expenses	(2,928)	(2,733)	(532)	(496)		
Gross profit on maintenance	4,255	5,846	773	1,062		
Gross profit margin on maintenance	59.2%	68.1%	59.2%	68.1%		

CSF GROUP PLC

CHIEF FINANCIAL OFFICER'S REVIEW (Continued)

Gross loss (Cont'd)

			Proforma*	
	2017	2016	2017	2016
	RM'000	RM'000	£'000	£'000
Design and development revenue	8,711	11,449	1,582	2,080
Direct expenses	(5,687)	(5,265)	(1,033)	(956)
Gross loss on design and development	3,024	6,184	549	1,124
Gross loss margin on design and development	34.7%	54.0%	34.7%	54.0%

			Proforma*	
	2017	2016	2017	2016
	RM'000	RM'000	£'000	£'000
Data centre rental revenue	66,526	63,959	12,084	11,618
Direct expenses	(77,043)	(77,518)	(13,994)	(14,081)
Gross loss on data centre rental	(10,517)	(13,559)	(1,910)	(2,463)
Gross loss margin on data centre rental	(15.8%)	(21.2%)	(15.8%)	(21.2%)

The lower gross profit margin on maintenance revenue of 59.2% as compare to 68.1% in FY2017 was mainly due to higher costs incurred on the comprehensive maintenance contracts.

The lower gross profit margin on the design and development segment in the current financial year was mainly due to a project in undertaken in the prior financial year that earned a relatively high profit margin in that year.

The lower gross loss margin on data centre rental of 15.8% as compared to 21.2% in FY2016 was mainly due to the increase in data centre rental revenue as elaborated in "Revenue" above.

Loss from operations

The Group recorded a loss from operations of RM25.4m (£4.6m*) compared to a loss from operations of RM25.9m (£4.7m*) in 2016 as analysed below:

			Proforma*	
	2017	2016	2017	2016
	RM'000	RM'000	£'000	£'000
Operating loss from data centre rental, maintenance, and design and development of data centre facilities	(18,284)	(20,860)	(3,322)	(3,788)
Allowance for doubtful debts, net	1,054	(30,050)	191	(5,458)
Reduction of contingent consideration	-	950	-	173
Impairment of tangible assets reversal	-	13,100	-	2,380
Net movement on onerous leases	(8,163)	10,950	(1,483)	1,989
Total operating loss	(25,393)	(25,910)	(4,614)	(4,704)

CSF GROUP PLC

CHIEF FINANCIAL OFFICER'S REVIEW (*Continued*)

Loss from operations (Cont'd)

Notwithstanding the higher gross loss margin as explained above, the aggregate operating loss of the three (3) business segments was lower mainly due to better cost control measures as reflected by a reduction in administrative expenses from RM19.4m (£3.5m*) in FY2016 to RM17.0 (£3.0m*) in FY2017.

In the prior year, general provision for doubtful debts of RM30.0m (£5.5m*) was made to cover the inherent risks associated with trade receivables that are expected to be collected over a longer period. The effects of the general provision for doubtful debts was partly offset by the decrease in net provision for onerous leases of RM11.0m (£2.0m*) and the reversal of impairment of tangible assets of RM13.1m (£2.4m*).

In the current year, the Group recognised a net increase in onerous leases due to revisions in the longer-term outlook of the data centre rental business.

Net finance cost

The Group recorded net finance cost of RM1.3m (£0.2m*) as compared to net finance income of RM0.3m (£0.05m*) as a result of the interest incurred to the freeholder for the debt associated with lease rental which is repayable pursuant to a debt settlement agreement with the freeholder.

Taxation

The Group recorded a tax charge for the year in spite of reporting a loss for the year mainly due to tax payable by a profitable subsidiary which was not subject to group tax relief.

Earnings per share

Basic and diluted loss per share ("LPS") was 21.63 sen (3.93p*) compared to a LPS of 22.70 sen (4.12p*) in 2016. The weighted average number of shares during the year used for basic and diluted LPS calculation is 160,028,667 (2016: 160,028,667).

Dividends

The Board does not propose any payment of dividends in respect of the current financial year.

CSF GROUP PLC

CHIEF FINANCIAL OFFICER'S REVIEW (Continued)

Cash and treasury

			Proforma*	
	2017 RM'000	2016 RM'000	2017 £'000	2016 £'000
Cash generated from / (used in) operations before working capital movements and net finance income / cost	(24,492)	(23,559)	(4,449)	(4,279)
Working capital movements	36,138	7,500	6,564	1,362
Net finance cost / income	8,520	7,376	1,548	1,340
	20,166	(8,683)	3,663	(1,577)
Repayment of loans by the owner of a development project	-	27,936	-	5,074
Capital expenditure	(7,020)	(4,083)	(1,275)	(744)
Net cash from other investing activities	1,674	1,484	304	270
Net cash inflow before financing activities	14,820	16,654	2,692	3,023
Net cash from financing activities	(394)	(2,264)	(71)	(410)
Net cash inflow	14,426	14,390	2,621	2,613

The Group recorded a higher net cash used by operations before working capital movements and net finance cost of RM24.4m (£4.4m*) and positive movement in working capital of RM36.1m (£6.6m*) was mainly due to a decrease in total revenue as explained in C above, whilst certain long overdue trade receivables were collected during the year.

The gross trade receivables balance decreased from RM104.3m (£18.9m*) as at 31 March 2016 to RM44.4m (£8.1m*) as at 31 March 2017.

Non-adjusting event after the financial year-end

On 28 September 2017, the Group entered into a Sale and Purchase Agreement to dispose of its entire equity interest in CSF CX Sdn Bhd ("CSF CX"), a wholly-owned subsidiary, for a cash consideration of RM2.00 (£0.36) ("Conditional Disposal"). The Board expects that the completion of the Conditional Disposal will improve the Group's financial position, principally due to the elimination of the net liabilities of CSF CX and the elimination of the Group's obligations on the leases payable, and the return of cash deposits pledged for banking facilities and rental deposits (approximately up to RM6 million (£1.1 million*)) in connection with the CX2 and CX5 data centres.

CSF GROUP PLC

CHIEF FINANCIAL OFFICER'S REVIEW *(Continued)*

Critical accounting judgement and key sources of estimation uncertainty

The areas of critical accounting judgement and key sources of estimation uncertainty are disclosed in Note 1 (vi) to the Financial Statements below.

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 (v) to the Financial Statements below.

* *The translation of the financial statements into pro forma balances in pounds Sterling is included solely for convenience and information. The pro forma balances in pounds Sterling are stated, as a matter of arithmetical computation only, on the basis of all balances being translated from Ringgit Malaysia into pounds Sterling at the rate prevailing on 31 March 2017 of RM5.5053 : £1.00. This translation should not be construed as meaning that the Ringgit Malaysia amounts actually represent, or have been or could be translated into the stated number of pounds Sterling.*

CSF GROUP PLC

BOARD OF DIRECTORS



Phil Cartmell

Chairman, Non-executive Director

Phil was appointed to the board of the Company in February 2010. He was appointed Chief Executive Officer of Vega Group plc ("Vega") in July 2000. Phil left Vega in May 2008 following the sale of the business to Finmeccanica of Italy, generating significant returns for investors. Prior to Vega, Phil held senior positions with Baan, Origin UK, and KPMG Consulting. Phil is currently the CEO of TP Group plc, a well-diversified company involved in aerospace and defense, energy and process industries listed on AIM. Phil was previously Chairman of Alterian plc.



Lee, King Loon

Chief Financial Officer

King Loon was appointed to the board of the Company in February 2010. He has over 20 years of experience in accounting, financial and corporate matters. Prior to joining the Group, he was an Executive Director of Crowe Horwath Corporate Advisory Sdn Bhd and a holder of a Capital Markets Services Licence issued by the Securities Commission of Malaysia.

As Chief Financial Officer of CSF Group plc, King Loon spearheads the finance department and is involved in the formulation of financial strategies to improve the Group's performance.



Ting, Heng Peng (Dato')

Independent Non-executive Director

Dato' Ting was appointed to the board of the Company in February 2010. He has over 20 years of legal practice experience in corporate matters and civil and commercial litigation and presently, he sits on the Board of two companies listed on the Bursa Malaysia, namely Supermax Corporation Berhad and D.B.E Gurney Resources Berhad as an independent non-executive director.

Dato' Ting is also currently an executive partner at Messrs Ting Asiah & Co, a firm of advocates and solicitors in Malaysia.



Dennis Kian Jin Ow

Independent Non-executive Director

Dennis was appointed to the board of the Company in February 2010. He is currently an executive director of Paq International Holdings Limited which is listed on AIM. Dennis has prior experience with capital markets and advisory roles within the London Stock Exchange, Old Park Lane Capital Asia and Blue Oar. He has been involved in bringing eight companies from South East Asia to AIM and two to the Official Main List of the London Stock Exchange.

CSF GROUP PLC

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report, for the year ended 31 March 2017. The Corporate Governance Statement forms part of this report.

Principal Activities

The principal activities of the Group comprise of the design, construction and installation of data centres on an outsourced basis, ongoing support and maintenance and rental of data centre space. The subsidiary undertakings principally affecting the financial results or net assets of the Group in the year are listed in the financial statements.

Results and Dividends

The results of trading of the Group for the year are set out in the consolidated statement of comprehensive income. The Board does not propose any payment of dividends in respect of the financial year ended 31 March 2017 (2016 : RM NIL).

