

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

FINAL RESULTS

CSF Group (AIM: CSFG), a leading provider of data centre facilities and services in South East Asia and the largest provider of data centre services in Malaysia, today announces full year results for the year ended 31 March 2015.

Financial highlights:

- Group revenue of RM81.8m (£15.0m*) (FY2014: RM103.5m (£18.9m*)).
- Loss before tax of RM32.0m (£5.9m*) compared to the loss before tax of RM129.8m** (£23.7m*) in FY2014
- EPS at a loss of 19.58 sen (loss 3.58p*) per share (FY2014: loss 82.78 sen (loss 15.14p*) per share)
- Closing cash position as at 31 March 2015 of RM29.2m (£5.3m*) (FY2014: RM19.8m (£3.6m*))

Operational highlights:

- Completed Block C fit-out works at CX5, the newest computer exchange facility. The Group now has 406,000 st ft of data centre space and more than 20 MW of IT power capacity in Malaysia
- Received repayment of RM29.9m (£5.5m*) in June 2015 on advances to the project owner for the development of CX5
- Secured a tenancy contract for approximately 45% of the capacity at CX5 Block B
- Continuing to pursue a pipeline of potential customers and marketing activities
 - Ongoing discussions with several potential customers
 - Enhanced marketing efforts focusing on potential customers and resellers

* *The translation of the financial statements into 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 Ringgit Malaysia into pounds Sterling at the rate prevailing on 31 March 2015 of RM5.4673 : £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.*

** *Includes a provision for onerous leases of RM62.5m (£11.4m*) and a provision for doubtful debts on advances relating to joint venture activities that have been ceased of RM20.9m (£3.8m*). In the current financial period the latter did not recur.*

For further information, please contact:

CSF Group

Phil Cartmell, Chairman

+603 8318 1313

Allenby Capital (Nominated Adviser and Broker)

Alex Price / Nick Naylor

+44 (0) 20 3328 5656

CHAIRMAN'S STATEMENT

Overview of the Year

The Group is pleased to report improvements in the financial results compared to the previous year despite it being another challenging year for CSF. The Group incurred a net loss of RM31.3m (£5.7m*) for FY2015 as compared to a net loss of RM132.5m (£24.2m*) in FY2014. The significantly higher net loss for FY2014 was mainly attributable to bad debt provisions, provision for onerous leases and provision for impairment of plant and equipment which did not recur in FY2015.

Although the net loss for FY2015 was significantly lower than that of the previous financial year, the operating loss of the data centre rental business, excluding bad debt provisions and provision for onerous leases in FY2014, was higher at RM45.0m (£8.2m*) compared to RM28.5m (£5.2m*) in the previous financial year. The higher operating loss of the data centre rental business in the reporting period was mainly attributable to the full year's lease rental expense relating to CX5 Block B which commenced in February 2014, only showing its full year of costs in this financial year.

The higher operating loss of the data centre rental business was mitigated by the gain of RM17.0m (£3.1m*) on the disposal of the entire 49% equity interest in the jointly-controlled entity, PT Cyber CSF, in Indonesia undertaken in April 2014.

The Group had a closing cash position of RM29.2m (£5.3m*) at the year end and approximately RM68.4m (£12.5m*) tied up as working capital relating to the development of CX5, our newest computer exchange facility in Malaysia, which will be collected progressively in line with the expiry of the warranty period of certain components of the fit-out works, up to the second quarter of calendar year 2017. The reasonably healthy cash reserve was mainly attributable to the repayment of RM20.0m (£3.7m*) of the cash advances initially given by CSF, by the developer of CX5 upon the completion of Block B of CX5 and the completion of the divestment of equity interest in PT Cyber CSF, the jointly-controlled entity in Indonesia with net proceeds of RM8.9m (£1.6m*).

The developer of CX5 repaid RM20.0m (£3.7m*) of the cash advances (given by CSF) in April 2014 upon completion of Block B of CX5 and pursuant to the completion of Block C, the developer of CX5 fully repaid the remaining balance of the cash advances of RM29.9m (£5.5m*) in June 2015.

The Group recorded total revenue of RM81.8m (£15.0m*), a decrease of RM21.7m (£4.0m*) or 21.0%. The decrease in total revenue was mainly attributable to the decrease in revenue from the design and development business as most of the fit-out works relating to CX5 had been completed in the previous financial year.

In July 2014, Michael Leong, formerly the Director of Corporate Development of CSF, was appointed as acting CEO. Since his appointment, the following progress has been made:

- (i) Submitted a formal proposal to the freeholder of the CX1, CX2 and CX5 data centres to restructure the lease rental payments of CX2 and CX5. The freeholder is still evaluating the proposal and the Board expects to maintain an active dialogue
- (ii) Secured new data centre rental customers including a new tenancy contract secured approximately 4.1% of the capacity at CX5 Block A and approximately 45% of the capacity at CX5 Block B

- (iii) Advanced discussions with several potential customers for the rental of data centre space at CX5
- (iv) Enhanced marketing efforts, focusing on data centre users and resellers to jointly market CSF's data centres
- (v) Submitted an application for a Malaysian government grant which will enable the Group to seek a partial reimbursement for the capital expenditure incurred / to be incurred in connection with a tenancy contract. The matter is still in progress
- (vi) Commissioned the fibre network connectivity infrastructure to link CX1, CX2 and CX5 thereby allowing us to provide our customers more efficient access to the internet gateway located at CX1

Current Trading

The Group's immediate focus is to fill the available capacity of the CX2 and CX5 data centres.

