



MYKRIS LIMITED AND ITS SUBSIDIARIES

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2014

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MISSION STATEMENT



VISION

To be a class leading Managed Service provider that empowers businesses through Contents, Application, Services and Hosting (CASH).

MISSION

To provide Managed Internet / Intranet solutions on a robust wired and wireless platform for delivery of superior quality services

WE BELIEVE

Customer is the foundation of business
People is the most valuable asset
Quality is the root of service

ABOUT MYKRIS

Mykris Limited which listed on the New Zealand Stock Exchange (NZAX) on 10 January 2012, is the parent company of Mykris, one of the leading Managed Internet/Intranet Service companies in Malaysia and Mykris Net (MSC), a Malaysia certified Multimedia Super Corridor status company pioneering in wireless development and cloud base services.

Today Mykris Asia is a tier 1 licensed (NFP//2000/30, NSP//2000/31 and ASP//2000/77) Managed Internet/Intranet Service provider awarded by Malaysia Communication and Multimedia Commission (MCMC) since 2004. Mykris Asia specialises in Managed Internet Services, one stop hospitality High Speed Internet Access (HSIA) and IPTV services. Mykris Asia has established over 13 years of strong track record and has evolved to become a focused niche Managed Intranet Services provider in Malaysia.

Mykris Net has contributed exceptional technological advancements by conceptualizing location based services (LBS) and transitioning traditional brick and mortar business to E-Commerce platforms. The LBS utilises location data based on geographical positioning and can be used across various industries for real-time locating purposes. Mykris Net's E-Commerce platform constitutes cutting edge multi-vendor solutions in sync with comprehensive features to provide control for business over the E-Commerce platform from end to end.

Mykris's subsidiaries have clients spread across a broad range of industries i.e. financial, hotels, manufacturing, media, multinational corporate etc. Mykris Asia is amongst the very few service providers that are offering high level 99.7% service availability and an uptime of Service Level Guarantee (SLG). Mykris has a dedicated and professionally certified network operating centre (NOC) engineers to provide comprehensive applications, network monitoring and management to satisfy and meet customers' stringent requirements.

Further information is available on Mykris website and we recommend shareholders to review the Disclosure Document to learn more about the Mykris' subsidiaries business.

COMPANY DIRECTORY

FOR THE YEAR ENDED 31 MARCH 2014

Company Number: 3568071

Nature of Business: Managed Internet Service Provider

Issued Capital: 59,920,100 ordinary shares (fully paid)

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 9, 191 Queen Street
Auckland, 1010, New Zealand

Company Secretary: Garth Ward
Level 7, 12-26 Swanson Street,
Auckland, 1010, New Zealand

Banker: ANZ National Bank Limited
203 Queen Street,
Cnr Queen and Victoria Streets
Auckland, 1010, New Zealand

Auditor: Crowe Horwath New Zealand Audit Partnership
Level 6, 51 Shortland Street,
Auckland, 1010, New Zealand

Solicitors: Lowndes Associates,
Level 5, Lowndes Associates House, 18 Shortland Street,
Auckland, 1010, New Zealand
PO Box 7311, Auckland, New Zealand

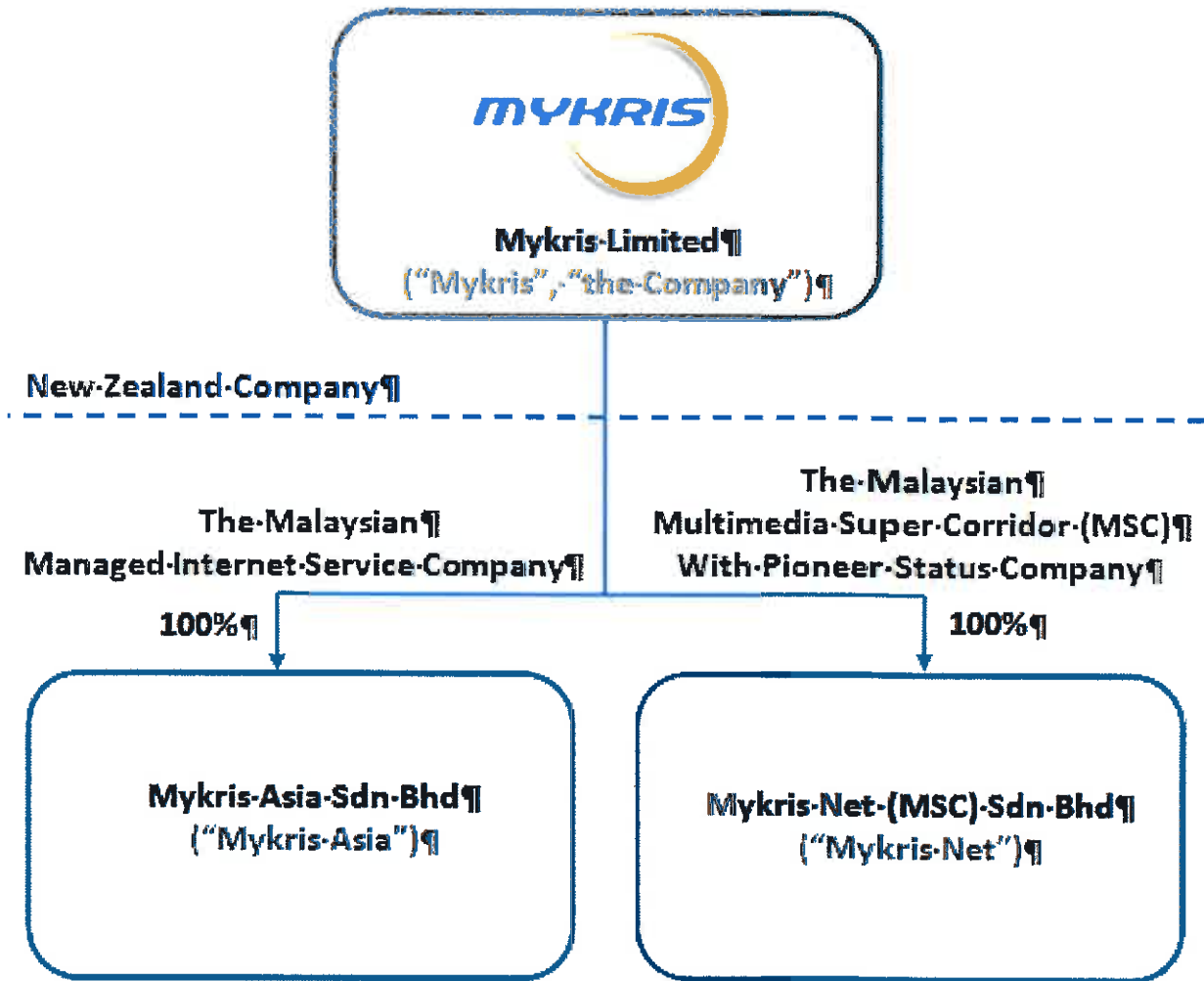
Registrar: Computershare Investor Services Limited,
Level 2, 159 Hurstmere Road,
Takapuna, North Shore City,
Private Bag 92119, Auckland, New Zealand

Listing: New Zealand Alternative Exchange (NZAX)

ISIN: NZMYKE0001S9

Website: www.mykris.net

GROUP STRUCTURE



DIRECTORS' PROFILE**CHEW CHOO SOON, B Sc (Hons), Electrical Engineering**
Executive Chairman

Chew Choo Soon is the Executive Chairman, Chief Executive Officer and Co-founder of the Mykris Limited Group and is a Director of the Company since 21 December 2011. He was appointed as a Director of Mykris International Sdn Bhd (MISB), the holding company of Mykris Limited, on 25 March 2008 and re-designated as the Managing Director on 20 May 2010. He graduated from the University of Malaya with a Bachelor of Science Honours Degree in Electrical Engineering in 1990.

He has more than twenty (20) years of experience in IT businesses and entrepreneurship. His career started in 1990, as a Systems Engineer in a local private limited company where he was responsible for the installation and implementation of networking systems. In the following year, he was transferred to a joint venture company as Sales Executive and subsequently promoted to Vice-President in 1995. He started up Mykris Asia in 2000.

He has presented various workshops on wireless communication and business applications of ICT to members of the Association of Chinese Chamber of Commerce Malaysia (ACCCIM). He was appointed as the Deputy Chairman for the ICT Committee in ACCCIM from 2006 to 2013. He is currently the Treasurer for Malaysia Internet Society which operates Malaysia Internet Exchange (MyIX) for Malaysian Internet service providers since 2012.

CHANG WAI HOONG, Associate Degree, Electronic Engineering
Executive Director

Chang Wai Hoong is the Executive Director and Co-founder of the Mykris Limited Group and is a Director of the Company since 21 December 2011. He was appointed as a Director of Mykris International Sdn Bhd on 25 March 2008 and re-designated as the Executive Director of Mykris International Sdn Bhd on 20 May 2010. He graduated from RIMA College with an Associate Degree in Electronic Engineering in 1992.

His career started in 1992 as a Special Project Engineer in a local private limited multi-national company and was promoted to Project Manager in 1993. He was mainly responsible for Bank Islam Malaysia's Smart Card Project, which was among the earliest banks that used smart cards for banking purposes. He then joined a local MSC company in 1994 as Project Engineer and was later appointed as the Executive Officer in 1996 where he was responsible in assisting the Vice President of the information access division in accountability and business strategy, as well as in the re-organisation of the engineering division. In his current tenure the Executive Director of the Mykris Group, he plays a vital role in the business development and strategic partnerships of the Group.

DIRECTORS' PROFILE *(continued)***SIOW HOCK LEE, CA(M), FCCA**
Independent Non-Executive Director

Siow Hock Lee is an Independent Non-Executive Director of the Mykris Limited Group and is a Director of the Company since 21 December 2011. He is a member of the Association of Chartered Certified Accountants (United Kingdom) and a member of the Malaysian Institute of Accountants. He is also an Independent Non-Executive Director of Caely Holdings Berhad and Amtel Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad and Green Ocean Corporation Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad, the Malaysian Stock Exchange.

BRENT DOUGLAS KING, BCom, CA, CMA
Independent Non-Executive Director

Brent Douglas King is an Independent Non-Executive Director of the Mykris Limited Group and is a Director of the Company since 30 September 2011. He is the founder of Investment Research Group Limited in August 2008. He was also the founder and Managing Director of the Dorchester Group of Companies for seventeen (17) years until he resigned in 2005. He holds a number of public and private directorships. He has more than twenty (20) years experience in financial, investment banking, underwriting, capital raising and accounting areas and has assisted a number of public and private companies.