Directors

The Directors during the year and to the date of this report were as follows:

Lee King Loon
Dato' Ting Heng Peng
Phil Cartmell
Dennis Kian Jing Ow

None of the Directors hold an interest in any material contract with the Company save for their Service Contracts or Letters of Appointment.

Directors' Interests

The Directors' interests, including their connected parties were:-

Directors	Company Shares 31 March 2017	Company Shares 31 March 2016
Lee, King Loon	Nil	Nil
Dato' Ting Heng Peng	Nil	Nil
Phil Cartmell	30,000	30,000
Dennis Kian Jing Ow	Nil	Nil

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Supplier Payment Policy

The Group's policy is to set the terms of payment with suppliers when agreeing the terms of each transaction and abide by the terms of payment as long as the Group is satisfied that the supplier has provided goods and services in accordance with the order.

CSF GROUP PLC

DIRECTORS' REPORT (Continued)

Environment Matters

Following CX5 being awarded the provisional Green Building Index (GBI) Certified Rating in 2012, the Group continue looking at ways to improve energy savings, water savings, a healthier indoor environment, better connectivity to public transport, the adoption of recycling and greenery projects and reducing impact on the environment.

Charitable and Political Contributions

During the year the Group made charitable donations of RM10,000 (£1,800), (2016: RM15,000 (£2,700)) principally to local charities serving the communities in which the Group operates. The Group made no political contributions during the financial year.

Substantial Shareholdings

On 25 September 2017, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules of the following investors who held 3% or more of the Company's issued share capital.

Name of holder	% of Ordinary Shares	No. of Ordinary Shares
Vidacos Nominees Limited	25.62	40,999,747
Yong Kwet On ¹	24.85	39,769,824
Huntress (CI) Nominees Limited	18.40	29,440,362
Wong Chow Ming	6.69	10,702,089
Securities Services Nominees Limited	3.10	4,960,000
	<u>78.66</u>	<u>125,872,022</u>

¹ These 39,769,824 shares are held legally and beneficially by Yong Kwet On. The earlier 3,450,676 Ordinary shares (representing 2.16% of Ordinary Shares in issue) which were held by him in trust and beneficially owned by the employee benefit trust have been transferred to the employee benefit trust account in May 2016

As at the date referred to above, the Company is not aware of any person or entity that, directly or indirectly, jointly or severally, will or could exercise control of the Company.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and consulted and discussed with the employees' representatives regularly on a wide range of matters affecting their current and future interests. This is achieved through formal and informal meetings and the Company's internal circulars.

CSF GROUP PLC

DIRECTORS' REPORT (*Continued*)

Post Balance Sheet Events

Details of post balance sheet events are given in the Note 32 of the financial statements.

Going Concern

The Directors have prepared financial projections, including cash flows, for a period up to 31 March 2019. Based on these projections and taking into account the financial position of the Group, including cash of RM58.0 million (£10.5 million) as at 31 March 2017 the Directors have carried out an assessment of going concern. Additional details are included in Note 1 to the Financial Statements. 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 Financial Statements.

Annual General Meeting

The company's Annual General Meeting ("AGM") will be held in November 2017. Further details of the AGM, together with the proposed resolutions, will be sent out in the near future.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this Annual Report confirms that:

- so far the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Deloitte LLP has expressed their willingness to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

Lee, King Loon
Director

29 September 2017

CSF GROUP PLC

CORPORATE GOVERNANCE STATEMENT

Principles of Good Governance

The Group is committed to high standard of corporate governance. It has adopted procedures to institute good governance insofar as it is practical and appropriate for an organisation of its size and nature, notwithstanding the fact that companies that have securities traded on the Alternative Investment Market of the London Stock Exchange ("AIM") are not required to comply with Combined Code as appended to the Listing Rules issued by the Financial Services Authority. Whilst not required to comply with the Code, the Group has chosen to give selected disclosures which they believe are necessary or valuable to readers.

Board of Directors

The Board meets at least 5 times within a full financial year and otherwise as required and has ultimate responsibility and accountability for the Group's operations. The Board comprises the Non-Executive Chairman, the Chief Financial Officer and two Non-Executive Directors as at 31 March 2017. During the year ended 31 March 2017, 5 Board meetings were held. There were 2 meetings of the Audit Committee and 2 meetings of the Remuneration Committee. The Directors attended the meetings as follows:-

Director	Board Meetings	Audit Committee	Remuneration Committee
Phil Cartmell	5/5	2/2	2/2
Lee King Loon	5/5	-	-
Ting Heng Peng	5/5	2/2	2/2
Dennis Kian Jing Ow	3/5	1/2	1/2

The Board believes its current structure is appropriate for the scale of the business and enables the Group to be managed efficiently.

The specific responsibilities reserved to the Board include, but are not limited to:-

- Setting strategy and approving an annual budget and medium-term projections;
- Reviewing operational and financial performance;
- Approving any acquisition, divestment and material capital expenditure;
- Reviewing the Group's systems of financial control and risk management;
- Ensuring that appropriate management development and succession plans are in place;
- Approving appointments to the Board and the Company Secretary;
- Approving policies relating to the remuneration, contracts and incentive arrangements of senior management;
- Ensuring that an appropriate and constructive dialogue takes place with shareholders; and
- Ensuring compliance with the AIM Rules.

CSF GROUP PLC

CORPORATE GOVERNANCE STATEMENT (*Continued*)

The Board has a procedure through which the Directors are able to take independent advice at the Company's expense in the furtherance of their responsibilities.

The Directors also have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Group has adopted a share dealing code for Directors and senior employees on the same terms as restricted by statute, by common law and by the AIM Rules.

Chairman, Acting Chief Executive Officer and Non-Executive Directors

The Chairman is responsible for leading the Board and ensuring its effectiveness whilst the Acting Chief Executive Officer is responsible for running the business and for ensuring that accurate, timely and clear information is presented at the Board meetings or when otherwise appropriate. The Acting Chief Executive Officer reports directly to the Chairman and the Board of Directors.

The role of the Chairman was a non-executive role throughout the year ended 31 March 2017 which is in line with the Code in terms of the independence criteria outlined. The Board is balanced by an appropriate non-executive element with three out of four Directors being non-executive.

The Board has determined that it does not believe that the holding of share options by its Non-Executive Directors impacts on their independence in character and judgment.

Board Committees

The Board has established three committees to deal with matters in accordance with written terms of reference which are available on request from the Company Secretary. They are the Audit Committee, the Remuneration Committee and the Nomination Committee.

The Chairman of the Audit Committee, Nomination Committee and the Remuneration Committee are independent Non-Executive Directors.

Audit Committee

Dato' Ting Heng Peng is the Chairman of the committee. The Audit Committee also comprises Phil Cartmell and Dennis Kian Jing Ow. No members of the Committee have any link with the Group's external auditors.

The Audit Committee meets formally at least twice within a full financial year and otherwise as required and is responsible for all matters relating to financial controls and reporting, internal and external audits, the scope and results of the audits, the independence and objectivity of the auditors and also keeps under review the effectiveness of the Group's controls and risk management.

The ultimate responsibility for reviewing and approving the annual report and financial statements and interim statements remains with the Board. The Chief Financial Officer, and representatives from the finance function may attend the meeting by the invitation of the Audit Committee Chairman.

Details of the amounts paid to the external auditors during the year for audit and other services are set out in the financial statements.

CSF GROUP PLC

CORPORATE GOVERNANCE STATEMENT (*Continued*)

Remuneration Committee

As the Company is committed in conducting itself based on best practices, the Remuneration Committee consists only of Non-Executive Directors, namely Dato' Ting Heng Peng as the Chairman, Phil Cartmell and Dennis Kian Jing Ow.

The Remuneration Committee meets at least once within a full financial year and otherwise as required and is responsible for all material elements of remuneration policy, review of the remuneration and incentives of Executive Directors and senior management with reference to independent remuneration research and professional advice in accordance with the Combined Code. The Remuneration Committee also determines the payment of bonuses to all Executive Directors, makes recommendations to the employee benefit trust and employee share option plan regarding share awards to the employees and sets any performance criteria in relation to the exercise of options granted to the Executive Directors as referred to in the Directors' Remuneration Report.

No Director is permitted to participate in discussions or decisions concerning his own remuneration and the remuneration of members of the Remuneration Committee shall be determined in accordance with good practice by the remaining Board members.

Nomination Committee

The Nomination Committee is chaired by Dato' Ting Heng Peng and also comprises Lee King Loon, Phil Cartmell and Dennis Kian Jing Ow.

The Nomination Committee meets formally as and when required, is responsible for the size, structure and composition of the Board, the retirement and appointment of Directors, and makes appropriate recommendations to the Board in relation to these matters.

Potential candidates to the Board are interviewed either by the Nomination Committee or a panel appointed by that Committee. An appointment requires final approval by the Board prior to an offer being forwarded.

Internal control

The Board has overall responsibility for maintaining the Group's system of internal control and reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve the Group's strategic business objectives and can only provide reasonable assurance against material misstatement or loss.

The key elements of the internal control system include but are not limited to the following:

Control environment

The Directors continue to review the effectiveness of the Company's system of financial and non-financial controls, including operational and compliance controls, risk management and the Company's high level internal control arrangements. These reviews include an assessment of internal controls and in particular, internal financial controls.