Given the competitive pressure on data centre rental prices and the operational cost structure of the data centre rental business, the Board recognises that even if the data centres attain full occupancy, the Group's data centre rental division will operate at a loss based on the existing lease rental rates payable to the freeholder. Therefore, the proposal to reduce the lease rental rates is imperative for the viability of the Group's data centre rental business.

The Board and management are working tirelessly to reduce the burn rate of our cash reserves. The Board will continue to ensure that there is no significant cash outlay other than sums required to cover the committed lease rentals and other necessary operating overheads, subject to any further capital or operating expenditure that may be required in relation to tenancy contracts.

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

The Board and the management aim to achieve controlled and sustainable growth in revenue, EBITDA, earnings per share and operating cash flows in the medium term. Aside from restructuring the lease rental payments on CX2 and CX5, a key part of this will be the generation of greater levels of recurring revenue through a network of resellers and business partnerships. The Board is working hard to realise these relationships, which will in turn provide the Group with greater earnings visibility.

Data Centre Rental

With the recent completion of Block C of CX5, the Group now has 406,000 sq ft of data centre space and more than 20 MW of IT power capacity in Malaysia.

As previously mentioned, the Group recently secured a tenancy contract for approximately 45% of the capacity at CX5 Block B. The customer commenced its occupancy of the data centre in October 2014 and is currently utilising approximately 25% of the capacity at CX5 Block B. It is scheduled to commission the remaining 20% of the capacity at CX5 Block B by the third quarter of FY2016.

If the Group is able to secure the new tenancy contracts that are presently in the pipeline, the Group has sufficient cash reserve to fund the additional capital expenditure requirements.

Our CX1 data centre remains at full capacity whilst our CX3 data centre, a 2,000 sq ft facility in Johor, Malaysia, remains substantially sub-let to a Malaysian telecommunications company.

The Group still maintains its 20% equity interest in CX4, Hanoi, Vietnam which has approximately 3,500 of data centre space and approximately 1 MW of IT power capacity.

CSF Computer Exchange Jakarta (CXJ) in Jakarta, Indonesia

In May 2014, the Group completed the divestment of its entire 49% equity interest in the joint-controlled company in Indonesia known as PT Cyber CSF ("Cyber CSF") and received net proceeds of RM8.9m (£1.6m*). With the completion of the divestment, the Group is no longer required to provide working capital support to Cyber CSF and has eliminated its exposure to the risks associated with the data centre business environment in Indonesia.

Other opportunities

The Group continues to both pursue and identify opportunities to form business alliances with a view of securing large data centre rental and/or development contracts from local and foreign customers.

Maintenance

The Group's maintenance revenue remained stable and the management continues to pursue new contracts to enhance our recurring revenue streams. The management is in the process of implementing a work-desk system to improve the response time of our technicians to ad hoc requests by customers for technical support and supply and replacement of equipment parts.

Design and Fit-out of Data Centres

With the completion of the development of CX5, the Group's design and fit-out division is actively pursuing external projects. The Group is currently pursuing a significant contract for the fit-out of a data centre for a blue chip customer.

Outlook

The Board will continue to support the efforts of the management in implementing its stated business strategies which it believes will place the Group on a solid foundation from which it can return to profitability in the near term.

The Board believes the initiative to reduce the lease rental rates is absolutely critical to the medium to long term viability of the Group's data centre rental business. In this regard, the Board will support the management's efforts in securing the agreement of the freeholder to more favourable lease rental terms and targets to complete this exercise by the second quarter of FY2016.

The priority for the Board and management is to conserve the Group's cash reserves, secure customers for the data centre rental business, and strive to improve operational efficiency in order to reduce costs.

The Board is cautiously optimistic that the Group's financial results will improve in the current financial year.

Phil Cartmell

Chairman

2 July 2015

CHIEF FINANCIAL OFFICER'S REVIEW

Introduction

The Group incurred a net loss of RM31.3m (£5.7m*) for FY2015 as compared to a net loss of RM132.5m (£24.2m*) in FY2014 which translated to basic loss per share ("LPS") of 19.58 sen (3.58p*) as compared to a basic LPS of 82.78 sen (15.14p*) in FY2014.

The net loss for FY2014 included bad debt provisions of RM16.9m (£3.1m*) and provision for onerous leases of RM62.5m (£11.4m*) and provision for impairment of plant and equipment of RM13.1m (£2.4m*) which did not recur in the current financial year.