HUEI MIN LIM, LLB (Hons)
Independent Non-Executive Director

Huei Min Lim (also known as Lyn Lim), is an Independent Non-Executive Director of the Mykris Limited Group and is a Director of the Company since 21 December 2011. She is on the Boards of the New Zealand Shareholders Association, AUT University as a Council Member, Auckland Regional Amenities Funding Board and the ASB Community Trust as Deputy Chair and Trustee. She was a Council member of the then Auckland District Law Society and had been involved with various committees of Auckland District Law Society Inc. She was an Executive Member on the Boards of the NZ China Trade Association and the Hong Kong New Zealand Business Association. She is a partner of Forest Harrison, a legal firm which she started in 2006 after being a partner of a national legal firm for eight (8) years. She specialises in corporate and governance issues, particularly in dispute resolution areas.

DIRECTORS' REPORT**INTRODUCTION**

Dear Shareholders,

The Board of Directors is pleased to present the Annual Report and Audited Financial Statements of Mykris Limited ("Mykris") and its subsidiaries for the financial year ended 31 March 2014. The reports chart our performance in our second full year as a listed company on the New Zealand Alternative Exchange ("NZAX"). This year has shown further growth and development by the Group. The financial results of the second 6-month period of the year are pleasing after considerable investment was made into development and marketing in the first six months.

We had signalled to the market in last years Annual Report that we would undertake an aggressive plan to invest in product development and marketing. This has occurred and although it had an effect on the 6 months results to 30 September 2013 the benefits of this strategy were starting to become apparent in the second 6-months results to 31 March 2014.

Shareholders should also note that the strong New Zealand dollar (NZD) relative to the Malaysian Ringgit (MYR) has had a significant impact on the financial results. The exchange rate was NZD1.0 = MYR 2.59 as at 31 March 2013. As at 31 March 2014 the exchange rate had climbed to NZD1.0 = MYR 2.83. The impact of this is that funds generated in Malaysia are effective worth 20% less than 12 months earlier. The issue is compounded when costs such as Audit, Listing, Registry and other New Zealand costs are fixed in NZD.

The Board is not going to try any complex strategy to mitigate this. Our view is that this can cost more than benefit the company. Our objective is to increase the profitability of the Malaysian companies and to hold or reduce New Zealand costs.

FINANCIAL PERFORMANCE

The highlights were:

Total Revenue	\$	7,328,612
NPAT	\$	96,974
EBITDA	\$	1,570,903

Mykris has very significant noncash items including amortization (\$1,060,727) and depreciation (\$676,749).

The strong EBITDA figure shows both the strength of the business as a cash earner and the margins Mykris is able to generate as the leader in the field of Managed Internet Services in Malaysia.

EBITDA is calculated as:

NPAT	\$	96,974
Add back / (deduct)		
interest	\$	(2,900)
taxation	\$	(260,647)
depreciation	\$	676,749
amortisation	\$	<u>1,060,727</u>
	\$	1,570,903

The focus of Malaysian companies is to add additional clients with contract terms between three and five years for our products and services. This will allow for a cumulative growth of clients and revenues.

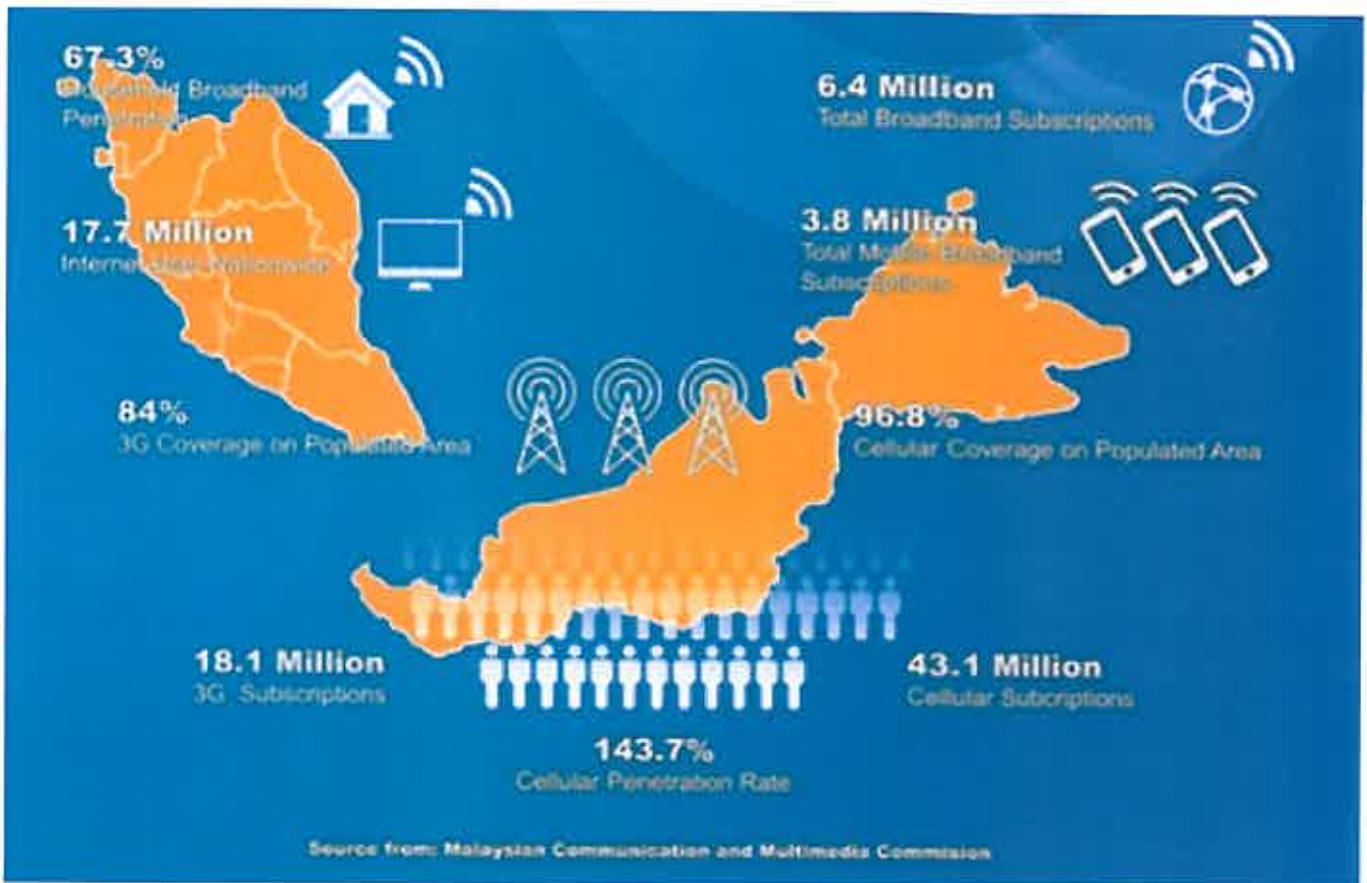
The Statement of Financial Position shows minimal debt and significant cash deposits. We have continued to invest significant funds in developing new products. These have generally been expensed to the income statement as currently the new products have not earned revenues in the past year. We have some significant progress to announce in this regard as soon as negotiations are completed. We anticipate announcements in the next 4 months.

Dividend

The Board of Directors has considered the profit and the cash flow of the business and has decided to defer any decision on a dividend until later this year. An announcement is likely at the Annual Meeting to be held in mid August.

DIRECTORS' REPORT (continued)**INDUSTRY TREND AND DEVELOPMENT**

The Communications Content and Infrastructure (CCI) sector in Malaysia experienced a very encouraging and healthy growth thanks to the strong demand for data services in Intranet or Internet. The Malaysian Government recognised the critical and pivotal role of CCI in delivering real economic benefits. In the 2014 Malaysia National Budget the Malaysian Government pledged further support on High-Speed Broadband (HSBB), one of the National Key Economic Areas (NKEAs) project. The budget allocates an investment of some NZD640million (RM1.8bil) and continues the government's collaboration with the private sector to expand HSBB coverage in major towns to benefit some 2.8 million households. Additionally, NZD570million (RM1.6bil) will be invested to expand HSBB to suburban areas to benefit more than two million users. The move will see HSBB catapult Malaysia into the next growth stage and help Malaysia leapfrog into the knowledge economy.



The strong demand of Intranet and Internet data services is further spurred and stimulated by the following:

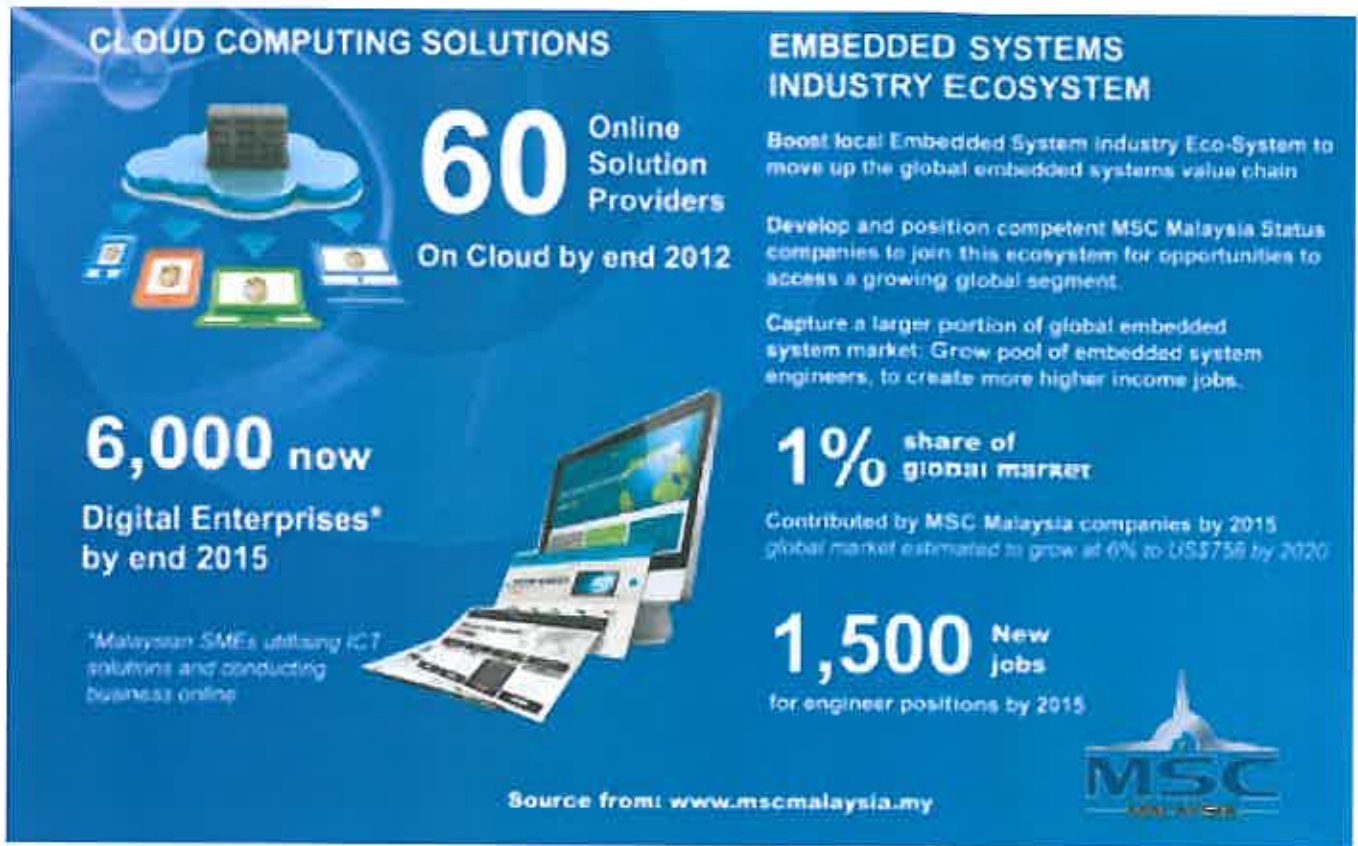
1. Cloud Computing

Cloud computing is gaining popularity and momentum as the next Internet business solution with vast business potential. In Malaysia, the Multimedia Development Corporation (MDeC) which directs and oversees Malaysia's National ICT (Information & Communication Technology) Initiative, now known as the MSC Malaysia (formerly known as the Multimedia Super Corridor in Malaysia), has embarked on multi geared Cloud Computing enabling initiatives to assist Malaysia MSC status companies to venture into Cloud Computing by delivering Software as a Service (SaaS), Platforms as a Service (PaaS) and Infrastructure as a Service (IaaS). The delivery mechanism and channel inevitably require a strong and reliable Internet and Intranet data service.

DIRECTORS' REPORT (continued)

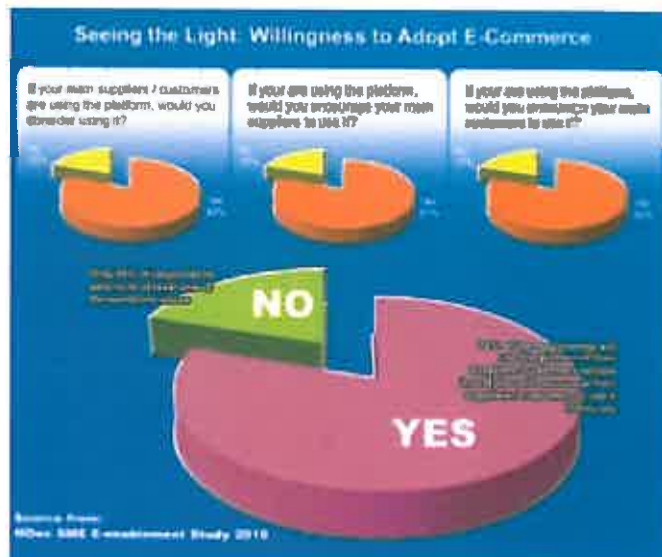
INDUSTRY TREND AND DEVELOPMENT (continued)

1. Cloud Computing (continued)



2. E-Commerce

Business is evolving online with breakneck speed. Enterprising and forward-thinking entrepreneurs will follow the hottest trends and find ways to capitalise on them. Be it Business to Consumer (B2C) or Business to Business (B2B), E-Commerce is an irreversible up and coming trend in Malaysia. With the higher willingness and adoption rate of E-Commerce by Malaysian businesses and consumers, the entire E-Commerce process which involves E-payment, Logistic etc is heavily depending on a steady and reliable Internet and Intranet data service.



DIRECTORS' REPORT *(continued)*

OPERATIONAL REVIEW

After analysing and deliberating on the market outlook, trends, market demands and government initiatives, the management has charted the business direction for the next 3 years to enable the group to fully capitalise and tap on the enormous business opportunities presented to bring many more fruition. The core business is streamlined into:

Managed Internet & Intranet Data Service



On 31 January 2014, Mykris announced the winning of Malaysia Courts Managed Intranet Service contract which involved 74 locations spreading across different geographical areas throughout Malaysia. The management analysed the winning formula and concurred that one of the key strength is our capability to provide and manage a high standard reliable wired and wireless infrastructure. Special attribute has to be given to Mykris self built and managed robust wireless network which gives a clear leading and competitive edge in service delivery. The benefits of wireless and leased fibre wired network are directly delivered and enjoyed by the customer in a very cost effective manner. The hybrid model does not compromise or sacrifice the performance or reliability of the network.

DIRECTORS' REPORT (continued)

OPERATION REVIEW (continued)

Managed Internet & Intranet Data Service (continued)

In fact, Mykris wonderfully preserves the special characteristics and functionalities of both the wired and wireless infrastructure translating them into benefits for customers.

Mykris is fortunate to be among the few local Malaysian companies that have already begun a strategy to harness the potential of this market. With new technologies and innovations emerging every day, we foresee that the appetite for quality data will continue for the medium-to-long term, boding well for our business.



Mykris Net E-Commerce – Software as a Service (SaaS)

Mykris Net E-Commerce Platform

One of the biggest trends hitting E-Commerce marketplace is the change in offerings by market leaders from traditional deals like group buying to product deals. This change can be found in the latest financial results published by Groupon which states its goods division sold US\$1.137 billion last year, up 150% compared with 2012.

From 2008 to 2010, Mykris had experience operating e-mall using our custom built solutions coupled with physical premises to display merchant products and this has greatly contributed towards this endeavour.

Demand for electronic commerce market place with the right government drive towards transforming commerce space has contributed towards our development of Mykris E-Commerce, a class leading cloud hosted multi merchant E-Commerce platform.

Mykris E-Commerce platform is a cutting edge Social commerce multi vendor shopping cart software, power packed with an amazing set of features and exhibits sheer elegance.

Responsive Admin Panel - It is loaded with features, detailed Charts, User management, Seller management, Email management, elegant analytics etc. to control the entire site end-to-end. With this elegant admin panel, users are able to control the multi vendor shopping cart on the go over mobile.

Multi-Language – Built in is support for all languages in the world. Users can even create their own language and add it. Registered users can also set Language preferences and the site will show up in the preferred language on return.

Android and iOS Mobile APP - Mobile app works in perfect sync with the Web script. Users can also upload listings via, the Mobile app and everything reflects immediately on the web front & vice-verse. From notifications to Payment completion, everything is packed into the mobile app in an elegant and stunning manner.

DIRECTORS' REPORT (continued)

Mykris Net E-Commerce Platform (continued)

Social Features - E-Commerce multi vendor shopping cart software is loaded with all social media placed in a very strategic manner all across the site, permitting visitors to seamlessly share content on your site bringing in an avalanche of social traffic. Every part of the site is engineered to make things get viral with built in Facebook, Twitter & Google+ logins.

Mykris E-Commerce Strategy

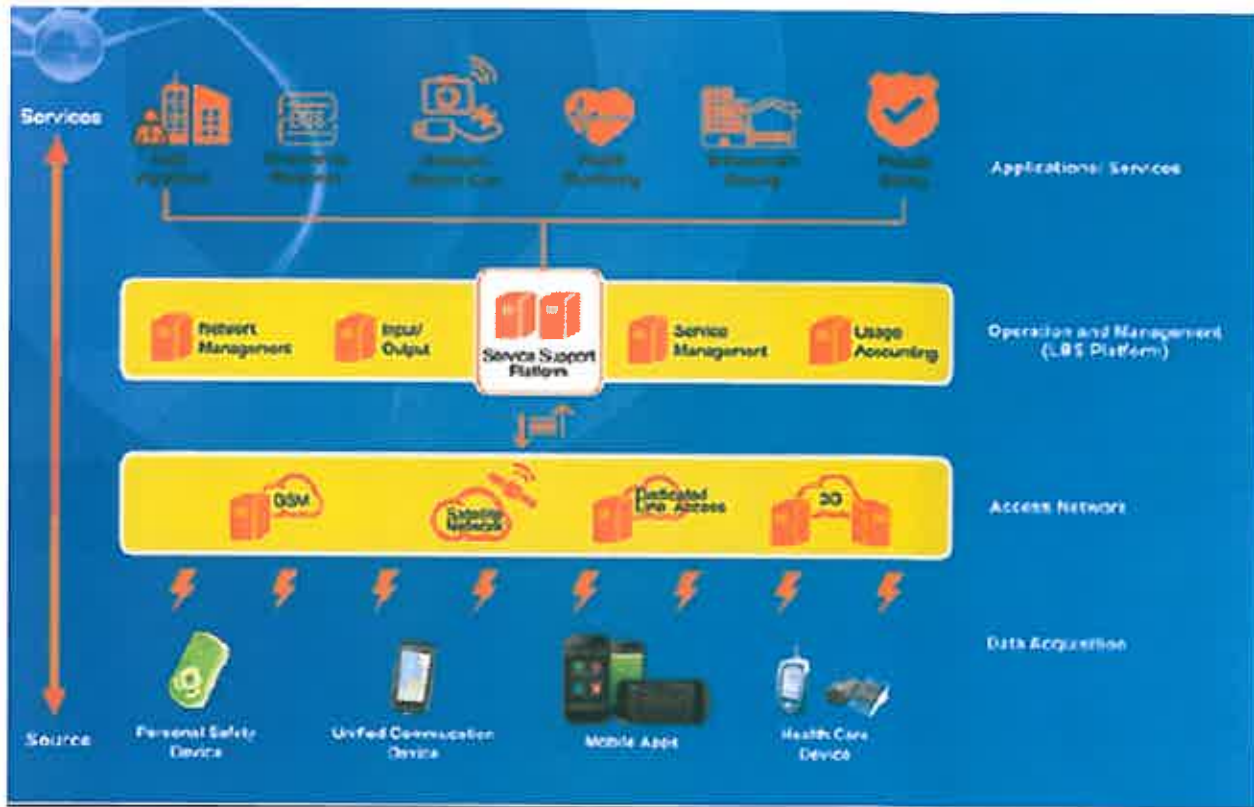
- Roll out E-Commerce cloud services for Merchants who require E-Commerce platform to their traditional brick and mortar business.
- Rollout E-Commerce with large corporates with existing brand awareness.

Revenue Model

- Merchant Annual Enrolment Fee
- Advertisements, Featured Products etc.
- Logistic Provision to Merchant by teaming with existing Logistic companies.
- Payment Gateway provision – Merchant Discount Rate (MDR)

Mykris E-Commerce Platform is currently being verified by one of the biggest media company in Malaysia. The rollout of this platform for that media company is envisaged to take place in October 2014. On completion of roll out, the E-Commerce will be offered as SAAS to general merchants requiring our services.