CSF GROUP PLC

CORPORATE GOVERNANCE STATEMENT (*Continued*)

Risk management

The Board views significant business risks as a key management activity. The Board has established a group wide risk management system covering the core business activities to identify, evaluate and manage significant business risks faced by the Group. Managing business risk to deliver opportunities is a key element of all activities. These business risks, may be strategic, operational, reputational, financial or environmental.

Financial Reporting

The Board approves the Group's annual budget which is prepared in the context of the Board approved business plan. The Board receives monthly financial reports which assess performance in comparison with the annual budget and in relation to periodic re-forecasts. Key performance indicators are regularly reviewed at Board level and by senior managers responsible for key areas of the business.

The Company does not currently have an internal audit function because the Board are of view that the present internal controls are adequate taking into consideration the nature and size of the business operations. However, the Board will consider the need to create one as the business grows.

Communications with shareholders

The Chairman and the Chief Financial Officer are the principal points of contact for investors, analysts, fund managers, media and other interested parties. Access is available to the Non-Executive Directors if this is required.

Meetings with analysts and institutional investors are held following the interim and preliminary results announcements. The Board are kept apprised about shareholder relations and have full access to reports from the Company's stock brokers, Allenby Capital Limited.

Approved by the Board and signed on behalf of the Board,

Lee, King Loon
Director

29 September 2017

CSF GROUP PLC

DIRECTORS' REMUNERATION REPORT

Directors' Emoluments

The various elements of remuneration received by each director were as follows:-

Name of director	Fees/Basic salary RM	Benefits in kind RM	Annual bonuses RM	2017 total RM	2016 total RM
<i>Executive</i>					
Lee, King Loon	444,100	-	-	444,100	429,375
<i>Non-Executive</i>					
Dato' Ting Heng Peng	194,618	-	-	194,618	282,081
Phil Cartmell	101,277	-	-	101,277	221,898
Dennis Kian Jin Ow	117,779	-	-	117,779	185,067
Aggregate emoluments	857,774		-	857,774	1,118,421

No directors held or were granted options over the Company's ordinary shares during the years ended 31 March 2017 and 2016 and there were no other long-term incentive plans in effect during these periods. No directors currently hold options over the Company's ordinary shares and there are currently no long-term incentive plans in effect.

Pension Contributions

As required by Malaysian law, the subsidiaries make contributions to the Employees' Provident Fund. The Group pays a fixed contribution based on a set percentage of the employee's salary. The Group has no further legal or constructive obligations in respect of the retirement costs. The Executive Director of the Company is member of the aforesaid defined contribution plan. Payments to the Employees' Provident Fund are recognised as an expense in the income statement as incurred.

Contributions paid by the Company was as follow:

Name of director	2017 (RM)	2016 (RM)
Lee, King Loon	52,092	52,674
	<u>52,092</u>	<u>52,674</u>

CSF GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991, as amended.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. The legislations in Jersey, Channel Islands governing the preparation and dissemination of financial information differs from legislations in other jurisdictions.

Under Article 105(11) of the Companies (Jersey) Law 1991 the Directors of a holding company need not prepare separate accounts (i.e. company only accounts) if consolidated accounts for the company are prepared, unless required to do so by the members of the company by ordinary resolution. The Directors have elected to prepare separate accounts voluntarily for tax filing purpose.

CSF GROUP PLC

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CSF GROUP PLC

We have audited the financial statements of CSF Group plc for the year ended 31 March 2017 which comprises of Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's and parent loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies (Jersey) Law 1991; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

CSF GROUP PLC

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or the financial statements are not in agreement with the accounting records and returns.

Other matters

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the company. As a Jersey Company, CSF Group plc is not required to prepare the Directors Remuneration Report in accordance with the UK Companies Act 2006 but has decided to do so voluntarily.

Simon Olsen FCA
For and on behalf of Deloitte LLP
Reading, UK
September 2017

CSF GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000	Year ended 31 March 2017 £'000	Proforma Year ended 31 March 2016 £'000
Revenue	5,6	82,420	83,987	14,971	15,256
Cost of sales	6	(85,658)	(85,516)	(15,560)	(15,533)
Gross loss		(3,238)	(1,529)	(589)	(277)
Other operating income		1,940	105	352	19
(Loss) / gain on disposal of other investment		(11)	3	(2)	1
Administrative expenses	10,11	(16,975)	(19,388)	(3,083)	(3,522)
Bad debts written off		-	(51)	-	(9)
Net allowance for doubtful debts	7	1,054	(30,050)	191	(5,458)
Reduction of contingent consideration	7	-	950	-	173
Impairment of tangible assets reversal	14	-	13,100	-	2,380
Net movement on onerous leases		(8,163)	10,950	(1,483)	1,989
Total operating expenses		(24,084)	(24,489)	(4,375)	(4,447)
Operating loss		(25,393)	(25,910)	(4,614)	(4,704)
Finance income	9	1,674	1,481	304	269
Net foreign exchange gain		737	291	134	53
Interest payable on bank loans, overdrafts and finance lease	9	(2,956)	(1,207)	(537)	(219)
Unwinding of discounts on provisions	9	(7,238)	(7,650)	(1,315)	(1,390)
Finance costs		(10,194)	(8,857)	(1,852)	(1,609)
Loss before tax		(33,176)	(32,995)	(6,028)	(5,991)
Tax	12	(1,445)	(3,331)	(262)	(605)
Loss for the financial year		(34,621)	(36,326)	(6,290)	(6,596)
Other comprehensive income					
Foreign currency translation		(480)	(363)	(87)	(66)
Total comprehensive loss for the financial year	7	(35,101)	(36,689)	(6,377)	(6,662)
EPS					
- Basic (Malaysian sen)	13	(21.63)	(22.70)	(3.93)p	(4.12)p
- Diluted (Malaysian sen)	13	(21.63)	(22.70)	(3.93)p	(4.12)p

All results derive from continuing operations.

* The translation of the financial statements into pro forma balances in pounds Sterling is included solely for convenience and information. The pro forma balances in pounds Sterling are stated, as a matter of arithmetical computation only, on the basis of all balances being translated from Ringgit Malaysia into pounds Sterling at the rate prevailing on 31 March 2017 of RM5.5053 : £1.00. This translation should not be construed as meaning that the Ringgit Malaysia amounts actually represent, or have been or could be translated into the stated number of pounds Sterling.

CSF GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March 2017 RM'000	As at 31 March 2016 RM'000	Proforma As at 31 March 2017 £'000	As at 31 March 2016 £'000
Non-current assets					
Property, plant and equipment	14	27,318	25,640	4,962	4,657
Interest in associate	15	-	-	-	-
Other Investments	16	20	155	4	28
Goodwill	17	-	-	-	-
Trade receivables	19	210	360	38	65
Deferred tax asset	25	137	-	25	-
		27,685	26,155	5,029	4,750
Current assets					
Inventories	18	667	1,781	121	324
Trade and other receivables	19	39,209	64,503	7,122	11,717
Current tax assets		329	175	60	32
Restricted cash	20	14,056	14,055	2,553	2,553
Cash and cash equivalents	20	60,313	45,823	10,955	8,323
		114,574	126,337	20,811	22,949
Total assets		142,259	152,492	25,840	27,699
Current liabilities					
Trade and other payables	21	42,134	44,338	7,654	8,054
Current tax liabilities		-	854	-	155
Bank borrowings	22	1,260	1,164	229	211
Obligations under finance leases	24	50	140	9	25
		43,444	46,496	7,892	8,445
Non-current liabilities					
Obligations under finance leases	24	100	165	18	30
Bank borrowings	22	-	334	-	61
Trade and other payables	21	80,643	67,492	14,648	12,259
Deferred tax liabilities	25	-	232	-	42
Onerous lease provision	8	73,300	57,900	13,314	10,517
		154,043	126,123	27,980	22,909
Total liabilities		197,487	172,619	35,872	31,354
Net liabilities		(55,228)	(20,127)	(10,032)	(3,655)
Equity					
Share capital	26	78,936	78,936	14,338	14,338
Share premium account		104,499	104,499	18,982	18,982
Shares held under Employee Benefit Trust		(2,300)	(2,300)	(418)	(418)
Other reserve		(66,153)	(66,153)	(12,016)	(12,016)
Share option reserve		-	-	-	-
Translation reserve		(1,246)	(766)	(226)	(139)
Accumulated loss		(168,964)	(134,343)	(30,692)	(24,402)
Total capital deficiency		(55,228)	(20,127)	(10,032)	(3,655)

CSF GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

The financial statements of CSF Group plc registered number 104212 were approved by the Board of Directors and authorised for issue on 29 September 2017.