The gain on disposal of the entire 49% equity interest in the jointly-controlled entity PT Cyber CSF in Indonesia of RM17.0m (£3.1m) reduced the operating loss for the current financial year.

The Group's closing cash position increased from RM19.8m (£3.6m*) as at 31 March 2014 to RM29.2m (£5.3m*) as at the year-end mainly due to the repayment of RM20.0m (£3.6m*) of the cash advances by the developer of CX5 upon the completion of Block B of CX5 and the completion of the divestment of equity interest in PT Cyber CSF with net proceeds of RM8.9m (£1.6m*).

Based on the Group's unrestricted cash and bank balances at the financial year end of RM29.2m (£5.3m*) and restricted cash of RM13.1m (£2.4m*), net current assets balance of RM81.3m (£14.9m*) and financial projections, including cash flows, for a period up to 31 March 2017, the Group has adequate resources to continue in operational existence for the foreseeable future.

Financial results

The financial results of the Group are summarised below:

			Proforma*	
	2015	2014	2015	2014
	RM'000	RM'000	£'000	£'000
Total Group Revenue	81,790	103,508	14,960	18,932
Gross loss	(28,637)	(7,084)	(5,238)	(1,296)
Gain on disposal of joint venture	17,002	-	3,110	-
Allowance for doubtful debts, net	(842)	(16,917)	(154)	(3,094)
Reduction of contingent consideration	910	-	166	-
Impairment of goodwill	(3,750)	-	(686)	-
Impairment of tangible assets	-	(13,100)	-	(2,396)
Provision of onerous leases	9,113	(62,500)	1,667	(11,432)
Share of loss after tax of jointly-controlled entity	(1,309)	(7,660)	(239)	(1,401)
Loss from operations	(24,804)	(129,210)	(4,536)	(23,633)
Net finance income/ (cost)	777	(462)	142	(85)
Unwinding of discounts on provision	(7,813)	-	(1,429)	-
Other (loss) / gain	(182)	(173)	(33)	(32)
Loss before tax	(32,022)	(129,845)	(5,856)	(23,749)
Tax	686	(2,620)	125	(479)
Total comprehensive loss for the financial year	(31,336)	(132,465)	(5,731)	(24,229)
Basic LPS	(19.58 sen)	(82.78 sen)	(3.58p)	(15.14p)
Weighted average number of ordinary shares for basic EPS ('000)	160,029	160,029	160,029	160,029

			Proforma*	
	2015	2014	2015	2014
Key Performance Indicators				
Gross loss margin	(35.01%)	(6.84%)	(35.01%)	(6.84%)
(Loss) / Profit from operations (excluding gain on sale of property, plant and equipment, gain on disposal of joint venture, allowance for doubtful debts, impairment of tangible assets, provision of onerous leases and share of loss after tax of jointly-controlled entity and associate) margin	(56.2%)	(28.1%)	(56.2%)	(28.1%)
Trade receivables turnover (days)	460	374	460	374
Trade payables turnover (days)	86	95	86	95
Quick ratio	4.8	4.5	4.8	4.5

Revenue

			Proforma*	
	2015	2014	2015	2014
	RM'000	RM'000	£'000	£'000
Data centre rental income	58,604	61,901	10,719	11,322
Maintenance income	11,254	9,648	2,058	1,765
	69,858	71,549	12,777	13,087
Design and development of data centre facilities income	11,932	31,959	2,183	5,845
Total Group revenue	81,790	103,508	14,960	18,932

The Group recorded total revenue of RM81.8m (£15.0m*), a decrease of RM21.7m (£4.0m*) or 21.0% from FY2014. The decrease in data centre rental revenue was mainly attributable to the non-renewal of a tenancy contract which expired in November 2014 which resulted in a significant decrease in electricity consumption reimbursement. Maintenance revenue increased by RM1.6m (£0.29m*) mainly due to more ad hoc requests received for repair and upkeep of third party data centres.

Revenue from the design and development decreased by RM20.0m (£3.7m*) or 62.7% as the final phase of the CX5 project was substantially completed in the previous financial year and only recognised development revenue of RM3.8m in current financial year for the remaining works of final phase of CX5 project.

Gross loss

The Group recorded a gross loss margin of 35.01% in the current financial year as compared to a gross loss margin of 6.84% in FY2014. This was mainly attributable to the gross loss margin on data centre rentals as tabulated below:

			Proforma*	
	2015	2014	2015	2014
	RM'000	RM'000	£'000	£'000
Data centre rental revenue	58,604	61,901	10,719	11,322
Direct expenses	(95,829)	(82,264)	(17,528)	(15,047)
Gross loss on data centre rental	(37,225)	(20,363)	(6,809)	(3,725)
Gross loss margin on data centre rental	(63.5%)	(32.9%)	(63.5%)	(32.9%)

The higher gross loss margin on data centre rental of 63.5% was mainly due to the higher lease rental expense of RM65.9m (£12.1m*) compared to RM51.0m (£9.3m*) in FY2014. This was due to the full year's accrual for lease rental expense relating to CX5 Block B as compared to less than 2 months' lease rental expense on CX5 Block B recorded in FY2014.