DIRECTORS' REPORT (continued)**I-Locare : Platform as a Service (PaaS)****Maturing of LBS eco system**

The major steps forward happened in fairly recent years. Google maps appeared in phones and enabled the simplest, and at times the most useful, location service of them - where am I now? Phones roamed the world and reported all the Wi-Fi and cellular signals they could hear, which were then assembled into several large databases and used as a basis to locate subsequent phones in the same area. This development opens up a large window of opportunities for Location Based Services providers to create specific services for almost any type of industry.

It is also projected that most if not all existing enterprise applications could benefit from location data inclusion to their traditional static transactional data.

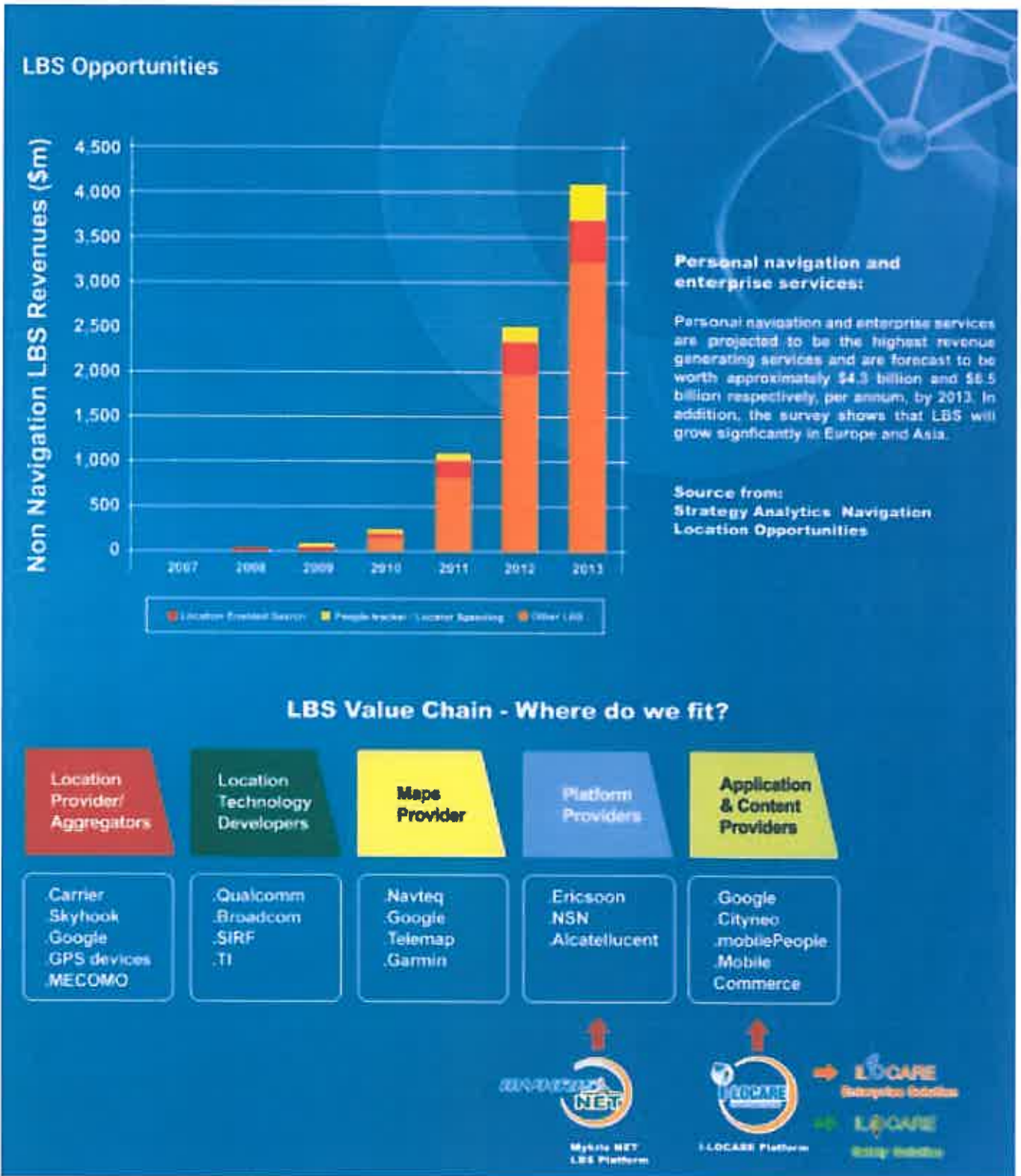
The coming of age of LBS suddenly opens up potentials that was previously thought not possible.

- i) Real-time knowledge of the whereabouts of your most treasured assets, your children.
- ii) Where are my engineers, which client he is attending to now, how far is he from this client? These questions are now redundant. LBS could relay all activities real-time to office without the need for the engineers to do anything specific. Task owners are better informed on all activities of his team. Time and space constraint is now removed.
- iii) Immediate dispatch of healthcare assistance, upon triggering of needs from patient devices. The healthcare info is dispatched with location details to the ambulatory care provider and the healthcare provider. Optimum route to reach the patient is calculated and ambulatory care providers are directed to the emergency site. The sequence of events triggered by Healthcare LBS systems can shorten the period to provide critical care to the patient hence saving lives.

The above are a few examples of how LBS services could be of used in different needs and industries.

DIRECTORS' REPORT (continued)

LBS Opportunities



DIRECTORS' REPORT *(continued)***PROSPECT OF THE GROUP**

The financial year 2014 was full of challenges. While streamlining core business we were also exploring and expanding into new business potentials. We managed to juggle and balance between enhancing existing and new ventures. We are fortunate we started on the right foot and right track leveraging on our self built key strengths and remain focused on our core related business.

We believe that within every adversity there is an equal or greater opportunity. The Managed Internet and Intranet is such a lucrative and attractive market. We are excited that our winning the Courts project has reaffirmed that our business approach and strategies are on the right track.

Moving ahead, we will allocate more resources and attention in reaching out to those Managed Intranet potential clients. The Push Marketing strategy with personal touch will continue to pave ways to clinch more customers. In parallel, we are also working and endeavouring to build our company brand name and to create market awareness. Both go hand in hand to give the synergistic impacts in our prospecting. Further analysis has suggested that traditional media i.e. Radio/printed media and Online marketing hybrid approach will provide a more ideal market penetration that Mykris will continue to develop.

One of the key focus industries is hospitality, an industry where service comes first and customer satisfaction is important. While acknowledging that Mykris has built a strong track record in servicing the 5-star hotels in Klang Valley and Penang, we also recognised it is critical for us to move up the value chain and consistently getting and gauging customers' requirements for up-selling and to create customer loyalty. In response to the challenge that: "Internet bandwidth is a commodity now!" we decided to create a business unit to specialise and focus on the hospitality industry. The unit will operate like Intertouch Docomo aiming to provide turnkey IP based service suites to hotel clients.

2 years of ploughing into location base services gives us an insight what other competitors lack. By keeping low burning rate, we managed to keep the business exploration and marketing activities alive to take us to the end of the tunnel. In the last couple of months, our team proved to one of the biggest postpaid mobile operators, we have developed one of the most comprehensive, features-rich platforms and technically we have outshined other competitors in the evaluation. The feedback has been positive and encouraging. We will strive to conclude the commercial arrangement within the next 6 months to pave way as a PaaS provider.

Mykris is in the right position to develop its business and to diversify. The Group has an ungeared balance sheet plus strong cash flow. We are actively looking to do some merger and acquisitions (M&A) in New Zealand and also to venture into potential upcoming countries like Myanmar. We believe this year is the right year to lay the groundwork and to get ourselves prepared for the next new era.


ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, we would like to express our appreciation for the continuing hard work and commitment put forth by the company's management and employees at all levels. Without them, we would not have achieved a very successful year.

We would like to thank our fellow Board members for their wisdom, guidance and direction, which helped push the Company to strive to improve Mykris' fundamentals and future performance.

Last but not least, we wish to express our sincerest gratitude to all shareholders, advisers, business associates, media members as well as relevant governing authorities and regulatory bodies for their continuous support to Mykris Group.

For and on behalf of the Board of Directors, dated 8 July 2014:



.....
CHEW CHOO SOON
Executive Chairman



.....
CHANG WAI HOONG
Executive Director

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of Mykris Limited ("the Company") recognises the need for strong corporate governance and best practices. The Board has established policy and guidelines to good corporate governance and is guided by a charter that documents its intention and general approach to the fulfilment of its governance responsibilities. It incorporates Governance and Nominations Committee Charter, Audit Committee, Confirmation of Ethics Policy and Securities Trading Policy and Guidelines.

The Board believes that the corporate governance structures and practices encourage the creation of value and interest for Mykris shareholders and other stakeholders whilst ensuring the highest standards of ethical conduct and providing accountability and control systems commensurate with the risks involved.

ROLE AND COMPOSITION OF THE BOARD

An experienced Board consisting of members with wide range of business, technical and financial background leads and controls of Mykris. The Board is responsible and accountable to shareholders and others stakeholders for Mykris' performance and its compliance with applicable laws and standards. This brings insightful depth and diversity to the acute leadership and management of an eminent and evolutionary business.

The Mykris Constitution requires a minimum of two (2) Directors but for governance purposes the company has chosen to have 5 Directors. The Board elects a Chairman whose primary responsibility is the efficient functioning of the Board.

The Board of Directors currently comprises two (2) Executive Directors (Chew Choo Soon and Chang Wai Hoong) and three (3) Independent Non-Executive Directors (Siow Hock Lee, Brent Douglas King and Huei Min Lim). The three (3) Independent Non-Executive Directors do not participate in the day-to-day management of the Company and are not involved in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfil their responsibility to provide check and balance to the Board.

The profiles of the Directors are presented on pages 6 and 7 of this Annual Report.

BOARD MEETINGS AND SUPPLY OF INFORMATION

The Board meetings are conducted in accordance with proper process. This enable the Board to peruse any board papers and review any issues to be deliberated at the Board meeting to enable Directors to make informed decisions.

The Board meetings are conducted in accordance with proper process. This enable the Board to peruse any board papers and review any issues to be deliberated at the Board meeting to enable Directors to make informed decisions.

A total of four (4) Board Meetings were held during the financial year under review and the Board attendance record is as follows: -

Board Members	Meetings Attended	Meeting Held
Chew Choo Soon (Chairman)	4	4
Chang Wai Hoong	4	4
Siow Hock Lee	4	4
Brent Douglas King	4	4
Huei Min Lim	4	4

The Board is provided at all times with accurate information on all aspects of Mykris' operations. The Board is kept informed of key risks to Mykris on a continuing basis. In addition, the Board meets whenever necessary to deal with specific matters needing attention between scheduled meetings.