They were signed on its behalf by:

Lee, King Loon,
Director
29 September 2017

CSF GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Share premium account RM'000	Shares held under Employee Benefit Trust RM'000	Other reserve RM'000	Share option reserve RM'000	Translation reserve RM'000	Accumulated loss RM'000	Total RM'000
At 1 April 2015	78,936	104,499	(2,300)	(66,153)	4,117	(403)	(102,134)	16,562
Expiry of share options	-	-	-	-	(4,117)	-	4,117	-
Total comprehensive loss for the year	-	-	-	-	-	(363)	(36,326)	(36,689)
At 31 March 2016	78,936	104,499	(2,300)	(66,153)	-	(766)	(134,343)	(20,127)
Total comprehensive loss for the year	-	-	-	-	-	(480)	(34,621)	(35,101)
At 31 March 2017	78,936	104,499	(2,300)	(66,153)	-	(1,246)	(168,964)	(55,228)

CSF GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Proforma	Share Capital £'000	Share premium account £'000	Shares held under Employee Benefit Trust £'000	Other reserve £'000	Share option reserve £'000	Translation reserve £'000	Accumulated loss £'000	Total £'000
At 1 April 2015	14,338	18,982	(418)	(12,016)	748	(73)	(18,554)	3,007
Expiry of share options	-	-	-	-	(748)	-	748	-
Total comprehensive loss for the year	-	-	-	-	-	(66)	(6,596)	(6,662)
At 31 March 2016	14,338	18,982	(418)	(12,016)	-	(139)	(24,402)	(3,655)
Total comprehensive loss for the year	-	-	-	-	-	(87)	(6,290)	(6,377)
At 31 March 2017	14,338	18,982	(418)	(12,016)	-	(226)	(30,692)	(10,032)

CSF GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000	Proforma Year ended 31 March 2017 £'000	Proforma Year ended 31 March 2016 £'000
Net cash from / (used in) operating activities	27	20,166	(8,683)	3,663	(1,577)
Investing activities					
Interest received		1,674	1,481	304	269
Repayment of advances from the owner of a development project		-	27,936	-	5,074
Additions to property, plant and equipment		(7,020)	(4,083)	(1,275)	(744)
Proceeds from sale of other investment		-	3	-	1
Net cash (used in) / generated from investing activities		(5,346)	25,337	(971)	4,600
Financing activities					
Repayments of obligations under finance leases		(155)	(140)	(28)	(25)
Increase in restricted cash		(1)	(960)	-	(174)
Repayment of borrowings		(1,164)	(1,164)	(211)	(211)
Borrowings from revolving line of credit		926	-	168	-
Net cash used in financing activities		(394)	(2,264)	(71)	(410)
Net increase in cash and cash equivalents		14,426	14,390	2,621	2,613
Cash and cash equivalents at beginning of financial year		43,572	29,182	7,914	5,301
Cash and cash equivalents at end of financial year	20	57,998	43,572	10,535	7,914

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU. The financial statements are presented in Malaysian Ringgit which is the currency of the primary economic environment in which the Group operates.

The financial statements have been prepared on the historical cost basis, except for the valuation of listed investments. The principal accounting policies adopted are consistent with previous financial year, unless otherwise stated.

Pro forma balances

The inclusion of pro forma balances in pounds Sterling is 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 balances being translated from Malaysian Ringgits into pounds Sterling at the rate prevailing on 31 March 2017 of RM5.5053 : £1.00. This translation should not be construed as meaning that the Malaysian Ringgit amounts actually represent, or have been or could be converted into the stated number of pounds Sterling.

Going concern

The Group’s business activities, together with the factors likely to affect the future development, performance and position are set out in the Chairman’s Statement. The financial position of the Group, its cash flows and liquidity positions are described in the Chief Financial Officer’s Review. In addition, the notes to financial statements include foreign currency risk management, interest rate risk management, credit risk management and liquidity risk management.

As at 31 March 2017, the Group’s cash and cash equivalents excluding deposits held on behalf of the Employee Benefit Trust stand at RM58.0 million.

The Directors have prepared financial projections, including cash flows, for a period up to 31 March 2019. 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 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 costs of ownership of a given data centre;

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

- The Group has already secured new tenants for part of CX2 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 have declined. In this regard the group are monitoring closely its cost and looking at ways to improve the operation and procurement process including working closely with its suppliers to reduce the overall cost;
- The Group has completed the restructuring with the freeholder on the lease rental payments on CX1, CX2 and CX5, with the revised lease rental rates commencing on 1 January 2016 whereby the lease rental payments shall be lower in the earlier years and progressively increasing thereafter. The outstanding lease rental accrued up to 31 December 2015 will be settled over an extended period;
- The funding requirements of existing and proposed new ventures and/or projects.

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.

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 financial statements for the year ended 31 March 2017.

It should be noted that if the Group were to continue in its current state with no change to its customer base or further reduction in the freeholder lease rentals, its cash reserves would be depleted by FY2020.

The Group has also considered the scenario in which the proposed Conditional Disposal of CSF CX (see note 32) completes. Under this scenario, the Group's operating losses and cash outflows are forecast to significantly reduce.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

2. NEW AND REVISED STANDARDS

Adoption of new and revised International Financial Accounting Standards

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year 31 March 2017 that have a material impact on the group.

At the date of the authorisation of the financial statements, the following standards and interpretations, which have not been applied in the financial statements, were issued but not yet effective:

- IFRS 9 - Financial Instruments (i)
- IFRS 15 - Revenue from Contracts with Customers (ii)
- IFRS 16 Leases (v)
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (iv)
- Amendments to IAS 27 - Equity Method in Separate Financial Statements (iv)
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (iv)
- Annual Improvements 2012-2014 Cycle (iii)
- Amendments to IAS 1 - Disclosure Initiative (iv)
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (iv)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (ii)
- Disclosure Initiative (Amendments to IAS 7) (ii)
- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (i)

i. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

ii. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

iii. Effective for annual periods beginning on or after 1 July 2016, with earlier application permitted

iv. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

v. Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

The Directors do not anticipate that the adoption of these standards and interpretations in future financial years will have a material impact on the financial statements, except that, the application of IFRS 15 and IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. It is not practical to provide a reasonable estimate of the effect of IFRS 15 and IFRS 16 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes in fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value on non-controlling interest over the net identifiable assets acquired and liabilities assumed.

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 contract works 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.

Revenue on design and development activity is 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 where sales invoiced exceed the cost 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.

Retirement benefit costs

As required by Malaysian law, the Company makes contributions to the Employees Provident Fund. The Group pays a fixed contribution based on a set percentage of employee's salary. The Group has no further legal or constructive obligations in respect of the retirement benefit costs. Payments to the Employee Provident Fund are recognised as an expense in the income statement as incurred.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Taxation

The tax expense represents the sum of the tax currently payable, and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Property, plant and equipment

Land is held at cost and is not depreciated. Property, plant and equipment is held at cost less accumulated depreciation and any recognised impairment loss. They are depreciated using the straight-line method over their expected useful lives as follows:

Buildings	-	2%
Plant and machinery	-	10%-20%
Computer equipment	-	20%

Depreciation is charged in full in the month of acquisition and disposal. Assets held under finance lease are depreciated over their useful lives as set out above, or over the lease term if shorter.

The gain or loss arising on the disposal or retirement of an asset is recognised in the Consolidated Statement of Comprehensive Income determined as the difference between the sale proceeds and the carrying amount of the asset.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

Intangible assets – Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of property, plant and equipment. Other borrowing costs are recognised as an expense in the period in which they arise.

In accordance with the transitional provisions of IAS 23 'Borrowing Costs' (Revised 2007), borrowing costs relating to qualifying assets for which the commencement date of capitalisation is prior to 1 April 2009 have been recognised as an expense in the period in which they arise.

Sale and leaseback transaction

The sale of assets under a sale and leaseback transaction is treated as a disposal of the assets after the transfers of substantially all the risk and rewards incidental to ownership of an asset concerned and any profit or loss arising from the transaction is recognised immediately in the income statement. The corresponding rentals payable are charged to income on a straight-line basis over the term of the relevant lease.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

Interest in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates 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 an associate 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 associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 associate.

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

Other Investments

The Group has certain investments in listed and private companies. Investments include entities where the Group does not have the ability to exercise significant influence. The financial results of such entities are not included in the financial statements.

Investments in listed businesses are quoted on an active market and have been acquired principally for the purpose of investment. They are therefore classified as held for trading and are treated as '*at fair value through profit and loss*' (FVTPL). Listed investments are measured at each reporting date at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend earned on the investment.

Investments in private companies are held as non-current assets and are stated at cost less provision for any impairment. A provision is recognised when there is doubt over the future realisation of value.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material costs. Net realisable value represents the estimated selling price less all estimated costs of completion.

Work in progress

Work in progress is valued at cost, plus attributable profits less foreseeable losses and progress billings received and receivable.

Contract costs include costs of direct material, sub-contract costs, other related costs and overhead expenses. When the outcome of a contract can be estimated reliably, contract costs are recognised as expenses by reference to the stage of completion of the contract activities at the balance sheet date, when it is probable that total contract costs will exceed total contract value, the expected loss is recognised as an expense immediately.

Liabilities directly associated with assets classified as held for sale

The fair values of liabilities classified as liabilities directly associated with assets classified as held for sale approximate to their carrying amounts.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provision of the instrument.

Trade and other receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Consolidated Statement of Comprehensive Income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held with banks with an original maturity date of three months or less.

Restricted cash

Restricted cash comprises fixed deposits with licensed banks which are pledged to the banks in guarantee for the bank borrowing. Restricted cash is not included in cash and cash equivalents.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised over the period in the Consolidated Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Consolidated Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Foreign currencies

Each of the active individual entities in the Group operates solely in Malaysia and each has a functional currency of Malaysian Ringgit. The presentational currency of the financial statements is also Malaysian Ringgit.