Gross profit margin on maintenance income and design and development of data centre facilities decreased marginally from 56.5% in 2014 to 52.8% in 2015 and from 24.5% in 2014 to 24.0% in 2015 respectively.

Loss from operations

The Group registered a loss from operations of RM24.8m (£4.5m*) compared to a loss from operations of RM129.2m (£23.6m*) in 2014 as analysed below:

	2015	2014	Proforma*	
	RM'000	RM'000	2015 £'000	2014 £'000
Operating loss from data centre rental, maintenance, and design and development of data centre facilities	(45,916)	(28,359)	(8,440)	(5,187)
(Loss) / Gain on sale of property, plant and equipment	(46)	20	(8)	4
Gain on disposal of joint venture	17,002	-	3,110	-
Other operating income - other	266	1,030	48	188
Allowance for doubtful debts, net	(842)	(16,917)	(154)	(3,094)
Reduction of contingent consideration	910	-	166	-
Impairment of goodwill	(3,750)	-	(686)	-
Impairment of tangible assets	-	(13,100)	-	(2,396)
Provision for onerous leases	9,113	(62,500)	1,667	(11,432)
Management restructuring costs	(232)	(1,724)	-	(315)
Share of loss after tax of jointly-controlled entity	(1,309)	(7,660)	(239)	(1,401)
Total operating loss	(24,804)	(129,210)	(4,536)	(23,633)

The higher operating loss was mainly attributable to the higher operating loss on data centre rental as explained in **Gross loss** as above and lower design and development revenue as explained in **Revenue** above.

In spite of the higher operating loss, the total operating loss in the current year was significantly lower mainly due to several significant expense items recorded last year which either did not recur or were significantly lower in the current year, namely allowance for doubtful debts, impairment of tangible assets, provision for onerous leases, management restructuring costs and share of loss after tax of jointly-controlled entity. In addition, the Group recorded a gain on disposal of interest in the jointly-controlled entity of RM17.0m (£3.1m*) in the current year.

Net finance cost

Net finance cost for the current year increased to RM8.8m (£1.6m*) from RM1.5m (£0.28m*) in 2014 mainly due to unwinding of discounts on provision (for onerous leases) of RM7.8m (£1.4m*) recognised in the current year.

Taxation

The Group incurred a reversal of tax expense for the year mainly due to deferred tax assets recognised on profitable companies within the Group.

Earnings per share

Basic and diluted loss per share (“LPS”) was 19.58 sen (3.58p*) compared to a LPS of 82.78 sen (15.14p*) in 2014. The weighted average number of shares during the year used for basic and diluted LPS calculation is 160,028,667 (2014: 160,028,667).

Dividends

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

Cash and treasury

			Proforma*	
	2015 RM'000	2014 RM'000	2015 £'000	2014 £'000
Cash (used by) / generated from operations before working capital movements and net finance income / cost	(49,785)	(27,797)	(9,107)	(5,085)
Working capital movements	29,417	(9,256)	5,380	(1,693)
Net finance cost / income	7,036	462	1,287	85
	(13,332)	(36,591)	(2,440)	(6,693)
Repayment of loans by the owner of a development project	20,000	-	3,658	-
Repayment by / (Loans and advances to) the jointly-controlled entity	8,921	(2,980)	1,632	(545)
Capital expenditure	(5,791)	(2,439)	(1,059)	(446)
Acquisition of a subsidiary	(1,440)	(1,200)	(263)	(219)
Net cash from other investing activities	1,766	1,156	323	211
Net cash inflow / (outflow) before financing activities	10,124	(42,054)	1,851	(7,692)
Net cash for financing activities	(781)	(37)	(142)	(7)
Net cash inflow / (outflow)	9,343	(42,091)	1,709	(7,699)

The Group recorded net cash used by operations before working capital movements and net finance cost of RM49.8m (£9.1m*) as compared to RM27.8m (£5.1m*) in 2014 mainly due to the decrease in total revenue and also the higher operating loss from data centre rental.

The Group recorded a positive movement in working capital of RM29.4m (£5.4m*) as compared to a negative working capital movement of RM9.3m (£1.7m*) in 2014. The positive working capital movement in the current year is mainly due to the collection of trade receivables arising from the data centre rental business and also the reduction of the lease rental payments relating to CX2 and CX5. While negotiations with the freeholder of CX2 and CX5 are still ongoing, the management exercised its discretion to reduce the lease rental payments in line with the Group’s strategy to conserve cash. The Group accrued for the lease rental expense in full but actual cash payments were significantly lower.

The balance of trade receivable relating to the CX5 project of RM36.9 million is due to be received progressively in line with the expiry of the warranty period of certain components of the fit-out works, which is expected to end in the second quarter of calendar year 2017.

