



MYKRIS LIMITED

**CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE
SIX MONTHS ENDED 30 SEPTEMBER 2013**

MYKRIS LIMITED

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30 SEPTEMBER 2013**

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MYKRIS LIMITED

DIRECTORS' REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The Directors of Mykris Ltd are pleased to present the unaudited interim results on the Group's performance for the six months ended 30 September 2013.

The six months was another very strong performance for the Group with an EBITDA of \$448,016 and positive cash flow from operating activities of \$1,020,867. A Dividend of \$479,361 was paid to shareholders during the period.

Performance Review

The revenue for the six months to 30 September was \$3.62m, down from \$5.16m in the corresponding period last year. The reason for the reduction was the completion of the significant installation contract. Mykris earns income from the setup of new contracts (installation) and also from the provision of ongoing managed internet services. The installation business is positive for revenue, but it is normally relatively low margin business. Whilst sales reduced \$1.54m the gross profit only reduced \$158,931.

The gross profit was solid at \$2.09m compared to \$2.26m in 2012.

The Installation projects will continue to create variability in the revenues and earnings of Mykris.

The Total comprehensive income for the period was a loss of \$372,718 compared to a profit of \$635,244 for the same period last year.

Non Cash Items

Due to the structure of the Group and the sector in which it operates there are very significant non-cash items. The following are the most significant for the period to 30 September 2013.

Depreciation	\$295,267
Amortisation	\$537,511

EBITDA (Earnings before interest, tax, depreciation and amortization) is strong at \$448,016.

Investment in the future

The managed Internet market is growing very strongly in most countries in Asia. Malaysia is no exception. Mykris has been investing in developing its marketing in Malaysia and is exploring avenues to enter new markets in other countries such as Myanmar and Vietnam.

As the Internet market grows in size, it also becomes more complex as Companies increase the number of applications that they operate using the internet. One of the highest growth segments in the Internet sector is Managed Internet Services including managed infrastructure, managed data centres, managed co-location and hosting as well as managed security.

The marketing and sales costs in the six month period have increased by approximately 450% to \$278,916. The directors are confident that this additional investment will create significant additional income in the future. The Directors will make the necessary announcements once significant contracts have been secured.

Balance Sheet

The Directors have maintained a very strong Balance Sheet with virtually no borrowings. The Group has Cash and Cash equivalents of \$1,668,268 as at 30 September 2013.

MYKRIS LIMITED

DIRECTORS' REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Growth and expansion

One of the highest growth segments in the Internet sector is Managed Internet Services including managed infrastructure, managed data centres, managed co-location and hosting as well as managed security. The Directors are actively seeking ways in which the Group can expand.

The options include new contracts, joint ventures, and mergers and acquisitions. All three avenues are under consideration at the time of completion of this report. These include opportunities in the Malaysian market as well as New Zealand and the high growth markets of South East Asia e.g. Vietnam and Myanmar.

There are a large number of options and the Directors have to choose carefully so the maximum benefit is gained for the shareholders.

The Directors will make the appropriate announcements as soon as progress is made.

Dividend

It has been the Directors' policy of reviewing the dividend on a six monthly basis. The decision is based on, the projected future earnings, the investment opportunities available, the capital requirements for new business.

Although the projected earnings are in the stable to strong category, the Directors have decided not to declare a dividend this period as the investment opportunities are very strong. There will be another review in January, however based on current expectations this decision is unlikely to change.

The Next Stage

Mykris has a very loyal client base and a very effective business model. The Directors believe that these factors, plus market opportunities, the strong business strategies and a focused and highly motivated and capable management team will give the shareholders very good returns over the foreseeable future.

In the short term the Group will focus on delivering a strong second six month result.

For more information on our activities, please refer to our website <http://www.mykris.net>

For and on behalf of the Board of Directors, dated 10 December 2013:



Chew Choo Soon
Executive Chairman



Siow Hock Lee
Chairman Audit Committee
Independent Non-Executive Director

MYKRIS LIMITED**Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2013**

	Unaudited 6 months 30/09/2013 NZ\$	Unaudited 6 months 30/09/2012 NZ\$	Audited 12 months 31/03/2013 NZ\$
Operating revenue	3,617,339	5,161,928	8,878,771
Cost of sales	(1,519,351)	(2,905,009)	(3,835,013)
Gross profit	2,097,988	2,256,919	5,043,758
Other revenue	1,977	3,424	42,380
Selling and distribution expenses	278,916	49,984	418,412
Administration expenses	1,584,373	969,676	2,312,480
Other expenses	621,438	494,176	1,273,764
	2,484,727	1,513,836	4,004,656
Operating profit / (loss) before financing costs and taxation benefit / (expense)	(384,762)	746,507	1,081,482
Finance income	7,929	-	1,118
Finance expense	(3,130)	(8,075)	(8,661)
Net finance income / (expense)	4,799	(8,075)	(7,543)
Net profit / (loss) before income taxation benefit / (expense)	(379,963)	738,432	1,073,939
Taxation benefit / (expense)	143,920	(40,122)	212,783
Net profit / (loss) after income taxation benefit / (expense)	(236,043)	698,310	1,286,722
Other comprehensive income			
Movement in foreign currency translation reserve	(136,675)	(63,066)	(152,295)
Other comprehensive income / (loss) for the period	(136,675)	(63,066)	(152,295)
Total comprehensive income / (loss) for the period	(372,718)	635,244	1,134,427
Loss per share:			
Basic loss per share (cents per share)	(0.00)	0.01	0.02
Diluted loss per share (cents per share)	(0.00)	0.01	0.02

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKRIS LIMITED**Condensed Consolidated Statement of Changes in Equity****For the six months ended 30 September 2013**

	Share Capital	Retained Earnings	Foreign Exchange Reserve	Total
Balance at 31 March 2012	15,000,000	(361,086)	(177)	14,638,737
Comprehensive income				
Net profit for the period	-	698,310	-	698,310
Other comprehensive income				
Movement in foreign currency translation reserve	-	-	(63,066)	(63,066)
Total comprehensive income	-	698,310	(63,066)	635,244
Total transactions with owners	-	-	-	-
Balance at 30 September 2012	<u>\$ 15,000,000</u>	<u>\$ 337,224</u>	<u>\$ (63,243)</u>	<u>\$ 15,273,981</u>

	Share Capital	Retained Earnings	Foreign Exchange Reserve	Total
Balance at 31 March 2012	15,000,000	(361,086)	(177)	14,638,737
Comprehensive income				
Net profit for the period	-	1,286,722	-	1,286,722
Other comprehensive income				
Movement in foreign currency translation reserve	-	-	(152,295)	(152,295)
Total comprehensive income	-	1,286,722	(152,295)	1,134,427
Transactions with owners				
Dividend paid	-	(419,441)	-	(419,441)
Total transactions with owners	-	(419,441)	-	(419,441)
Balance at 31 March 2013	<u>\$ 15,000,000</u>	<u>\$ 506,195</u>	<u>\$ (152,472)</u>	<u>\$ 15,353,723</u>
Comprehensive income				
Net profit / (loss) for the period	-	(236,043)	-	(236,043)
Other comprehensive income				
Movement in foreign currency translation reserve	-	-	(136,675)	(136,675)
Total comprehensive income	-	(236,043)	(136,675)	(372,718)
Transactions with owners				
Dividend paid	-	(479,361)	-	(479,361)
Total transactions with owners	-	(479,361)	-	(479,361)
Balance at 30 September 2013	<u>\$ 15,000,000</u>	<u>\$ (209,209)</u>	<u>\$ (289,147)</u>	<u>\$ 14,501,644</u>

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKRIS LIMITED
Condensed Consolidated Statement of Financial Position
As at 30 September 2013

	Unaudited 30/09/2013 NZ\$	Unaudited 30/09/2012 NZ\$	Audited 31/03/2013 NZ\$
SHAREHOLDERS EQUITY			
Share capital	15,000,000	15,000,000	15,000,000
Retained earnings	(209,209)	337,224	506,195
Foreign currency translation reserve	(289,147)	(63,243)	(152,472)
Total shareholders equity	\$ 14,501,644	\$ 15,273,981	\$ 15,353,723
<i>Represented by:</i>			
CURRENT ASSETS			
Cash and cash equivalents	1,668,268	1,337,884	1,747,956
Trade receivables	1,172,513	3,132,778	1,743,777
Prepayments and other current assets	1,373,035	1,018,475	1,194,507
Taxation receivable	32,303	-	-
Related party receivables	246,322	51,560	135,688
Deferred tax assets - current portion	44,860	37,357	42,911
Total current assets	4,537,301	5,578,054	4,864,839
NON-CURRENT ASSETS			
Property, plant and equipment	1,388,950	1,249,537	1,386,738
Intangible assets and goodwill	12,393,193	13,473,336	12,932,563
Total non-current assets	13,782,143	14,722,873	14,319,301
Total assets	18,319,444	20,300,927	19,184,140
CURRENT LIABILITIES			
Trade and other payables	527,743	1,740,997	540,467
Deferred Income	1,028,043	613,248	741,566
Taxation payable	41,026	48,673	10,203
Related party payables	3,573	53,406	146,387
Term borrowings - current portion	26,511	21,517	30,642
Deferred tax liabilities - current portion	270,567	327,687	351,332
Total current liabilities	1,897,463	2,805,528	1,820,597
Non-current liabilities			
Term borrowings - non current portion	74,663	120,642	88,676
Deferred tax liabilities - non current portion	1,845,674	2,100,776	1,921,144
Total non-current liabilities	1,920,337	2,221,418	2,009,820
Total liabilities	3,817,800	5,026,946	3,830,417
Net assets / (liabilities)	\$ 14,501,644	\$ 15,273,981	\$ 15,353,723