Transactions in currencies other than the Group's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the Directors must make estimates and assumptions that affect the amounts recognised in the financial statements. Several of these estimates and judgments are related to matters that are inherently uncertain as they pertain to future events. These estimates and judgments are evaluated at each reporting date and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may vary from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Revenue recognition

Revenue from the installation, integration and fit-out of equipment is recognised over the period of the related fit-out activity, which requires the Directors to consider the costs incurred to the balance sheet date and estimate the costs to completion of the contract. The estimation of costs to complete on contracts is judgemental and requires an estimate of the cost of materials, labour hours and cost, and time to complete. The estimate of the total costs to complete is based on historical experience and status of each project. The estimates are reviewed regularly and revised as necessary. Any significant change in these estimates will result in a change to the revenue recognition and the margin for future periods.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Key sources of estimation uncertainty

Provision for bad and doubtful debts

The provision for bad and doubtful debts includes the assessment of amounts receivable on an individual and collective basis. For individual provisions, events and circumstances such as breaching credit terms, evidence of the debtor experiencing financial difficulties, and potentially the probability of the debtor entering bankruptcy or financial reorganisation are considered. Based on these indicators a judgment is made whether a provision is required. In respect of a collective assessment, the estimation of the future settlement profile of trade receivables is judgemental and includes consideration of past experience in collecting payments, an increase in the number of delayed payments past the credit period as well as observable changes in the economic conditions that correlate with default on receivables.

The Group made general allowance for doubtful debts pertaining to trade receivables aged six months and above.

Recoverability of amounts owing from IDCB

Trade receivables includes an aggregate amount of RM29.3m due from IDCB, the developer of the CX5 data centre. During the financial year, the Group received RM3.0 million. The Group made a 100% provision for doubtful debts in the prior year as the balance of trade receivables of RM29.3 million is expected to be collected over a longer period of time.

Onerous lease assessment

The Group's business model is to lease data centres, and as such the Group is 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. If this is not the case, then the data centre lease rental contract could be onerous.

In order to calculate onerous lease obligations the directors are required to estimate the future tenancy profile of a data centre, which is inherently judgemental as the unexpired terms of the leases for nine years and the estimate may vary as a result of changes in the utilisation and price of a data centre's space.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, the directors are required to estimate the expected future cash flows from the assets or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flow. The estimate may vary depends on the market interest rate, utilisation and price of the data centre space.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Deferred tax asset recognition

The Group recognises deferred tax assets to the extent that it is probable that taxable profits will be available to utilise the asset. At each balance sheet date, the Directors review the forecast taxable profits of the Group to assess the recoverability of the deferred tax asset. To the extent that it is no longer probable that sufficient taxable profits will be available, the carrying amount of the deferred tax asset is reduced.

5. REVENUE

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Data centre rental income	66,526	63,959
Maintenance income	7,183	8,579
	<hr/> 73,709	<hr/> 72,538
Design and development of data centre facilities income	8,711	11,449
	<hr/> <hr/> 82,420	<hr/> <hr/> 83,987

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. REPORTING SEGMENTS

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.

Year ended 31 March 2017	Data centre rental RM'000	Maintenance RM'000	Design and development of data centre facilities RM'000	Consolidated RM'000
Revenue	66,526	7,183	8,711	82,420
Cost of sales	(77,043)	(2,928)	(5,687)	(85,658)
Gross profit / (loss)	(10,517)	4,255	3,024	(3,238)
Other operating income	242	-	1,698	1,940
Administrative cost	(10,024)	(1,134)	(658)	(11,816)
Allowance for doubtful debts	1,027	-	27	1,054
Allowance for slowing stock	-	-	101	101
Allowance for diminution of investment	-	-	2	2
Unwinding of discounts on provision	(7,238)	-	-	(7,238)
Net movement on onerous leases	(8,163)	-	-	(8,163)
Segment depreciation	(15)	(11)	(49)	(75)
Segment result	(34,688)	3,110	4,145	(27,433)
Corporate cost				(5,187)
Finance income				1,674
Loss on disposal of other investment				(11)
Net foreign exchange loss				737
Finance costs				(2,956)
Loss before tax				(33,176)
Tax				(1,445)
Loss for the financial year				(34,621)
Other comprehensive income				(480)
Foreign currency translation				(480)
Total comprehensive loss for the financial year				(35,101)

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2016	Data centre rental RM'000	Maintenance RM'000	Design and development of data centre facilities RM'000	Consolidated RM'000
Revenue	63,959	8,579	11,449	83,987
Cost of sales	(77,518)	(2,733)	(5,265)	(85,516)
Gross profit / (loss)	(13,559)	5,846	6,184	(1,529)
Other operating income	65	-	40	105
Administrative cost	(9,827)	(1,300)	(1,481)	(12,608)
Allowance for doubtful debts	(571)	-	(29,479)	(30,050)
Allowance for slowing stock	-	-	(482)	(482)
Allowance for diminution of investment	-	-	2	2
Bad debts written off	-	-	(165)	(165)
Unwinding of discounts on provision	(7,650)	-	-	(7,650)
Net movement on onerous leases	10,950	-	-	10,950
Segment depreciation	(21)	(16)	(68)	(105)
Segment result	(20,613)	4,530	(25,449)	(41,532)
Non-trade bad debts written back				114
Reduction of contingent consideration				950
Corporate cost				(6,195)
Finance income				1,481
Gain on disposal of other investment				3
Reversal of impairment loss				13,100
Net foreign exchange loss				291
Finance costs				(1,207)
Loss before tax				(32,995)
Tax				(3,331)
Loss for the financial year				(36,326)
Other comprehensive income				(363)
Foreign currency translation				(363)
Total comprehensive loss for the financial year				(36,689)

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

INFORMATION ABOUT MAJOR CUSTOMERS

There is a concentration of revenue from certain customers in each year. However due to the nature of design and development of data centre facilities, these customers vary from year to year. Revenues include amounts arising from the following customers:

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Data centre rental		
Customer A	15,462	19,934
Customer B	8,128	7,228
Design and development of data centre facilities		
Customer C	-	3,588
Customer D	7,254	-

7. LOSS FOR THE FINANCIAL YEAR

Loss for the financial year has been arrived at after charging/(crediting):

	Note	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Allowance for slow moving inventories		(101)	482
Allowance for diminution of investment		(1)	(2)
Allowance for doubtful debts		(1,054)	30,050
Net bad debts written off		-	51
Impairment of tangible assets reversal	14	-	(13,100)
Depreciation of property, plant and equipment	14	5,342	4,989
Staff costs	11	17,102	18,934
Net foreign exchange gain		(737)	(291)
Operating lease rentals		10,089	49,384
Net movement on onerous leases	8	8,163	(10,950)
Reduction of contingent consideration		-	(950)
Loss / (gain) on disposal of other investment		11	(3)

Reduction of contingent consideration in 2016 represents the reduction of payment to Third Wave Infrasys Sdn Bhd former shareholders following the latest unaudited profit reported was below the profit guarantee in previous year.

In 2016, the impairment of tangible assets reversal was due to revisions to the lease rental payments and securing new tenants. See note 14 for more information.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ONEROUS LEASES PROVISION

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Movement in provision of onerous leases		
At start of financial year	57,900	61,200
Additional provision during the financial year	24,250	26,063
Utilisation of provision	(16,087)	(37,013)
Unwinding of discount	7,237	7,650
At end of financial year	<u>73,300</u>	<u>57,900</u>

The Group's business model is to lease data centres and commit 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 is nine years with an option to extend by an additional 16 years.

9. NET FINANCE COST

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Interest receivable on bank deposits	<u>1,674</u>	<u>1,481</u>
Interest payable on bank loans, overdrafts and finance leases	(2,956)	(1,207)
Unwinding of discounts on provision	(7,238)	(7,650)
	<u>(10,194)</u>	<u>(8,857)</u>
Net finance cost	<u>(8,520)</u>	<u>(7,376)</u>

Amount of RM2,583,920 (2016 : RM 500,000) included in interest payable above, represents interest payable to freeholder for the debt settlement at 4% p.a.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. AUDITORS' REMUNERATION

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Audit services		
Group	409	312
Subsidiaries	126	130
Non-audit services		
Tax compliance services	108	64
	<u>643</u>	<u>506</u>

11. STAFF COSTS

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Wages and salaries	13,152	14,226
Statutory contribution	1,630	1,930
Other staff benefits	2,320	2,778
	<u>17,102</u>	<u>18,934</u>

The number of staff is as follows:-

	Year ended 31 March 2017	Year ended 31 March 2016
Administrative and finance	45	43
Operations and maintenance	116	126
	<u>161</u>	<u>169</u>

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. TAX

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Tax on current financial year	1,796	1,052
Tax in respect of prior financial years	18	78
Total current tax	1,814	1,130
Deferred tax liability (Note 25)	(137)	232
Deferred tax asset (Note 25)	(232)	1,969
Total tax charge	<u>1,445</u>	<u>3,331</u>

Malaysian corporation tax is calculated for the year ended 31 March 2017 at a rate of 24 per cent (2016: 24 per cent).

The tax charge for the financial year can be reconciled to the loss in the Consolidated Statement of Comprehensive Income as follows:-

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Loss before tax	(33,176)	(32,995)
Malaysian corporation tax rate	<u>24%</u>	<u>24%</u>
Tax at the Malaysian corporate tax rate	(7,962)	(7,918)
Tax effect of:		
Expenses that are not deductible in determining taxable profit	611	1,256
Income that is not taxable in determining taxable profit	(366)	(3,362)
Realisation of deferred tax not previously recognized	14	102
Deferred tax assets not recognised	9,499	13,238
Over provision in prior year		
- Current tax	18	78
- Deferred tax	(369)	(63)
	<u>1,445</u>	<u>3,331</u>

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13. EARNINGS PER SHARE

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below.