CORPORATE GOVERNANCE STATEMENT *(continued)***AUDIT COMMITTEE**

The Mykris Audit Committee has been established to focus on audit and risk management and specifically addresses responsibilities relative to financial reporting and regulatory conformance.

The Audit Committee is accountable for ensuring the performance and independence of the external auditors and also makes recommendations to the Board.

The Audit Committee is comprised of the three (3) Non-Executive Directors, all of whom are independent, and is currently chaired by Siow Hock Lee.

OTHER COMMITTEES

Due to the importance of nomination and remuneration matters the Board as a whole addresses these and consequently there is no separate Nomination or Remuneration Committee.

ETHICAL CONDUCT

Mykris has adopted a policy of business ethical conduct that is designed to formalise its commitment to high standards of ethical conduct and to provide all Directors and representatives with clear guidance on those standards. These are governed by its adopted charter on Confirmation of Ethics Policy and Securities Trading Policy and Guidelines that documents its intention and general approach to the fulfilment of its Directors and representatives' responsibilities.

SHAREHOLDER INFORMATION*Dialogue with Investors*

The Company recognises the importance of accountability to shareholders. Timely releases of the financial results, press releases and announcements provide an overview of the Company's performance and operations to its shareholders.

The Annual Report of the Company is a key channel of communication with shareholders and investors, which highlights the business information and financial highlights of the Company, to facilitate shareholders' easy access to such key information.

Apart from the mandatory announcements of the Company's financial results and developments to New Zealand Alternative Exchange and Securities, Mykris also maintains a website, www.mykris.net for public access of the Company information, business activities and recent developments to all shareholders and other stakeholders, and for feedback.

Annual General Meeting

The Annual Meeting (AM) remains the principal forum for dialogue with shareholders. At the Annual Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting.

SHAREHOLDER AND STATUTORY INFORMATION

The company is listed on the New Zealand Alternative Exchange (NZAX).

LARGEST SHAREHOLDERS (as at 31 May 2014)

Rank	Shareholder	Holding	%
1	Mykris International Sdn Bhd	36,203,332	60.42
2	Erica Wan Chin Yeo	2,950,000	4.92
3	Emily Peihua Yeo	2,654,500	4.43
4	Wei Loon Looi	1,656,929	2.77
5	Sii Yih Ting	1,480,000	2.47
6	Lee Peng Wong	1,400,000	2.34
7	Koon Weng Lee	1,291,325	2.16
8	Chu Kian Then	1,008,300	1.68
9	Richard Chung Boi Goh	960,000	1.60
10	John Fraizer Fernandez	920,488	1.54
11	Ee Piao Wong	696,227	1.16
12	Cimb Securities (Singapore) Pte Ltd	591,700	0.99
13	Tony Chung	570,386	0.95
14	Yada Holdings No 1 Limited	570,000	0.95
15	Aik You Neo	525,210	0.88
16	Liew Chin Tan	480,000	0.80
17	New Zealand Central Securities Depository Limited	411,455	0.69
18	Lick Chien Chang	408,345	0.68
19	Norhisham Bin Tugiman	307,973	0.51
20	Kok Seng Kung	223,850	0.37

SPREAD OF SHAREHOLDERS (as at 31 May 2014)

Size of Holding	Number of Shareholders	%	Number of Shares	%
1 - 1,999	614	76.0	39,888	0.1
2,000 - 4,999	41	5.1	118,632	0.2
5,000 - 9,999	58	7.2	443,177	0.7
10,000 - 49,999	48	5.9	1,197,235	2.0
50,000 - 99,999	14	1.7	930,093	1.6
100,000 - 999,999	25	3.1	8,546,689	14.3
1,000,000 - plus	8	1.0	48,644,386	81.2
	<u>808</u>	<u>100.0</u>	<u>59,920,100</u>	<u>100.0</u>

Geographic Spread	Number of Shareholders	%	Number of Shares	%
Malaysia	104	12.8	49,352,364	82.4
Singapore	32	4.0	7,417,882	12.3
New Zealand	656	81.2	3,106,725	5.2
Rest of world	16	2.0	43,129	0.1
	<u>808</u>	<u>100.0</u>	<u>59,920,100</u>	<u>100.0</u>

SHAREHOLDER AND STATUTORY INFORMATION (continued)**SUBSTANTIAL SECURITY HOLDERS (as at 31 May 2014)**

The following information is provided pursuant to Section 35(F) of the Securities Market Act 1988.

The following are registered by the Company as at 31 May 2014 as Substantial Security Holders in the Company, having declared a relevant interest in voting securities under Section 22 of the Securities Markets Act 1988.

Geographic Spread	Number of Shares	%
Mykris International Sdn Bhd	<u>36,203,332</u>	<u>60.4</u>
	<u><u>36,203,332</u></u>	<u><u>60.4</u></u>

The total number of voting securities of the Company on issue at 31 May 2014 was 59,920,100 paid-up ordinary shares.

DIRECTORS

During the period the Board of Directors comprised:

	Appointed	Resigned
Executive Directors		
Chew Choo Soon	21 December 2011	
Chang Wai Hoong	21 December 2011	
Non-Executive Directors		
Siow Hock Lee	21 December 2011	
Brent Douglas King	30 September 2011	
Huei Min Lim	21 December 2011	

SHAREHOLDER AND STATUTORY INFORMATION (continued)

STATEMENT OF DIRECTORS' SECURITY HOLDINGS (as at 31 May 2014)

Director	Shares Beneficially Owned Held by Associated Persons	Shares Beneficially Owned Held Solely
Executive Directors		
Chew Choo Soon	18,101,666	Nil
Chang Wai Hoong	18,101,666	Nil
Non-Executive Directors		
Siow Hock Lee	Nil	Nil
Brent Douglas King	Nil	46,000
Huei Min Lim	Nil	72,500

Mr. Chew's beneficial owned, held by associated persons interests comprise his interest as a shareholder in Mykris International Sdn. Bhd, which company is the holder of 36,203,332 shares.

Mr. Chang's beneficial owned, held by associated persons interests comprise his interest as a shareholder in Mykris International Sdn. Bhd, which company is the holder of 36,203,332 shares.

The following securities transactions were disclosed to the Board and entered into the Interests Register for the year to 31 March 2014:

Month	Director	Transaction	Shares
June 2013	Chew Choo Soon	Sale of shares by Mykris International Sdn Bhd	1,163,238
June 2013	Chang Wai Hoong	Sale of shares by Mykris International Sdn Bhd	1,163,238
November 2013	Huei Min Lim	Purchase of shares	72,500

The following are directorships held by the Mykris Limited Directors as at 31 March 2014:

Chew Choo Soon	Chang Wai Hoong
Mykris Ltd	Mykris Ltd
Mykris International Sdn. Bhd.	Mykris International Sdn. Bhd.
Mykris Net (MSC) Sdn. Bhd.	Mykris Net (MSC) Sdn. Bhd.
Mykris Asia Sdn. Bhd.	Mykris Asia Sdn. Bhd.
Zenwise Digital Sdn. Bhd.	Zenwise Digital Sdn. Bhd.
NetAssist (M) Sdn. Bhd.	NetAssist (M) Sdn. Bhd.
N-Base (M) Sdn. Bhd.	N-Base (M) Sdn. Bhd.

SHAREHOLDER AND STATUTORY INFORMATION (continued)**STATEMENT OF DIRECTORS' SECURITY HOLDINGS (as at 31 May 2014)** (continued)

The following are directorships held by the Mykris Limited Directors as at 31 March 2013: (continued)

Siow Hock Lee	Brent King	Huei Min Lim
Amtel Holdings Bhd.	ACTatek Limited	ASB Community Trust Charitable Purposes Ltd
Caely Holdings Bhd.	Equity Investment Advisers Ltd	ASB Trusts Amateur Public Sports Promotion Ltd
Green Ocean Corporation Bhd	King Capital & Investment Corporation Ltd	Durham Services Ltd
Mykris Ltd	Kohaus Ltd	F H Shortland Ltd
	Investment Research Group Ltd	F H Holdings Ltd
	MoneyonLine Ltd	FM International Ltd
	Mykris Ltd	Hartajaya Investments Ltd
	Snowdon Peak Investments Ltd	High Trustees Ltd
	Vetilot Ltd	Kaya Investments Ltd
	Viking Share Plan Trustee Ltd	Mykris Ltd
	Warden Consulting Ltd	Auckland Regional Amenities Funding Board
	A.I.S. Ltd	Auckland University of Technology Council
	Askridge Holdings Ltd	New Zealand Shareholders Association Board
	Fifi Financial Ltd	The ASB Community Trust (Deputy Chair)
	MYIRG Ltd	Seven Trust Ltd
	Warden Security Ltd	

DIRECTORS' REMUNERATION AND OTHER BENEFITS

The following is the remuneration paid to the Directors of Mykris Ltd for the period is as follows:

	2014		2013	
	Director's Fees	Other Remuneration	Director's Fees	Other Remuneration
Executive Directors				
Chew Choo Soon	\$ -	\$ 147,345	\$ -	\$ 113,379
Chang Wai Hoong	\$ -	\$ 152,010	\$ -	\$ 103,613
Non-Executive Directors				
Siow Hock Lee	\$ 28,750	\$ -	\$ 23,450	\$ 15,663
Brent Douglas King	\$ 28,750	\$ -	\$ 28,750	\$ -
Huei Min Lim	\$ 28,750	\$ -	\$ 28,750	\$ -

REMUNERATION AND OTHER BENEFITS

The Directors of Mykris Ltd did not receive any other benefits from Mykris Ltd in the period to 31 March 2014.

EMPLOYEES REMUNERATION (EXCLUDING DIRECTORS)

There were no employees excluding the directors who received remuneration during the year of at least \$100,000.

Audit Report



Crowe Horwath New Zealand Audit Partnership

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MyKris Limited

Report on the Financial Statements

We have audited the financial statements of MyKris Limited and group on pages 25 to 76, which comprise the consolidated and separate statements of financial position as at 31 March 2014, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the company, or any of its subsidiaries.

Audit Report



Crowe Horwath New Zealand Audit Partnership

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Opinion

In our opinion, the financial statements on pages 25 to 76:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of MyKris Limited and the group as at 31 March 2014 and their financial performance and cash flows for year then ended.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by MyKris Limited as far as appears from our examination of those records.

A handwritten signature in blue ink that reads "Crowe Horwath".

Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
8 July 2014

STATEMENTS OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 MARCH 2014**

	<u>Note</u>	<u>Group</u>		<u>Parent</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating revenue	(5)	7,328,612	8,878,771	-	-
Cost of sales	(6)	<u>(2,887,598)</u>	<u>(3,835,013)</u>	-	-
Gross Profit		4,441,014	5,043,758	-	-
Other revenue	(5)	47,948	42,380	684,672	617,431
Less: expenses					
Selling and distribution expenses		558,433	418,412	-	-
Administration expenses	(6)	2,890,350	2,312,480	451,886	316,788
Other expenses	(6)	<u>1,206,752</u>	<u>1,273,764</u>	-	<u>22,296</u>
		4,655,535	4,004,656	451,886	339,084
Operating profit / (loss) before financing costs and taxation benefit		(166,573)	1,081,482	232,786	278,347
Finance income	(6)	8,607	1,118	-	-
Finance expense	(6)	<u>(5,707)</u>	<u>(8,661)</u>	-	-
Net finance income / (expense)		2,900	(7,543)	-	-
Net profit / (loss) before income taxation benefit / (expense) for the year		(163,673)	1,073,939	232,786	278,347
Taxation benefit	(7)	<u>260,647</u>	<u>212,783</u>	-	-
Net profit / (loss) after taxation benefit / (expense) for the year		<u>96,974</u>	<u>1,286,722</u>	<u>232,786</u>	<u>278,347</u>
Other comprehensive income					
<i>Items that will not be reclassified through profit or loss</i>					
Movement in foreign currency translation reserve	(10)	<u>(413,977)</u>	<u>(152,295)</u>	-	-
Other comprehensive income / (loss) for the year		<u>(413,977)</u>	<u>(152,295)</u>	-	-
Total comprehensive income / (loss) for the year		<u>\$ (317,003)</u>	<u>\$ 1,134,427</u>	<u>\$ 232,786</u>	<u>\$ 278,347</u>
Earnings per share for loss attributable to the equity holders of the Company during the year:					
- Earnings per share (\$ per share)	(8)	-	0.02	-	-
- Diluted earnings per share (\$ per share)	(8)	-	0.02	-	-

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

STATEMENTS OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 MARCH 2014****Group**

	<u>Note</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Foreign Currency Translation Reserves</u>	<u>Total</u>
Balance at 1 April 2012		15,000,000	(361,086)	(177)	14,638,737
Comprehensive income					
Net profit for the year		-	1,286,722	-	1,286,722
Other comprehensive income					
Movement in foreign currency translation reserve	(10)	-	-	(152,295)	(152,295)
Total comprehensive income		-	1,286,722	(152,295)	1,134,427
Transactions with owners					
Dividends paid	(9)	-	(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>

Group

	<u>Note</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Foreign Currency Translation Reserve</u>	<u>Total</u>
Balance at 1 April 2013		15,000,000	506,195	(152,472)	15,353,723
Comprehensive income					
Net profit for the year		-	96,974	-	96,974
Other comprehensive income					
Movement in foreign currency translation reserve	(10)	-	-	(413,977)	(413,977)
Total comprehensive income		-	96,974	(413,977)	(317,003)
Transactions with owners					
Dividends paid	(9)	-	(479,361)	-	(479,361)
Total transactions with owners		-	(479,361)	-	(479,361)
Balance at 31 March 2014		<u>\$ 15,000,000</u>	<u>\$ 123,808</u>	<u>\$ (566,449)</u>	<u>\$ 14,557,359</u>

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

STATEMENTS OF CHANGES IN EQUITY *Continued***FOR THE YEAR ENDED 31 MARCH 2014****Parent**

	<u>Note</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at 1 April 2012		15,000,000	(618,173)	14,381,827
Comprehensive income				
Net profit for the year		-	278,347	278,347
Other comprehensive income				
Other comprehensive income		-	-	-
Total comprehensive income		-	278,347	278,347
Transactions with owners				
Dividends paid	(9)	-	(419,441)	(419,441)
Total transactions with owners		-	(419,441)	(419,441)
Balance at 31 March 2013		<u>\$15,000,000</u>	<u>\$(759,267)</u>	<u>\$14,240,733</u>

Parent

	<u>Note</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at 1 April 2013		15,000,000	(759,267)	14,240,733
Comprehensive income				
Net profit for the year		-	232,786	232,786
Other comprehensive income				
Other comprehensive income		-	-	-
Total comprehensive income		-	232,786	232,786
Transactions with owners				
Dividends paid	(9)	-	(479,361)	(479,361)
Total transactions with owners		-	(479,361)	(479,361)
Balance at 31 March 2014		<u>\$15,000,000</u>	<u>\$(1,005,842)</u>	<u>\$13,994,158</u>

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

STATEMENTS OF FINANCIAL POSITION**AS AT 31 MARCH 2014**

	Note	Group		Parent	
		2014	2013	2014	2013
Shareholders equity					
Share capital	(9)	15,000,000	15,000,000	15,000,000	15,000,000
Retained earnings		123,808	506,195	(1,005,842)	(759,267)
Foreign currency translation reserve	(10)	(566,449)	(152,472)	-	-
Total shareholders equity		\$ 14,557,359	\$ 15,353,723	\$ 13,994,158	\$ 14,240,733
Current assets					
Cash and cash equivalents	(11)	1,148,215	1,747,956	2,847	62,677
Trade receivables	(12)	1,379,910	1,743,777	-	-
Prepayments and other current assets	(13)	1,372,593	1,194,507	464,532	481,169
Taxation receivable		22,007	-	-	-
Related party receivables	(24)	-	135,688	-	147,204
Deferred tax assets - current portion	(7)	35,525	42,911	-	-
Total current assets		3,958,250	4,864,839	467,379	691,050
Non current assets					
Property, plant and equipment	(16)	1,825,138	1,386,738	-	-
Intangible assets and goodwill	(17)	11,925,278	12,932,563	-	-
Investment properties	(18)	284,172	-	-	-
Investments in subsidiaries	(14)	-	-	14,000,000	14,000,000
Total non current assets		14,034,588	14,319,301	14,000,000	14,000,000
Total assets		17,992,838	19,184,140	14,467,379	14,691,050
Current liabilities					
Trade and other payables	(19)	550,274	540,467	59,982	48,429
Deferred income	(20)	785,922	741,566	-	-
Related party payables	(24)	-	146,387	413,239	401,888
Term borrowings - current portion	(21)	28,900	30,642	-	-
Taxation payable		-	10,203	-	-
Deferred tax liabilities - current portion	(7)	353,428	351,332	-	-
Total current liabilities		1,718,524	1,820,597	473,221	450,317
Non current liabilities					
Term borrowings - non current portion	(21)	51,677	88,676	-	-
Deferred tax liabilities - non current portion	(7)	1,665,278	1,921,144	-	-
Total non current liabilities		1,716,955	2,009,820	-	-
Total liabilities		3,435,479	3,830,417	473,221	450,317
Total net assets		\$ 14,557,359	\$ 15,353,723	\$ 13,994,158	\$ 14,240,733
Net tangible assets per share (\$ per share)		0.04	0.04	0.23	0.24

For and on behalf of the Board of Directors, dated 8 July 2014:



.....
CHEW CHOO SOON
 Chairman Director



.....
CHANG WAI HOONG
 Executive Director

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

STATEMENTS OF CASH FLOWS**FOR THE YEAR ENDED 31 MARCH 2014**

	<u>Note</u>	<u>Group</u>		<u>Parent</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cashflows from operating activities					
<i>Cash was provided from:</i>					
Cash receipts from customers		7,442,794	7,814,214	-	-
Interest received		8,607	1,118	-	-
Dividend received		-	-	662,150	617,431
Other cash receipts		47,241	42,380	16,637	2,533
<i>Cash was applied to:</i>					
Cash payments to suppliers and employees		(5,864,243)	(6,267,656)	(417,811)	(385,444)
Income tax paid		(17,947)	(5,417)	-	-
Interest paid		(5,707)	(8,661)	-	-
Net cashflows from operating activities	(29)	<u>1,610,745</u>	<u>1,575,978</u>	<u>260,976</u>	<u>234,520</u>
Cashflows from investing activities					
<i>Cash was provided from:</i>					
Sale of property, plant and equipment		1,903	-	-	-
Sale of subsidiary	(15)	38	-	-	-
<i>Cash was applied to:</i>					
Purchase of property, plant and equipment	(16)	(1,272,397)	(664,376)	-	-
Purchase of intangible assets	(17)	(103,442)	(12,870)	-	-
Purchase of investment properties	(18)	(305,876)	-	-	-
Net cash flows from investing activities		<u>(1,679,774)</u>	<u>(677,246)</u>	<u>-</u>	<u>-</u>
Cashflows from financing activities					
<i>Cash was provided from:</i>					
Related party receivables		135,688	-	147,204	356,696
Related party payables		-	119,418	11,351	-
<i>Cash was applied to:</i>					
Related party payables		(146,387)	-	-	(145,340)
Related party receivables		-	(127,992)	-	-
Repayment of borrowings		(38,742)	(59,485)	-	-
Dividends paid to the owners of the company		(479,361)	(419,441)	(479,361)	(419,441)
Net cashflows from financing activities		<u>(528,802)</u>	<u>(487,500)</u>	<u>(320,806)</u>	<u>(208,085)</u>
Net cash flows for the year		<u>(597,831)</u>	<u>411,232</u>	<u>(59,830)</u>	<u>26,435</u>
Cash and cash equivalents at the beginning of the year		1,747,956	1,336,724	62,677	36,242
Cash and cash equivalents disposed through sale of subsidiary	(15)	(1,910)	-	-	-
Cash and cash equivalents at the end of the year	(11)	<u>\$ 1,148,215</u>	<u>\$ 1,747,956</u>	<u>\$ 2,847</u>	<u>\$ 62,677</u>

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

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014****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 financial statements of Mykris Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group') have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The Company and Group are profit-oriented entities.

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

The financial statements were authorised for issue by the directors on 8 July 2014.

2. BASIS OF PREPARATION OF THE FINANCIAL REPORT**Compliance with IFRS**

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS').

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Basis for consolidation***(i) Subsidiaries***

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***2. BASIS OF PREPARATION OF THE FINANCIAL REPORT** *Continued***Basis for consolidation** *Continued****(i) Subsidiaries*** *Continued*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with NZ IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, 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 of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

New and amended standards and interpretations

The accounting policies adopted are consistently applied with the following exceptions:

(i) New and amended standards adopted by the Group

The following new standards, amendments and interpretations to existing standards mandatory for the first time for the financial period ended 31 March 2014:

- NZ IFRS 10, 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard has not had a material impact on the Group.
- NZ IFRS 11, 'Joint Arrangements' overhauls the accounting treatment for accounting for jointly controlled entities (joint ventures), jointly controlled operations and jointly controlled assets (collectively now referred to as joint arrangements). NZ IFRS 11 replaces NZ IAS 31 – Interests in Joint Ventures (NZ IAS 31) effective for annual periods beginning on or after 1 January 2013. The adoption of this standard has not had a material impact on the Group.
- NZ IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of this standard has not had a material impact on the Group.
- NZ IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across NZ IFRSs. The requirements, which are largely aligned between NZ IFRSs and NZ GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standard within NZ IFRSs or NZ GAAP. The adoption of this standard has not had a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***2. BASIS OF PREPARATION OF THE FINANCIAL REPORT** *Continued***New and amended standards and interpretations** *Continued***(i) New and amended standards adopted by the Group** *Continued*

The following new standards, amendments and interpretations to existing standards mandatory for the first time for the financial period ended 31 March 2014: *Continued*

- NZ IAS 1, 'Presentation of financial statements', amendments to this standard requires the separation of items presented in other comprehensive income into two groups, based on whether they may be reclassified through profit and loss in future or not. The adoption of this standard has had a disclosure impact on the Group's financial statements only.
- There are a number of other new and amended standards, and interpretations mandatory for first time adoption for the financial year ended 31 March 2014 but not currently relevant to the Group in preparing these financial statements. These other new and amended standards and interpretations are not expected to have an impact on the Group's financial statements.