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKRIS LIMITED
Condensed Consolidated Statement of Cash Flows
For the six months ended 30 September 2013

	Unaudited 6 months 30/09/2013 NZ\$	Unaudited 6 months 30/09/2012 NZ\$	Audited 12 months 31/03/2013 NZ\$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Cash receipts from customers	4,277,513	2,810,696	7,814,214
Interest received	7,929	-	1,118
Other income received	1,977	3,424	42,380
<i>Cash was applied to:</i>			
Cash payments to suppliers and employees	(3,254,738)	(2,444,263)	(6,267,656)
Interest paid	(3,130)	(8,075)	(8,661)
Taxation paid	(8,684)	(58,309)	(5,417)
Net cash inflow from operating activities	1,020,867	303,473	1,575,978
Cash flows from investing activities			
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	(339,978)	(241,622)	(664,376)
Purchase of computer software and development expenditure	(9,622)	(6,619)	(12,870)
Net cash flows from investing activities	(349,600)	(248,241)	(677,246)
Cash flows from financing activities			
<i>Cash was applied to:</i>			
Related party payables	(142,814)	-	119,418
Related party receivables	(110,635)	(17,427)	(127,992)
Net repayment of borrowings	(18,145)	(36,645)	(59,485)
Dividends paid to the owners of the company	(479,361)	-	(419,441)
Net cash flows from financing activities	(750,955)	(54,072)	(487,500)
Net increase / (decrease) in cash and cash equivalents	(79,688)	1,160	411,232
Cash and cash equivalents at the beginning of the period	1,747,956	1,336,724	1,336,724
Cash and cash equivalents at end of the period	\$ 1,668,268	\$ 1,337,884	\$ 1,747,956

The attached selected explanatory notes form an integral part of and are to be read in conjunction with these financial statements.

MYKRIS LIMITED

Selected explanatory notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2013

1. REPORTING ENTITY

Mykris Limited is incorporated and domiciled in New Zealand. Mykris Limited is registered under the Companies Act 1993 and listed on the New Zealand Alternative Stock Exchange ('NZAX'). Mykris Limited is a reporting entity and an issuer for the purposes of the Financial Reporting Act 1993. The consolidated interim financial statements of Mykris Limited ('the Company') as at 30 September 2013 comprise the Company and its subsidiaries (collectively referred to as 'the Group').

The principal activity of the Group is that of a managed internet service provider.

These consolidated interim financial statements were authorised for issue by the directors on 10 December 2013.

2. BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Accounting policies and methods of computation

The same accounting policies and methods of computation have been followed in the preparation of these condensed consolidated interim financial statements as compared to the most recent annual financial statements of the Group for the period ended 31 March 2013.

Statement of compliance

The consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 and NZ IAS 34 'Interim financial reporting' as appropriate for profit-oriented entities

The consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated group financial statements as at and for the period ended 31 March 2013.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect that application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by managements in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated group financial statements as at and for the period ended 31 March 2013.

3. SEASONALITY/CYCLICALITY OF OPERATIONS

The Group's results are not affected to any significant extent by seasonality or cyclicity factors.

MYKRIS LIMITED

Selected explanatory notes to the Condensed Consolidated Interim Financial Statements - continued For the six months ended 30 September 2013

4. UNUSUAL ITEMS

There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

5. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors, as they make all key strategic resource allocation decisions (such as those concerning acquisition, divestment and significant capital expenditure).

Consistent with most recent annual financial statements of the Group, the Group is organised into one reportable operating segment only. The Group's product and service offering is that of a managed internet service provider

	Unaudited 6 months 30/09/2013 NZ\$	Unaudited 6 months 30/09/2012 NZ\$	Audited 12 months 31/03/2013 NZ\$
External revenue	3,617,339	5,161,928	8,878,771
Inter-segment revenue	-	-	-
Total	3,617,339	5,161,928	8,878,771
Net segment profit / (loss) before taxation	(379,963)	738,432	1,073,939
Taxation expense	143,920	(40,122)	212,783
Net profit / (loss) after taxation	\$ (236,043)	\$ 698,310	\$ 1,286,722
Total segment assets	\$ 18,319,444	\$ 20,300,927	\$ 19,184,140