The gross trade receivables balance decreased from RM107.4m (£19.6m*) as at 31 March 2014 to RM98.8m (£18.1m*) as at 31 March 2015 mainly due to collection of certain overdue trade receivables during the year.

The developer of CX5 has repaid RM20.0m (£3.6m*) of the cash advances (given by CSF) in April 2014. As at 31 March 2015, the outstanding advances to the developer amounted to RM29.9m (£5.5m*). This was fully repaid in June 2015.

During the year, the Group completed the divestment of its equity interest in PT Cyber CSF, the jointly-controlled entity in Indonesia and partially recovered the advances given to PT Cyber CSF amounting to RM8.9m (£1.6m*).

The Group's capital expenditure was mainly for the purchase of new equipment for the CX5 data centre for the purpose of meeting the data centre configuration of certain customers.

Post Balance Sheet Events

The Group submitted a proposal to the freeholder of the CX1, CX2 and CX5 data centres which encompassed a revision of the terms of the lease agreements pertaining to the aforementioned data centres. The proposal encompasses the request for a substantial reduction to the fixed lease rental payments, and incorporating incremental payments based on a revenue-sharing model upon CX2 and CX5 achieving the specified monthly (data centre) rental revenue thresholds.

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) as 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) as below.

Lee, King Loon

Chief Financial Officer

2 July 2015

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2015

	Year ended 31 March 2015 RM'000	Year ended 31 March 2014 RM'000	Proforma	
			Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Revenue	81,790	103,508	14,960	18,932
Cost of sales	(110,427)	(110,592)	(20,198)	(20,228)
Gross loss	(28,637)	(7,084)	(5,238)	(1,296)
Other operating income	266	1,030	49	188
Net (loss)/gain on sale of property, plant and equipment	(46)	20	(8)	4
Gain on disposal of other investment	-	27	-	5
Gain on disposal of joint venture	4 17,002	-	3,110	-
Share of loss after tax	-	-	-	-
- associate	-	-	-	-
- joint venture	(1,309)	(7,660)	(239)	(1,401)
Administrative expenses	(16,978)	(20,380)	(3,106)	(3,728)
Share based payment	-	(728)	-	(133)
Bad debts written off	(301)	(194)	(55)	(35)
Net allowance for doubtful debts	-	-	-	-
- others	(842)	3,992	(154)	730
- joint-venture	-	(20,909)	-	(3,824)
Impairment of goodwill	(3,750)	-	(686)	-
Reduction of contingent consideration	910	-	166	-
Impairment of tangible assets	-	(13,100)	-	(2,396)
Provision for onerous leases	5 9,113	(62,500)	1,667	(11,432)
Management restructuring cost	(232)	(1,724)	(42)	(315)
Total operating expenses	(12,080)	(115,543)	(2,210)	(21,133)
Operating loss	(24,804)	(129,210)	(4,536)	(23,633)
Finance income	1,748	1,051	320	192
Net foreign exchange loss	(182)	(173)	(33)	(32)
Interest payable on bank loans, overdrafts and finance lease	(971)	(1,513)	(178)	(277)
Unwinding of discounts on provisions	5 (7,813)	-	(1,429)	-
Finance costs	(8,784)	(1,513)	(1,607)	(277)
Loss before tax	(32,022)	(129,845)	(5,856)	(23,750)
Tax	686	(2,620)	125	(479)
Total comprehensive loss for the financial year	(31,336)	(132,465)	(5,731)	(24,229)
EPS				
- Basic (Malaysian sen)	(19.58)	(82.78)	(3.58)p	(15.14)p
- Diluted (Malaysian sen)	(19.58)	(82.78)	(3.58)p	(15.14)p

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

	As at 31 March 2015 RM'000	As at 31 March 2014 RM'000	Proforma	
			As at 31 March 2015 £'000	As at 31 March 2014 £'000
Non-current assets				
Property, plant and equipment	13,446	11,825	2,459	2,163
Interest in associate	-	-	-	-
Other Investments	153	172	28	31
Goodwill	-	3,750	-	686
Trade receivables	566	-	104	-
Deferred tax asset	1,969	729	360	133
	16,134	16,476	2,951	3,013
Current assets				
Inventories	2,054	2,978	376	545
Trade and other receivables	108,925	137,740	19,925	25,193
Current tax assets	242	495	44	91
Restricted cash	13,095	13,231	2,395	2,420
Cash and cash equivalents	31,379	21,972	5,739	4,019
	155,695	176,416	28,479	32,268
Total assets	171,829	192,892	31,949	35,281
Current liabilities				
Trade and other payables	73,130	54,829	13,376	10,028
Current tax liabilities	-	491	-	90
Bank borrowings	1,164	776	213	142
Obligations under finance leases	140	140	26	26
Investment held for sale	-	6,392	-	1,169
	74,434	62,628	13,615	11,455
Non-current liabilities				
Obligations under finance leases	305	445	56	81
Bank borrowings	1,498	2,662	274	487
Trade and other payables	17,830	16,679	3,261	3,051
Deferred tax liabilities	-	80	-	15
Onerous lease provision	61,200	62,500	11,194	11,432
	80,833	82,366	14,785	15,066
Total liabilities	155,267	144,994	28,400	26,521
Net assets	16,562	47,898	3,029	8,760
Equity				
Share capital	78,936	78,936	14,438	14,438
Share premium account	104,499	104,499	19,113	19,113
Shares held under Employee Benefit Trust	(2,300)	(2,300)	(421)	(421)
Other reserve	(66,153)	(66,153)	(12,100)	(12,100)
Share option reserve	4,117	4,117	753	753
Accumulated loss	(102,537)	(71,201)	(18,754)	(13,023)
Total equity	16,562	47,898	3,029	8,760

CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended 31 March 2015

	Year ended 31 March 2015 RM'000	Year ended 31 March 2014 RM'000	Proforma Year ended 31 March 2015 £'000	Proforma Year ended 31 March 2014 £'000
Net cash used in operating activities	(13,332)	(36,591)	(2,440)	(6,693)
Investing activities				
Interest received	1,748	1,051	320	192
Loans to joint venture	-	(2,980)	-	(545)
Repayment of advances from joint venture	8,921	-	1,632	-
Repayment of advances from the owner of a development project	20,000	-	3,658	-
Additions to property, plant and equipment	(5,791)	(2,439)	(1,059)	(446)
Net proceeds from sale of property, plant and equipment	18	78	3	14
Proceeds from sale of other investment	-	27	-	5
Purchase of new subsidiary, net of cash	(1,440)	(1,200)	(263)	(219)
Net cash generated from/ (used in) investing activities	23,456	(5,463)	4,291	(999)
Financing activities				
Repayments of obligations under finance leases	(140)	(140)	(25)	(26)
Decrease/(Increase) in restricted cash	135	(122)	25	(22)
Drawdown of borrowings	-	225	-	41
Repayment of borrowings	(776)	-	(142)	-
Net cash used in financing activities	(781)	(37)	(142)	(7)
Net increase / (decrease) in cash and cash equivalents	9,343	(42,091)	1,709	(7,699)
Cash and cash equivalents at beginning of financial year	19,839	61,930	3,628	11,327
Cash and cash equivalents at end of financial year	29,182	19,839	5,337	3,628

CONSOLIDATED STATEMENT OF CASH FLOW (Cont'd)
For the year ended 31 March 2015

	Year ended 31 March 2015 RM'000	Year ended 31 March 2014 RM'000	Proforma	
			Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Loss for the financial year	(31,336)	(132,465)	(5,731)	(24,229)
Adjustments for:				
Allowance for slow moving inventories	361	39	66	8
Allowance for diminution of investment	19	41	3	8
Allowance for doubtful debts:				
- Others	842	(3,992)	154	(730)
- Joint venture	-	20,909	-	3,824
Bad debts written off	301	194	55	35
Depreciation of property, plant and equipment	4,107	3,353	751	613
Reduction of contingent consideration	(910)	-	(166)	-
Impairment of goodwill	3,750	-	686	-
Impairment of tangible assets	-	13,100	-	2,396
Interest expense	8,784	1,513	1,607	277
Interest income	(1,748)	(1,051)	(320)	(192)
Gain on disposal of joint venture	(17,002)	-	(3,110)	-
Net gain on sale of property, plant and equipment	46	(20)	8	(4)
Gain on disposal of other investment	-	(27)	-	(5)
Share based payment	-	728	-	133
Share of loss after tax of jointly controlled entity	1,309	7,660	239	1,401
Onerous leases	(9,113)	62,500	(1,667)	11,432
Tax	(686)	2,620	(125)	479
Operating cash outflows before movements in working capital	(41,276)	(24,898)	(7,550)	(4,554)
Decrease in inventories	563	967	103	177
Decrease/(Increase) in receivables	7,484	(8,748)	1,368	(1,600)
Increase/(Decrease) in payables	21,370	(1,475)	3,909	(270)
Cash used in operations	(11,859)	(34,154)	(2,170)	(6,247)
Interest paid	(599)	(973)	(110)	(178)
Income taxes paid	(874)	(1,464)	(160)	(268)
Net cash used in operating activities	(13,332)	(36,591)	(2,440)	(6,693)

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	(Accumulated loss) / Retained earnings RM'000	Total RM'000
At 1 April 2013	78,936	104,499	(2,300)	(66,153)	3,389	61,264	179,635
Total comprehensive loss for the year	-	-	-	-	-	(132,465)	(132,465)
Share based payment	-	-	-	-	728	-	728
At 31 March 2014	78,936	104,499	(2,300)	(66,153)	4,117	(71,201)	47,898
Total comprehensive loss for the year	-	-	-	-	-	(31,336)	(31,336)
At 31 March 2015	78,936	104,499	(2,300)	(66,153)	4,117	(102,537)	16,562