(ii) Early adopted new and amended standards

No new standards, amendments and interpretations to existing standards have been early adopted by the Group in preparing these financial statements.

(iii) New and amended standards, and interpretations mandatory for first time adoption for the financial period ended 31 March 2014 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

There are a number of other new and amended standards, and interpretations mandatory for first time adoption for the financial period ended 31 March 2014 but not currently relevant to the Group in preparing these financial statements. These other new and amended standards and interpretations are not expected to have an impact on the Group's financial statements.

(iv) New standards, amendments and interpretations issued but not yet effective for the financial period ended 31 March 2014 and not early adopted by the Group

The following new standards, amendments and interpretations issued but not yet effective for the Group's accounting periods beginning on or after 1 April 2014 or later periods, but the Group has not early adopted them.

- NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than the accounting period beginning on or after 1 January 2015.
- There are a number of other new standards, amendments and interpretations issued but not effective for the financial period ended 31 March 2014 and not early adopted by the Group in preparing these financial statements. These other new standards, amendments and interpretations are not expected to have an impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES****(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars (NZD), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest dollar.

(b) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Group

The results and financial position of a Group entity that has a functional currency different from the presentation currency is translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of comprehensive income item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

(c) Goods and services tax

All revenue and expense transactions are recorded exclusive of GST. Assets and liabilities are similarly stated exclusive of GST, with the exception of receivables and payables, which are stated with GST included.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 *Continued*

3. SIGNIFICANT ACCOUNTING POLICIES *Continued*

(d) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- *Sale of goods*

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

- *Services*

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

Unearned revenue is recorded on the statement of financial position as deferred income and subsequently recognised through the profit and loss when the services are rendered.

- *Interest income*

Interest income recognised in profit or loss as it accrues, using the effective interest method (also refer significant accounting policy (f) below).

- *Rental Income*

Rental income is recognised on an accrual basis.

(e) Expenses

Expenses are recognised as incurred in profit or loss on an accrual basis. The following specific recognition criteria must also be met before expenses are recognised:

- *Interest expense and borrowing costs*

Interest expense and borrowing costs are recognised in profit or loss as they accrue, using the effective interest method (also refer significant accounting policy (f) below).

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(f) Interest income and interest expense**

Interest income and interest expense are recognised in profit or loss as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

(g) Income tax

Income tax on net profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except when it relates to items recognised outside profit or loss (equity or other comprehensive income), in which case it is also recognised outside profit or loss.

Current income tax is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities are recognised when tax deductions have exceeded accounting expenditure for temporary differences and depreciation.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(h) Financial instruments****Basis of recognition and measurement**

The Group classifies financial instruments into one of the following categories at initial recognition: financial assets or liabilities at fair value through profit or loss, available for sale, loans and receivables, held to maturity, and financial liabilities measured at amortised cost.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at balance date.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Group's contractual rights to the cash flows expire or if the Group transfers them without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognised if the company's obligations specified in the contract are extinguished.

Financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the financial asset acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(i) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

The Group has not classified any financial assets in this category.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(h) Financial instruments** *Continued**Basis of recognition and measurement* *Continued***Financial assets - continued****(ii) Available for sale financial assets**

Available for sale financial assets are non-derivatives, principally equity securities, which are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

The Group has not classified any financial assets in this category.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Assets in this category are measured at amortised cost using the effective interest method, less any impairment losses.

The Group's loans and receivables comprise cash and cash equivalents, trade and other receivables and related party receivables.

(iv) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

The Group has not classified any financial assets in this category.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When a financial asset carried at amortised cost is uncollectible, it is written off against the allowance account. A financial asset carried at amortised cost is deemed to be uncollectible upon notification of insolvency of the debtor or upon receipt of similar evidence that the Group will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed. Subsequent recoveries of financial asset carried at amortised cost previously written off are credited against the allowance account.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(h) Financial instruments** *Continued***Basis of recognition and measurement** *Continued***Impairment of financial assets** *Continued*

In respect of available-for-sale debt instruments, the loss is reversed through profit or loss. In respect of available-for-sale equity instruments, impairment losses are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated as a separate component of equity in the available-for-sale revaluation reserve.

Financial liabilities**(i) Financial liabilities at fair value through profit or loss**

This category has two sub categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability is classified in this category if acquired principally for the purpose of paying in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities if they are either held for trading or are expected to be realised within 12 months of the reporting date.

The Group has not classified any financial liabilities in this category.

(ii) Other financial liabilities

This category includes all financial liabilities other than those designated as fair value through profit or loss. Subsequent to initial recognition liabilities in this category are measured at amortised cost using the effective interest method.

The Group's other financial liabilities comprise trade and other payables and related party payables.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts (if any) are shown in current liabilities on the statement of financial position.

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis in accordance with the Group's impairment of financial assets accounting policy described above under the financial instruments accounting policy. Individual debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment.

(k) Investments in subsidiaries

Investments in subsidiary companies are valued at cost less impairment. The carrying amount of the investments in subsidiary companies is reviewed at each balance sheet date to determine if there is any evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(l) Investments in equity securities**

Investments in equity instruments (other than investments in subsidiaries) are valued at their fair value. Where investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

(m) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Employee benefits

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows.

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, statutory days in lieu, annual leave and sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Superannuation plans

The Group pays contributions to superannuation plans, such as Kiwisaver. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(p) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. All assets are depreciated over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The carrying amount of property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Initial recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs

Subsequent costs are added to the carrying amount of an item of plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The depreciation rates used for each class of assets are:

<u>Class of property, plant and equipment</u>	<u>Depreciation Rate</u>
Freehold building	2.0%
Motor vehicles	20.0%
Furniture and fittings	10.0%
Office equipment	20.0%
Computer equipment	20.0%
Broadband equipment	20.0% - 33.33%
Data centre equipment	20.0%
Cabling	20.0% - 33.33%
Renovation	20.0%
Wireless equipment	20.0% - 33.33%
Infrastructure	20.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(q) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

When the leased asset is subject to a sale and lease back arrangement and the lease meets the definition of a finance lease, in substance the arrangement is a loan secured over the leased asset. In this situation the arrangement is classified as a loan and is included within Finance Receivables.

(r) Intangible assets**Goodwill**

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures 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 has been assessed to be an indefinite useful life intangible.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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 costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Trademarks, Licences and Computer software

Separately acquired trademarks and licences are shown at historical cost less accumulated amortisation and any impairment losses. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(r) Intangible assets** *Continued*Customer lists

Customer lists are initially recorded at their purchase price and amortised on a straight line basis over their expected contractual life of 5 to 10 years. The balances are reviewed annually and any balance representing future benefits, the realisation of which is considered to be no longer probable, are written off.

Development expenditure

Development expenditure is recognised as an expense except that costs incurred and development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense are not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

(s) Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are within 90 years to 95 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***3. SIGNIFICANT ACCOUNTING POLICIES** *Continued***(t) Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(u) Share capital

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

(v) Statement of cash flows

The statement of cash flows has been prepared using the direct approach.

Cash and cash equivalents includes cash on hand, cash held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows from related party receivables and payables and borrowings have been netted to provide meaningful disclosure to better reflect the activities of party providing the funding.

The following are the definitions of the terms used in the statement of cash flows:

- Operating activities

Operating activities include all transactions and other events that are not investing or financing activities;

- Investing activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and of investments. Investments can include securities not falling within the definition of cash; and

- Financing activities

Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid (if any) in relation to the capital structure are included in financing activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 *Continued*

3. SIGNIFICANT ACCOUNTING POLICIES *Continued*

(w) 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).

(x) Comparative figures

Where applicable, certain comparative numbers have been restated in order to comply with the current period presentation of the financial report.

(y) Changes in accounting policies

Other than the adoption of new and amended standards and interpretations as outlined in 'basis of preparation of financial report' at Note 2 (a), there were no other changes in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***4. CRITICAL ACCOUNTING ESTIMATES**

In the application of NZ IFRS, the Board of Directors and management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from the estimates, judgments and assumptions made by the Board of Directors and management.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

In particular, information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is outlined below:

(i) Current and deferred income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. Refer also note 7.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest forecasts of future earnings of the Company and Group. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Refer also note 7.

(ii) Impairment of trade and other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics and adjusted as necessary on the basis of current observable data to reflect the effect of current conditions. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. Refer also note 12 and 13.

(iii) Accounting for property, plant and equipment and finite-life intangible assets

At each reporting date, the useful lives and residual values of property, plant and equipment and finite-life intangible assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment and finite-life intangible assets requires a number of factors to be considered such as the condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset. Refer also notes 16 and 17.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***4. CRITICAL ACCOUNTING ESTIMATES - *continued***

In particular, information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is outlined below: - *continued*

(iv) Impairment of goodwill

The recoverability of the carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the related investment or cash-generating unit, which entails making judgments, including the expected rate of growth of revenues, margins expected to be achieved, the level of future capital expenditure required to support these outcomes and the appropriate discount rate to apply when valuing future cash flows. Refer also note 17.

(v) Impairment of investments in subsidiaries

At each reporting date, an assessment is made whether there is objective evidence that an investment in a subsidiary is impaired. Determining whether investment in subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of investments based on such estimates. Refer also note 14 and 15.