6. RECONCILIATION OF PROFIT AFTER TAX TO EBITDA

	Unaudited 6 months 30/09/2013 NZ\$	Unaudited 6 months 30/09/2012 NZ\$	Audited 12 months 31/03/2013 NZ\$
Net profit / (loss) after income taxation benefit / (expense)	(236,043)	698,310	1,286,722
Add back			
Interest	(4,799)	8,075	7,543
Taxation	(143,920)	40,123	(268,764)
Depreciation	295,267	221,897	475,200
Amortisation	537,511	539,260	1,076,213
Earnings before Interest, tax, depreciation and amortisation	\$ 448,016	\$ 1,507,665	\$ 2,576,914

7. DIVIDENDS

On 12 June 2013 the Company declared a dividend of \$479,361 which was paid out on 16 August 2013, no further dividends were declared or paid during the period (2012: none; 31 March 2013: \$419,441).

MYKRIS LIMITED

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2013

8. CONTINGENT ASSETS AND LIABILITIES

As described and detailed in the most recent annual financial statements of the Group for the period ended 31 March 2013 the company, ACN System Solutions Sdn. Bhd has brought a claim against subsidiary company MyKRIS Asia Sdn Bhd ('MyKRIS Asia'). No provision has been made for this claim as the directors, based on solicitors' opinion, are of the view that the allegations of conspiracy between the MyKRIS Asia and the other defendants and causing losses and damages to the Plaintiff's claim against MyKRIS Asia will fail and be dismissed with cost.

There were no other material contingencies at reporting date.

9. RECONCILIATION OF NET LOSS AFTER TAXATION TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

Reconciliation of net loss with cash outflow from operations

	Unaudited 6 months 30/09/2013 NZ\$	Unaudited 6 months 30/09/2012 NZ\$	Audited 12 months 31/03/2013 NZ\$
Profit / (loss) after tax	(236,043)	698,310	1,286,722
<i>Add/(less) non-cash items</i>			
Depreciation	295,267	221,897	475,200
Amortisation	537,511	539,260	1,076,213
Impairment	19,040	(3,510)	51,104
Current tax	3,435	151,098	9,167
Deferred tax	(147,355)	(110,975)	(277,931)
Property, plant & equipment written off	-	-	135
Effects of exchange rate	(89,755)	(34,560)	(74,272)
<i>Adjustment for items shown in investment activities</i>			
<i>Adjustment for items shown in financing activities:</i>			
Proceeds from the movement in director balances	-	(56,417)	-
<i>Add / less movements in working capital items:</i>			
Decrease / (increase) in trade receivables	552,224	(2,234,222)	(785,250)
Decrease / (increase) in prepayments and other current assets	(178,527)	(117,009)	(293,041)
Decrease / (increase) in tax receivables	(8,684)	(44,115)	40,362
Decrease / (increase) in related party receivables	-	17,824	13,734
(Decrease) / increase in trade and other payables and accruals	273,754	1,254,727	43,632
(Decrease) / increase in related party payables	-	21,165	-
(Decrease) / increase in tax payable	-	-	10,203
Net cash outflow / (inflow) from operating activities	\$ 1,020,867	\$ 303,473	\$ 1,575,978

10. SUBSEQUENT EVENTS

There were no material events subsequent to reporting date.

MYKRIS LIMITED

COMPANY DIRECTORY

Company Number:	3568071
Nature of Business:	Managed Internet Service Provider
Issued Capital:	59,920,100 Ordinary Shares (Fully Paid)
Board of Directors:	Chew Choo Soon, Executive Chairman Chang Wai Hoong, Executive Director Siow Hock Lee, Independent Non-Executive Director Brent Douglas King, Independent Non-Executive Director Huei Min Lim, Independent Non-Executive Director
Registered Office:	Level 1, 18 Shortland Street, Auckland, 1010, New Zealand
Company Secretary:	Garth Ward Level 7, 12-26 Swanson Street Auckland, New Zealand
Banker:	ANZ National Bank Limited 203 Queen Street, Cnr Queen & Victoria Streets Auckland, 1010, New Zealand
Auditor:	Crowe Horwath New Zealand Partnership Level 6, WHK Tower, 51-53 Shortland Street, Auckland, 1010, New Zealand
Solicitors:	Lowndes Associates Level 5, Lowndes Associates House, 18 Shortland Street, PO Box 7311, Auckland, New Zealand
Registrar:	Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Private Bag 92119, Auckland, New Zealand
Listing:	New Zealand Alternative Exchange (NZAX) ISIN: NZMYKE0001S9
Website:	www.mykris.net