	Year ended 31 March 2017	Year ended 31 March 2016
Net loss for the financial year after taxation attributable to members (RM'000)	<u>(34,621)</u>	<u>(36,326)</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	<u>160,029</u>	<u>160,029</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>160,029</u>	<u>160,029</u>

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 the inclusion of potential ordinary shares associated 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.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Computer equipment RM'000	Total RM'000
Cost:				
At 1 April 2015	3,273	35,568	3,658	42,499
Additions	104	3,896	83	4,083
At 1 April 2016	3,377	39,464	3,741	46,582
Additions	119	6,679	222	7,020
At 31 March 2017	3,496	46,143	3,963	53,602
Accumulated depreciation and impairment losses:				
At 1 April 2015	2,025	23,733	3,295	29,053
Charge for the year	400	4,281	308	4,989
Impairment reversal	-	(13,100)	-	(13,100)
At 1 April 2016	2,425	14,914	3,603	20,942
Charge for the year	402	4,660	280	5,342
At 31 March 2017	2,827	19,574	3,883	26,284
Net Book Value:				
At 31 March 2016	952	24,550	138	25,640
At 31 March 2017	669	26,569	80	27,318

The Group tested the plant and machinery for impairment. Due to the revision of lease rental repayments and securing new tenants, the previous impairment charge of RM13.1 million was reversed in 2016.

The Group's obligations under finance leases (Note 24) are secured by the lessors' title to the leased assets which have the carrying values as set out below.

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Plant and machinery	86	458

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. INTEREST IN ASSOCIATE

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Investment, at cost	685	685
Group share of post acquisition loss	(685)	(685)
	<u>-</u>	<u>-</u>

Details of the Group's associate are as follows:

Name	Principal activity	Place of incorporation	Proportion of ownership interest	
			2017	2016
Hanel CSF Co. Ltd.	Construction of owned data centres and subsequent rental on a tenancy basis	Vietnam	20%	20%

Summarised financial information of the Group's associate is set out below.

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Total assets	932	1,274
Total liabilities	(5,074)	(4,830)
Net liabilities	(4,142)	(3,556)
Group's share of net assets of associate	-	-
Total revenue	279	293
Total loss for the year	(782)	(559)
Group's share of loss of associate	-	-

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. OTHER INVESTMENTS

The Group's investments comprise:

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Investment in listed entities	20	19
Other investments	-	136
	<u>20</u>	<u>155</u>
	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Resources		
Brought forward at start of financial year	155	153
Disposal	(136)	-
Transfer to income statement	1	2
Carried forward at end of financial year	<u>20</u>	<u>155</u>

The investments in listed businesses are listed on the Malaysian Stock Exchange.

The other investments comprise of investments in businesses incorporated in Vietnam. The Group owns 20% (2016: 20%) of a business incorporated in Vietnam which designs, constructs and installs data centres. The Group does not have any influence over the operation or financial decisions of the business. The Group disposed of the 20% share in February 2017.

17. GOODWILL

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Cost		
At start and end of financial year	<u>3,750</u>	<u>3,750</u>
Impairment of goodwill		
At start and end of financial year	<u>(3,750)</u>	<u>(3,750)</u>
Carrying value	<u>-</u>	<u>-</u>

The goodwill related to acquisition of Third Wave Infrasy Sdn Bhd. The Group has fully impaired the balance of goodwill in 2015 after considering the future profit forecast of the entity that held the goodwill.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. INVENTORIES

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Hardware and spares	1,609	1,856
Contract work-in-progress	55	1,023
	<hr/> 1,664	<hr/> 2,879
Allowance for slow moving inventories	(997)	(1,098)
	<hr/> 667	<hr/> 1,781

19. TRADE AND OTHER RECEIVABLES

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Trade receivables (non-current)		
Trade receivables	210	360
	<hr/>	<hr/>
	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Trade and other receivables (current)		
Trade receivables	44,503	104,276
Allowance for doubtful debts	(30,714)	(66,285)
	<hr/> 13,789	<hr/> 37,991
Other receivables	3,477	3,200
Allowance for doubtful debts	(864)	(864)
	<hr/> 2,613	<hr/> 2,336
Deposits	20,185	19,630
Prepayments and accrued income	2,622	4,546
	<hr/> 39,209	<hr/> 64,503

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

Trade receivables are shown after deducting a provision for bad and doubtful debts. The carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group's credit risk is primarily attributable to its trade and other receivables. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The average credit period taken on sales was as follows:

	Year ended 31 March 2017 Days	Year ended 31 March 2016 Days
Average credit period	330	453

Before accepting any new customer, the Directors of the Group consider the customer and its trading history.

The age of trade receivables past due is as follows:

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Ageing of past due but not impaired receivables		
31 - 60 days	4,256	4,523
61 - 90 days	1,529	1,698
90+ days	4,364	20,923
	<u>10,149</u>	<u>27,144</u>
	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Movement in the allowance for doubtful debts		
At start of financial year	66,285	37,660
Additional allowance during the financial year	78	30,295
Allowance no longer required	(1,132)	(245)
Written off	(34,517)	(1,425)
At end of financial year	<u>30,714</u>	<u>66,285</u>

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group made an allowance for doubtful debts pertaining to trade receivables aged six months and above.

All amounts considered doubtful are included in the 90+ days aging category.

Other receivables

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Amount owing by related companies	293	293
Other receivables	3,184	2,907
	<u>3,477</u>	<u>3,200</u>
Movement in the allowance for doubtful debts		
At start of financial year	864	864
Additional allowance during the financial year	-	-
At end of financial year	<u>864</u>	<u>864</u>

Amount owing by other related companies represents unsecured advances which are interest free and repayable on demand.

20. CASH AND CASH EQUIVALENTS

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Fixed deposits with licensed banks	42,623	24,035
Cash and bank balances	17,690	22,578
Bank overdraft	-	(790)
Cash and cash equivalents – balance sheet	<u>60,313</u>	<u>45,823</u>
Deposits held on behalf of the Employee Benefit Trust	(2,315)	(2,251)
Cash and cash equivalents – cash flow	<u>57,998</u>	<u>43,572</u>

Cash and cash equivalents comprise of cash and short term deposits with daily interest, maturity of three months or less, net of outstanding bank overdraft. The carrying amount of these assets is approximately equal to their fair value.

Cash and cash equivalents do not include restricted cash. Restricted cash comprises fixed deposits with licensed banks which are pledged to the banks in guarantee for bank borrowings.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. TRADE AND OTHER PAYABLES

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Current		
Trade payables	13,985	19,720
Other payables	2,517	1,609
Rental payable	3,000	3,000
Deposits received	13,152	11,916
Deposits held on behalf of Employee Benefit Trust	2,315	2,251
Accruals and deferred income	7,165	5,842
	<u>42,134</u>	<u>44,338</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables at 31 March 2017 is 65 days (31 March 2016 – 97 days).

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Non current		
Rental payables	62,808	63,925
Other payables	17,835	3,567
	<u>80,643</u>	<u>67,492</u>

Rental payables consist of rental of CX1, CX2 and CX5 which are not payable within the next 12 months.

Other payables representing accrued straight-line method of CX1, CX2 and CX5 lease rental.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. BANK BORROWINGS

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Current liabilities		
revolving credit	926	-
term loan	334	1,164
	<u>1,260</u>	<u>1,164</u>
Non-current liabilities- term loan	<u>-</u>	<u>334</u>

The maturity of the term loan is set out below:

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Within one year	1,260	1,164
One to two years	-	334
	<u>1,260</u>	<u>1,498</u>

The revolving credit bears interest at 3.5% per month base on outstanding amount.

The term loan is secured, bearing interest rate at 0.50% above base lending rate (effective rate: 7.10%) and repayable by installment on the twenty-fifth month from the date of first drawdown.

The term loan is subject to restrictive covenants, including up-stamping of existing open all monies facilities agreement, joint and several personal guarantee by 2 major shareholders of the Group and assignment of rental proceeds.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. BANK FACILITIES

The Group has undrawn committed loan facilities in Malaysian Ringgit at the financial year end as shown below:

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Undrawn committed facilities	16,904	31,142

The undrawn committed facilities are subject to restrictive covenants, including disposal of assets and provision of financial statements to the banks.

The undrawn committed facilities mature within one year at both 31 March 2017 and 31 March 2016.

24. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Current finance leases	50	140
Non-current finance leases	100	165
	<u>150</u>	<u>305</u>

The fair value of the finance leases approximates their carrying amount.