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PROFORMA**

Proforma	Share Capital £'000	Share premium account £'000	Shares held under Employee Benefit Trust £'000	Other reserve £'000	Share option reserve £'000	(Accumulated loss) / Retained earnings £'000	Total £'000
At 1 April 2013	14,438	19,113	(421)	(12,100)	620	11,206	32,856
Total comprehensive loss for the year	-	-	-	-	-	(24,229)	(24,229)
Share based payment	-	-	-	-	133	-	133
At 31 March 2014	14,438	19,113	(421)	(12,100)	753	(13,023)	8,760
Total comprehensive loss for the year	-	-	-	-	-	(5,731)	(5,731)
At 31 March 2015	14,438	19,113	(421)	(12,100)	753	(18,754)	3,029

1. General information

The Preliminary Announcement and the final accounts of the Group were approved by the Board of Directors on 2 July 2015. The financial information set out in this Preliminary Announcement does not constitute the Group's statutory accounts for the year ended 31 March 2015 but is derived from those accounts. The statutory accounts for 2015 will be delivered to the Jersey Registrar of Companies in October 2015. The auditors have reported on the 2015 accounts and their report was unqualified but did contain an emphasis of matter as described below.

In forming their opinion on the financial statements, which was not qualified, the auditors considered the adequacy of the disclosure made in paragraph (v) of note 1 and note 5 to this preliminary announcement concerning the Group's ability to continue as a going concern and the basis of calculation of the onerous lease provision.

The preliminary announcement does not include the adjustments that would result if the company was unable to continue as a going concern.

(i) Basis of preparation

The consolidated financial statements of CSF Group plc, for the year ended 31 March 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in late 2015.

(ii) Pro forma

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 2015 of RM5.4673: £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.

(iii) Basis of accounting

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those financial statements.

(iv) Forward-looking statements

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

(v) Going concern

The Group's business activities, together with the factors likely to affect the future development, performance and position are set out in the Interim Chairman's Statement. The financial position of the Group, its cash flows and liquidity positions are described in the Chief Financial Officer's Statement. 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 2015, the Group's cash and cash equivalents excluding deposits held on behalf of the Employee Benefit Trust stand at RM29.2 million.

The Directors have prepared financial projections, including cash flows, for a period up to 31 March 2017. The projections include sensitivity testing to consider a reasonable worst case scenario. Based on these projections and taking into consideration the current financial position of the Group and future capital and lease commitments, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. In reaching this conclusion the directors have paid particular attention to the following factors:

- The positive progress that is already being made in restructuring the business and the heightened focus on cash management;
- The existing cash reserves of the business, and the fact that the Group has low levels of bank borrowings 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;
- The Group has already secured new tenants for part of CX5 and is in active discussions with a number of other potential tenants to secure an adequate level of occupancy;
- Due to changes in the data centre rental market, current market rentals have declined. In this regard, the Group is in active negotiations to restructure the operating lease rental of CX2 and CX5 and is confident that the restructuring will be successful;
- The Group received significant cash receipts of RM20.0 million upon the completion of block B of CX5 in April 2014 and RM31.4 million upon the completion of block C of CX5 in June 2015. The balance of amounts receivable relating to the CX5 project of RM36.9 million is due to be received progressively in line with the expiry of the warranty period of certain components of the fit-out works relating to CX5, which is expected to end in the second quarter of calendar year 2017;
- The proceeds received from the disposal of the investment in PT Cyber CSF in May 2014;

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

Notwithstanding the above and taking into consideration the current financial position, future capital and lease commitments of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements for the year ended 31 March 2015. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

- (vi) 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.

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.

Recoverability of amounts owing from IDCB

Trade and other receivables includes an aggregate amount of RM68.4m due from IDCB, the developer of the CX5 data centre. Subsequent to the financial year end, the Group received RM31.4 million upon the completion of block C of CX5 in June 2015. The balance of cash receipts of RM31.5 million is due to receive progressively in line with the expiry of the warranty period of certain components of the fit-out works relating to CX5, which is expected to end in summer 2016. The remaining RM5.5 million is related to retention sum of CX5 fit-out works, which is due to be received in April 2017. The recoverability of the remaining amount due from IDCB is dependent on the completion of certain milestones anticipated in the legal agreements, which contemplates recovery over the next financial year. This represents a significant receivable on the Group's balance sheet, there is inherent risk in both the recoverability of the receivables and the timing of associated receipts. However, given the current status of the construction project the Directors have concluded the receivables are not impaired.

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 range from 8 to 10 years and the estimate may vary as a result of changes in the utilisation and price of a data centre's space. The onerous lease provision included in long term liabilities as set out in note 8 has been calculated on the assumption that the Group will agree a reduction in ongoing lease rental costs in respect of certain of its data centres. Whilst the directors expect such a lease rental reduction to be successfully negotiated, there is no legal agreement in place as at the date of approval of these financial statements, and it is inherently uncertain whether such a legal agreement will be achieved. If such an agreement is not reached then the onerous lease provision would be increased from RM61.2 million to RM164.2 million. This is a significant judgment which is considered to represent a significant material uncertainty.

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.

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.

2. 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 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 underspends 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.

3. Segment reporting

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

Year ended 31 March 2015	Data centre rental RM'000	Maintenance RM'000	Design and development of data centre facilities RM'000	Consolidated RM'000
Revenue	58,604	11,254	11,932	81,790
Cost of sales	(95,829)	(5,313)	(9,285)	(110,427)
Gross profit / (loss)	(37,225)	5,941	2,647	(28,637)
Other operating income	-	-	266	266
Administrative cost	(3,635)	(572)	(647)	(4,854)
Allowance for doubtful debts	(655)	-	(187)	(842)
Allowance for slowing stock	-	-	(361)	(361)
Allowance for diminution of investment	-	-	(19)	(19)
Unwinding of discounts on provision	(7,813)	-	-	(7,813)
Onerous leases	9,113	-	-	9,113
Staff costs	(4,132)	(938)	(981)	(6,051)
Segment depreciation	(31)	(23)	(100)	(154)
Segment result	(44,300)	4,408	618	(39,352)
Bad debts written off				(301)
Impairment of goodwill				(3,750)
Reduction of contingent consideration				910
Management restructuring costs				(232)
Corporate cost				(5,539)
Finance income				1,748
Gain on disposal of joint venture				17,002
Net foreign exchange loss				(182)
Loss on disposal of property, plant and equipment				(46)
Share of loss of jointly controlled entity				(1,309)
Finance costs				(971)
Loss before tax				(32,022)
Tax				686
Loss after tax				(31,336)

Year ended 31 March 2014	Data centre rental RM'000	Maintenance RM'000	Design and development of data centre facilities RM'000	Consolidated RM'000
Revenue	61,901	9,648	31,959	103,508
Cost of sales	(82,264)	(4,193)	(24,135)	(110,592)
Gross profit / (loss)	(20,363)	5,455	7,824	(7,084)
Other operating income	-	-	1,030	1,030
Administrative cost	(3,719)	(463)	(1,599)	(5,781)
Allowance for doubtful debts	2,192	(212)	2,012	3,992
Allowance for slowing stock	-	-	(39)	(39)
Allowance for diminution of investment	-	-	(41)	(41)
Bad debts written off	-	-	(194)	(194)
Onerous leases	(62,500)	-	-	(62,500)
Staff costs	(4,410)	(838)	(2,628)	(7,876)
Segment depreciation	(44)	(20)	(69)	(133)
Segment result	(88,844)	3,922	6,296	(78,626)
Allowance for doubtful debts - joint venture				(20,909)
Management restructuring costs				(1,724)
Impairment of tangible assets				(13,100)
Corporate cost				(7,238)
Finance income				1,051
Net foreign exchange loss				(173)
Gain on disposal of property, plant and equipment				20
Gain on disposal of other investment				27
Share of loss of jointly controlled entity				(7,660)
Finance costs				(1,513)
Loss before tax				(129,845)
Tax				(2,620)
Loss after tax				(132,465)

4. Gain on disposal of joint venture

The gain on disposal of joint venture is as follow:

	As at 31 March 2015 RM'000
Net liabilities of joint venture (CSF Group plc's proportion of ownership interest)	(17,002)
Gain on disposal	17,002
Net cash inflow/ proceed on disposal	<u>-*</u>

* Sale proceed USD 1 on the disposal of joint venture.

On 24 March 2014, the Group had entered into an agreement with a third party to dispose of its entire interest in PT Cyber CSF including the settlement of the net amount owing by PT Cyber CSF to the Group for a net consideration USD2,732,483 (RM8,921,284) which was received in full by the Group on 22 May 2014.

5. Onerous leases

	As at 31 March 2015 RM'000	As at 31 March 2014 RM'000
Movement in provision of onerous leases		
At start of financial year	62,500	-
Additional provision during the financial year	29,025	62,500
Utilisation of provision	(38,138)	-
Unwinding of discount	7,813	-
At end of financial year	<u>61,200</u>	<u>62,500</u>

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

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

The onerous lease provision included in long term liabilities has been calculated on the assumption that the Group will agree a reduction in ongoing lease rental costs in respect of certain of its data centres. Whilst the directors expect such a lease rental reduction to be successfully negotiated, there is no legal agreement in place as at the date of approval of these financial statements, and it is inherently uncertain whether such a legal agreement will be achieved. If such an agreement is not reached then the onerous lease provision would be increased from RM62.5 million to RM164.2 million.

6. 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 2015	Year ended 31 March 2014
Net loss for the financial year after taxation attributable to members (RM'000)	<u>(28,286)</u>	<u>(132,465)</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 than the inclusion of potential ordinary shares associated with share options in the diluted loss per share calculation would serve to decrease the net loss per share. On that basis, no adjustment has been made for diluted loss per share.

7. Dividend

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

8. Contingencies

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

	As at 31 March 2015 RM'000	As at 31 March 2014 RM'000
Bank guarantees	<u>27,549</u>	<u>25,507</u>

-ends-