The maturity of finance leases is set out below:

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Within one year	50	140
One to two years	100	115
Two to five years	-	50
	<u>150</u>	<u>305</u>

Obligations under finance lease and hire purchase contracts are secured on the related assets.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

	As at 31 March 2017 RM' 000	As at 31 March 2016 RM' 000
Minimum lease payments		
Amounts payable under finance leases:		
Within one year	50	140
In the second to fifth years inclusive	124	224
	174	364
Less: future finance charges	(24)	(59)
Present value of lease payments	150	305
Less: amount due for settlement within 12 months (shown under current liabilities)	(50)	(140)
Amount due for settlement after 12 months	100	165

25. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the periods shown:

	(Liability) Capital allowances and other timing differences RM'000	(Asset) Investment tax allowance RM'000
As at 1 April 2015	-	1,969
Charge to income	(232)	(1,969)
As at 31 March 2016	(232)	-
Credit to income	232	137
As at 31 March 2017	-	137

The deferred tax assets of approximately RM49,758,000 (2016: RM53,781,000) of certain subsidiaries have not been recognised in respect of current financial year as it is not probable that taxable profit of the subsidiaries will be available against which the temporary differences, unused tax losses and unused tax credit can be utilised.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. EQUITY AND RESERVES

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Share capital		
Authorised:		
1 billion ordinary shares of £0.10 each (2016: 1 billion shares of £0.10 each)	<u>5,433,600</u>	<u>5,433,600</u>
Issued and fully paid:		
160 million shares of £0.10 each (2016: 160 million shares of £0.10 each)	<u>78,936</u>	<u>78,936</u>

The Company has one class of ordinary shares which carry no right to fixed income.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. NOTE TO THE CASH FLOW STATEMENT

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000	Year ended 31 March 2017 £'000	Proforma Year ended 31 March 2016 £'000
Loss for the financial year	(34,621)	(36,326)	(6,290)	(6,596)
Adjustments for:				
Allowance for slow moving inventories	(101)	482	(18)	88
Allowance for diminution of investment	(1)	(2)	-	-
Allowance for doubtful debts	(1,054)	30,050	(191)	5,458
Bad debts written off	-	51	-	9
Depreciation of property, plant and equipment	5,342	4,989	970	906
Reduction of contingent consideration	-	(950)	-	(173)
Reversal of impairment of tangible assets	-	(13,100)	-	(2,380)
Interest expense	10,194	8,857	1,852	1,609
Interest income	(1,674)	(1,481)	(304)	(269)
Loss / (gain) on disposal of other investment	11	(3)	2	(1)
Foreign currency translation	(480)	(363)	(87)	(66)
Net movement on onerous leases	8,163	(10,950)	1,483	(1,989)
Tax	1,445	3,331	262	605
Operating cash outflows before movements in working capital	(12,777)	(15,415)	(2,321)	(2,799)
Decrease/(Increase) in inventories	1,215	(209)	221	(38)
Decrease/(Increase) in receivables	26,621	(13,411)	4,836	(2,436)
Increase in payables	8,302	21,120	1,508	3,836
Cash generated by / (used in) operations	23,361	(7,915)	4,244	(1,437)
Interest paid	(373)	(559)	(68)	(102)
Income taxes paid	(2,822)	(209)	(513)	(38)
Net cash generated by / (used in) operating activities	20,166	(8,683)	3,663	(1,577)

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. OPERATING LEASE ARRANGEMENTS

The lease payments under operating leases recognised as an expense in the year is disclosed in Note 7.

As at 31 March 2017, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Within one year	32,929	30,771
In the second to fifth years inclusive	178,754	162,393
After five years	155,207	204,497
	<u>366,890</u>	<u>397,661</u>

Operating lease payments represent rentals payable by the Group in respect of the CX1, CX2 and CX5 data centres that are under the Group's management and maintenance. The lease term of the operating leases is up to 9 years with an option to extend by an additional 16 years.

29. RELATED PARTY TRANSACTIONS

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. Transactions between the Group and its related parties are disclosed below.

Remuneration of key management personnel

The aggregate remuneration of the Directors and other key management personnel of the Group, is set out below, as required by IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report.

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Short term employee benefits	<u>2,685</u>	<u>2,762</u>

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. FINANCIAL INSTRUMENTS

Capital risk management

The Group and Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of debt which includes the borrowings and equity directly attributable to equity holders of the parent, comprising issued capital, other reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Gearing ratio

The gearing ratio at the financial year end is as follows:

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Finance leases	150	305
Term loan	334	1,498
Revolving credit	926	-
Cash and cash equivalents	(60,313)	(45,823)
Net liquidity	(58,903)	(44,020)
Capital deficiency	(55,228)	(20,127)
Net liquidity to capital deficiency	1.07	2.19

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the Financial statements.

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loan and receivables (L&R)
- (b) Fair value Through profit or loss (FVTPL)
- (c) Available for sale financial assets (AFS)
- (d) Held to maturity investments (HTM)
- (e) Other liabilities (OL)

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Financial assets		
Other investments (FVTPL)	20	155
Trade and other receivables (L&R)	36,501	59,957
Restricted cash (L&R)	14,056	14,055
Cash and cash equivalents (L&R)	60,313	45,823
	<hr/> 110,890	<hr/> 119,990
Financial liabilities		
Trade and other payables (OL)	196,077	169,730
Obligations under finance leases (OL)	150	305
Term loan (OL)	334	1,498
Revolving credit (OL)	926	-
	<hr/> 197,487	<hr/> 171,533

Financial risk management objectives

The Group's financial instruments comprise bank loans, finance leases, investments, trade receivables and trade payables that arise already from its operations. The purpose of the instruments is to raise finance for Group's activities and capital investments.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Foreign currency risk management

The Group primarily operates in Malaysian Ringgit, however it undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by periodically entering into foreign exchange contracts.

A sensitivity analysis has been performed on the outstanding foreign currency denominated monetary balances of the Group as at 31 March 2017. If the following currencies were to strengthen or weaken by 5% against the Malaysian Ringgit, the credit/(charge) to the Comprehensive Income Statement would be:

Year ended 31 March 2017	US Dollars	Pounds Sterling
	RM'000	RM'000
Strengthen against Malaysian Ringgit by 5%	33	2
Weaken against Malaysian Ringgit by 5%	(33)	(2)
	<hr/>	<hr/>
Year ended 31 March 2016	US Dollars	Pounds Sterling
	RM'000	RM'000
Strengthen against Malaysian Ringgit by 5%	25	2
Weaken against Malaysian Ringgit by 5%	(25)	(2)
	<hr/>	<hr/>

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The Group manages interest rate risk by:

- maintaining an appropriate mix of floating rate borrowings to manage cash flows; and
- entering into sale and leaseback transactions of the data centres to reduce the Group's borrowings and interest.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this Note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates of deposits and borrowings during the financial year. The credit/(charge) to the Comprehensive Income Statement following a 1% increase or decrease in interest rates would be:

	Year ended	Year ended
	31 March	31 March
	2017	2016
	RM'000	RM'000
Increase in interest rate by 1%	457	346
Decrease in interest rate by 1%	(457)	(346)
	<hr/>	<hr/>

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group only transacts with major high street banks.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to a single counterparty (the details are disclosed in Note 19).

The credit risk on liquid funds is concentrated as the majority of the Group's cash is held by Affin Bank. The banks in which the Group's cash are held are all licensed by Bank Negara Malaysia (the Central Bank of Malaysia) and are therefore guaranteed by the Malaysian Government.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and undrawn committed borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its borrowings. The tables have been drawn up based on the undiscounted cash flows of borrowings based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
31 March 2017						
Maturity						
Finance lease liability	4.3	50	100	-	-	150
Term loan	7.1	334	-	-	-	334
Revolving credit	3.5	926	-	-	-	926
		<u>1,310</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>1,410</u>

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Weighted average effective interest rate %	Less than one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
31 March 2016						
Maturity						
Finance lease liability	4.2	140	115	50	-	305
Term loan	7.1	1,164	334	-	-	1,498
		<u>1,304</u>	<u>449</u>	<u>50</u>	<u>-</u>	<u>1,803</u>

31. CONTINGENCIES

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

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Banking guarantees	<u>22,298</u>	<u>25,037</u>

32. NON-ADJUSTING EVENT AFTER THE FINANCIAL YEAR-END

On 28 September 2017, the Group entered into a Sale and Purchase Agreement to dispose of its entire equity interest in CSF CX Sdn Bhd ("CSF CX"), a wholly-owned subsidiary, for a cash consideration of RM2.00 ("Conditional Disposal"). The Board expects that the completion of the Conditional Disposal will improve the Group's financial position, principally due to the elimination of the net liabilities of CSF CX and the elimination of the Group's obligations on the leases payable, and the return of cash deposits pledged for banking facilities and rental deposits (approximately up to RM6 million (£1.1 million*)) in connection with the CX2 and CX5 data centres.

CSF GROUP PLC

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Company Statement of Comprehensive Income

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Revenue	5,420	5,844
Cost of sales	(5,164)	(5,566)
Gross profit	256	278
Administrative expenses	(1,380)	(1,567)
Allowance for doubtful debts	(840)	(4,059)
Impairment of investment in subsidiaries	(7,044)	(3,575)
Operating loss	(9,008)	(8,923)
Finance income	79	110
Net foreign exchange gain / (loss)	79	(76)
Loss before tax	(8,850)	(8,889)
Tax	-	-
Total comprehensive loss for the financial year	(8,850)	(8,889)

CSF GROUP PLC

COMPANY STATEMENT OF FINANCIAL POSITION

Company Statement of Financial Position As at 31 March 2017

	Note	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Non-current assets			
Investment in subsidiaries	34	6,430	13,474
Current assets			
Amount owing from subsidiaries	35	37,546	40,584
Other receivable		56	41
Current tax asset		31	20
Cash and cash equivalents	36	6,346	5,998
		<u>43,979</u>	<u>46,643</u>
Total assets		<u>50,409</u>	<u>60,117</u>
Current liabilities			
Other payables		2,663	3,521
Total liabilities		<u>2,663</u>	<u>3,521</u>
Net assets		<u>47,746</u>	<u>56,596</u>
Equity			
Share capital	37	78,936	78,936
Share premium account		104,499	104,499
Shares held under Employee Benefit Trust		(2,300)	(2,300)
Accumulated losses		(133,389)	(124,539)
		<u>47,746</u>	<u>56,596</u>

The financial statements of CSF Group plc registered number 104212 were approved by the Board of Directors and authorised for issue on 29 September 2017. They were signed on its behalf by:

Lee, King Loon,
Director
29 September 2017

CSF GROUP PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium Account	Shares held under Employee Benefit Trust	Share Option reserve	Accumulated loss	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2015	78,936	104,499	(2,300)	4,117	(119,767)	65,485
Expiry of share options	-	-	-	(4,117)	4,117	-
Comprehensive loss for the year	-	-	-	-	(8,889)	(8,889)
At 31 March 2016	78,936	104,499	(2,300)	-	(124,539)	56,596
Comprehensive loss for the year	-	-	-	-	(8,850)	(8,850)
At 31 March 2017	78,936	104,499	(2,300)	-	(133,389)	47,746

CSF GROUP PLC

COMPANY STATEMENT OF CASH FLOW

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Loss for the financial year	(8,850)	(8,889)
Adjustments for:		
Interest income	(79)	(110)
Allowance for doubtful debts	840	4,059
Bad debts written back	-	(114)
Impairment of investment in subsidiaries	7,044	3,575
	<hr/>	<hr/>
Operating cash outflows before movements in working capital	(1,045)	(1,479)
Increase in receivables	(15)	(25)
(Decrease) / increase in payables	(858)	30
	<hr/>	<hr/>
Cash used in operations	(1,918)	(1,474)
Tax paid	(11)	94
Net cash outflow from operating activities	<hr/> (1,929)	<hr/> (1,380)
Investing activities		
Advances to subsidiaries	(5,525)	(7,976)
Repayment from subsidiaries	7,723	5,874
Repayment of advances from joint venture	-	114
Interest received	79	110
	<hr/>	<hr/>
Net cash generated from / (used in) investing activities	2,277	(1,878)
	<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents	348	(3,258)
Cash and cash equivalents at beginning of year	5,998	9,256
	<hr/>	<hr/>
Cash and cash equivalents at end of year	<u>6,346</u>	<u>5,998</u>

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

33. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

34. SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2017 are as follows:

Name of Company	Note	Activity	Proportion of ownership interest %	Country of operation	Country of incorporation
CSF International Limited *	(a)	Holding company	100	Malaysia	Jersey
CSF Advisers Sdn Bhd *	(b)	Provision of on-going support and maintenance for data centres	100	Malaysia	Malaysia
Atlas CSF Sdn Bhd	(b)	Design, construction, installation, and initiation of data centres on an outsourced basis	100	Malaysia	Malaysia
CSF CX Sdn Bhd	(b)	Construction of owned data centres, and subsequent rental on a tenancy basis	100	Malaysia	Malaysia
CSF Network Services Sdn Bhd (formerly known as Third Wave Infrasy Sdn Bhd)	(b)	Computer supply, system development and maintenance	100	Malaysia	Malaysia
CSF Asia Pte Ltd	(c)	Construction of owned data centres, and subsequent rental on a tenancy basis	100	Malaysia	Singapore

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

Name of Company	Note	Activity	Proportion of ownership interest %	Country of operation	Country of incorporation
CSF Capital Advisory Sdn Bhd	(b)	Provide consultancy services for financial and non-financial	100	Malaysia	Malaysia
CSF Solutions Sdn Bhd	(b)	Provide software designing	100	Malaysia	Malaysia

Registered address

(a) PO Box 33, Ordnance House, 31 Pier Road, St. Helier, Jersey, Channel Islands JE4 8PW

(b) Wisma Goshen, 2nd Floor, 60,62 & 64 Jalan SS22/21, Damansara Jaya, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia

(c) 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623

35. AMOUNT OWING FROM SUBSIDIARIES

The amount owing from subsidiaries, CSF Advisers Sdn Bhd, CSF CX Sdn Bhd, CSF Asia Pte Ltd, Atlas CSF Sdn Bhd and CSF International Limited approximates its fair value.

36. CASH AND CASH EQUIVALENTS

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

37. SHARE CAPITAL

The movements on share capital are disclosed in Note 26 of the Consolidated Financial Statements.

CSF GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

38. RELATED PARTY TRANSACTIONS

	Year ended 31 March 2017 RM'000	Year ended 31 March 2016 RM'000
Advances to CSF Advisers Sdn Bhd	12	13
Advances to CSF CX Sdn Bhd	33	2,016
Advances to CSF Asia Pte Ltd	12	12
Advances to Atlas CSF Sdn Bhd	12	12
Advances to CSF Network Services Sdn Bhd	-	47
Advances to CSF International Limited	35	32
Sales to CSF Advisers Sdn Bhd	1,029	575
Sales to CSF CX Sdn Bhd	1,851	2,031
Sales to Atlas CSF Sdn Bhd	2,541	3,238

The outstanding amount from CSF Advisers Sdn Bhd, CSF CX Sdn Bhd, CSF Asia Pte Ltd, Atlas CSF Sdn Bhd and CSF International Limited are unsecured, interest-free and not subject to fixed repayment term.

CSF GROUP PLC

COMPANY INFORMATION

Company Secretary

Norhazlina Hamdan

CSF Computer Exchange 5 (CX5)
Jalan Cyber Point 2
Cyber 12
63000 Cyberjaya
Selangor Darul Ehsan
Malaysia

Company Registered Number

104212

Nominated Adviser and Broker

Allenby Capital Limited

3 St Helen's Place
London EC3A 6AB
England

Auditor

Deloitte LLP

Abbots House
Abbey Street
Reading RG1 38D United Kingdom

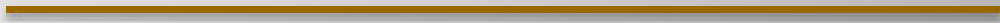
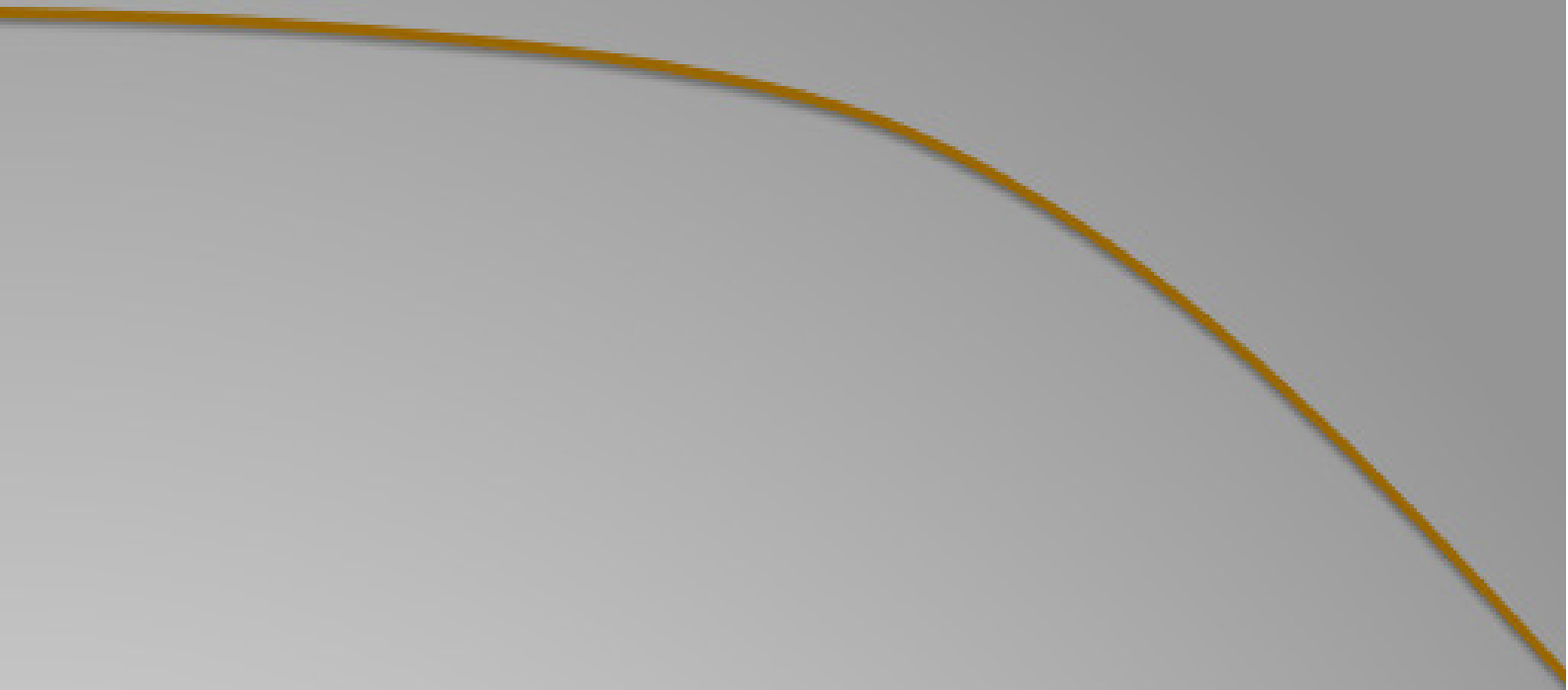
Registrar

Computershare Investor Services (Jersey) Limited

Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES
Channel Islands

CSF Group plc
CSF Computer Exchange 5 (CX5)
Jalan Cyber Point 2
Cyber 12
63000 Cyberjaya
Selangor Darul Ehsan
Malaysia
T: +603 8318 1313
F: +603 8318 0303
E: enquiry@csf-group.com

www.csf-group.com



www.csf-group.com