(vi) Classification between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 *Continued*

5. REVENUE

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating revenue:				
- Wireless internet access	6,158,549	5,307,504	-	-
- Project sales	601,908	2,883,479	-	-
- IT based products and services	537,787	372,779	-	-
- Royalties fees	<u>30,368</u>	<u>315,009</u>	-	-
	<u>7,328,612</u>	<u>8,878,771</u>	-	-
Non-operating revenue:				
- Dividend income	-	-	662,150	617,431
- Sundry non operating revenue	<u>47,948</u>	<u>42,380</u>	<u>22,522</u>	-
	<u>47,948</u>	<u>42,380</u>	<u>684,672</u>	<u>617,431</u>
Total revenue	<u>\$ 7,376,560</u>	<u>\$ 8,921,151</u>	<u>\$ 684,672</u>	<u>\$ 617,431</u>

6. PROFIT / (LOSS) BEFORE INCOME TAX

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net loss for the year before income tax has been determined after:				
Depreciation of property, plant and equipment (16)	676,469	475,200	-	-
Amortisation (17)	1,060,727	1,076,213	-	-
Impairment of intangible assets - goodwill (17)	12,685	-	-	-
Depreciation of investment properties (18)	280	-	-	-
Movement in the impairment of trade receivables (12)	1,914	51,104	-	-
Net bad debts (recovered) / expense (12)	90,816	(12,296)	-	-
Salaries and wages	1,773,521	1,464,394	200,109	104,319
Donations	26,451	29,460	-	-
Rental	464,154	406,766	-	-
Directors fees	86,250	80,950	86,250	80,950
Net foreign exchange gains - realised	(20,190)	(17,070)	-	-
Net foreign exchange (gains) / loss - unrealised	-	32,860	(22,552)	22,296
New Zealand Alternative Stock Exchange fees	7,322	6,181	7,322	6,181
Loss on disposal of subsidiary (15)	350	-	-	-
Gain on disposal of property, plant and equipment (16)	(707)	-	-	-
Auditors remuneration				
Audit fees - Crowe Horwath New Zealand Audit Partnership	44,644	38,106	44,644	38,106
Audit fees - Crowe Horwath AF 1018 (Malaysia)	<u>13,700</u>	<u>15,094</u>	-	-
Total audit remuneration	<u>\$ 58,344</u>	<u>\$ 53,200</u>	<u>\$ 44,644</u>	<u>\$ 38,106</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***6. PROFIT / (LOSS) BEFORE INCOME TAX**

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net finance costs				
Finance income:				
- Interest income	8,607	1,118	-	-
Finance costs:				
- Interest expense	(5,707)	(8,661)	-	-
Total net finance income / (costs)	<u>\$ 2,900</u>	<u>\$ (7,543)</u>	<u>\$ -</u>	<u>\$ -</u>

7. INCOME TAX**(a) Income tax**

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net profit / (loss) before taxation	(163,673)	1,073,939	232,786	278,347
Income taxation at prevailing tax rates	(33,935)	277,173	65,180	77,937
Non assessable income	(345,310)	(633,685)	(185,402)	(172,881)
Non-deductible expenses	(18,091)	68,150	(16,467)	19,365
Tax losses not recognised	136,689	75,579	136,689	75,579
Taxation benefit per the statement of comprehensive income	<u>\$ (260,647)</u>	<u>\$ (212,783)</u>	<u>\$ -</u>	<u>\$ -</u>
Comprising:				
- Current tax	(37,936)	54,847	-	-
- Deferred tax	(222,711)	(267,630)	-	-
	<u>\$ (260,647)</u>	<u>\$ (212,783)</u>	<u>\$ -</u>	<u>\$ -</u>

(b) Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority.

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Deferred tax assets:				
- To be recovered within 12 months	35,525	42,911	-	-
- To be recovered after more than 12 months	-	-	-	-
	<u>35,525</u>	<u>42,911</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities:				
- To be recovered within 12 months	353,428	351,332	-	-
- To be recovered after more than 12 months	1,665,278	1,921,144	-	-
	<u>2,018,706</u>	<u>2,272,476</u>	<u>-</u>	<u>-</u>
Net deferred tax asset/ (liability)	<u>\$(1,983,181)</u>	<u>\$(2,229,565)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 *Continued*7. INCOME TAX *Continued*(b) *Deferred tax Continued*

The gross movement on the deferred income tax account is as follows:

Group

	<u>Accelerated Depreciation</u>	<u>Accelerated Amortisation</u>	<u>Other Intangibles</u>	<u>Receivables Impairment Provision</u>	<u>Total</u>
Balance at 1 April 2012	(237,582)	(144,147)	(2,164,500)	38,733	(2,507,496)
Charged to profit and loss	(7,783)	43,843	221,950	9,620	267,630
Foreign exchange movement	8,501	3,475	-	(1,675)	10,301
Balance at the 31 March 2013	<u>\$ (236,864)</u>	<u>\$ (96,829)</u>	<u>\$ (1,942,550)</u>	<u>\$ 46,678</u>	<u>\$ (2,229,565)</u>
Charged to profit and loss	(4,947)	17,125	224,994	(14,461)	222,711
Foreign exchange movement	19,927	6,804	(213)	(2,845)	23,673
Balance at the 31 March 2014	<u>\$ (221,884)</u>	<u>\$ (72,900)</u>	<u>\$ (1,717,769)</u>	<u>\$ 29,372</u>	<u>\$ (1,983,181)</u>

Deferred tax assets and liabilities are recognised to the extent that the realisation of the related benefit / outflow through future taxable income / expense is probable.

(c) *Deferred tax not recognised***Group**

	<u>2014</u>		<u>2013</u>	
	<u>Gross</u>	<u>Tax Effectuated</u>	<u>Gross</u>	<u>Tax Effectuated</u>
Tax losses	847,221	237,222	350,421	98,118
Temporary differences	47,726	13,363	106,536	29,830
Total	<u>894,947</u>	<u>250,585</u>	<u>456,957</u>	<u>127,948</u>

Parent

	<u>2014</u>		<u>2013</u>	
	<u>Gross</u>	<u>Tax Effectuated</u>	<u>Gross</u>	<u>Tax Effectuated</u>
Tax losses	847,221	237,222	350,421	98,118
Temporary differences	47,726	13,363	106,536	29,830
Total	<u>894,947</u>	<u>250,585</u>	<u>456,957</u>	<u>127,948</u>

(d) *Imputation credit account*

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Balance as at the beginning of the year	-	-	-	-
Balance as at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued***8. EARNINGS PER SHARE****(a) Earnings per share**

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Weighted average number of ordinary shares on issue for earnings per share	59,920,100	59,920,100	59,920,100	59,920,100
Basic earnings per share (\$ per share)	-	0.02	-	-

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has only one category of dilutive potential ordinary shares; warrants.

For warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Weighted average number of ordinary shares on issue for diluted earnings per share	59,920,100	59,920,100	59,920,100	59,920,100
Diluted earnings per share (\$ per share)	-	0.02	-	-

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***9. SHARE CAPITAL****Parent and Group**

	Group		Parent	
	2014	2013	2014	2013
Share capital consists of:				
- Ordinary shares (refer below)	14,980,000	14,980,000	14,980,000	14,980,000
- Warrants (refer below)	20,000	20,000	20,000	20,000
	<u>\$15,000,000</u>	<u>\$15,000,000</u>	<u>\$15,000,000</u>	<u>\$15,000,000</u>

Ordinary shares

	Number of Ordinary Shares	Value	Number of Ordinary Shares	Value
	2014	2014	2013	2013
<i>Movements in ordinary shares</i>				
Opening balance as the beginning of the period	59,920,100	14,980,000	59,920,100	14,980,000
Closing balance as the end of the period	<u>59,920,100</u>	<u>\$14,980,000</u>	<u>59,920,100</u>	<u>\$14,980,000</u>

These ordinary shares are fully paid and have no par value. The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regards to the Company's residual assets.

No ordinary shares were issued during the current period (2013: none).

On 12 June 2013 the Company declared a dividend of \$479,361 which as paid out on 16 August 2013, no further dividends were declared or paid during the period (2013: On 18 January 2013 the Company declared a dividend of \$419,441 which was paid out on 1 February 2013, no further dividends were declared or paid during the period).

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***9. SHARE CAPITAL** *Continued***Warrants**

	Number of Warrants	Value	Number of Warrants	Value
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
<i>Movements in warrants</i>				
Opening balance as the beginning of the period	6,000,000	\$ 20,000	6,000,000	\$ 20,000
Closing balance as the end of the period	<u>6,000,000</u>	<u>\$ 20,000</u>	<u>6,000,000</u>	<u>\$ 20,000</u>

These warrants enable the warrant holder to subscribe for ordinary shares in the Company. Each warrant being a warrant to subscribe for one (1) ordinary share in the Company at an exercise price of NZ\$0.25 each payable in cash on exercise, and to be exercisable at any time up to 31 December 2014.

No warrants were issued during the current period (2013: none).

No warrants were exercised, cancelled or forfeited during the period.

10. FOREIGN CURRENCY TRANSLATION RESERVE

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<i>Movements in foreign currency translation reserve</i>				
Opening balance at the beginning of the period	(152,472)	(177)	-	-
Movement in foreign currency translation reserve	<u>(413,977)</u>	<u>(152,295)</u>	-	-
Closing balance at the end of the period	<u>\$ (566,449)</u>	<u>\$ (152,472)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***11. CASH AND CASH EQUIVALENTS**

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash on hand	1,590	1,711	-	-
Cash at bank - on call	942,698	1,530,786	2,847	62,677
Cash at bank - on deposit	203,927	215,459	-	-
	<u>\$ 1,148,215</u>	<u>\$ 1,747,956</u>	<u>\$ 2,847</u>	<u>\$ 62,677</u>

The cash at bank - on deposit has been pledged to a financial institution as security for banking facilities granted to the Group. The fixed deposits bore effective interest rates ranging from 3.05% to 3.15% per annum (2013: 2.85% to 3.15% per annum). The fixed deposit has a maturity period ranging from 3 to 12 months (2013: 3 to 12 months).

12. TRADE RECEIVABLES

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Trade receivables	1,497,787	2,016,918	-	-
Allowance for impairment losses	(117,877)	(273,141)	-	-
Net trade receivables	<u>\$ 1,379,910</u>	<u>\$ 1,743,777</u>	<u>\$ -</u>	<u>\$ -</u>

The Group's normal trade credit terms range from 30 to 90 days.

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Movements in the allowance for impairment losses</u>				
Opening balance at the beginning of the period	273,141	243,706	-	-
Disposal of a subsidiary	(7,339)	-	-	-
Addition during the financial period	1,914	51,104	-	-
Write back during the financial period	(23,223)	(12,296)	-	-
Trade receivables written off during the period	(114,039)	-	-	-
Foreign exchange movement	(12,577)	(9,373)	-	-
Closing balance at the end of the period	<u>\$ 117,877</u>	<u>\$ 273,141</u>	<u>\$ -</u>	<u>\$ -</u>

13. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Prepayments	346,014	309,945	11,877	13,467
Other receivables	280,473	110,216	-	-
Security deposits	293,451	306,644	-	-
NZAX listing deposit	20,000	20,000	20,000	20,000
Bartercard trade dollars	432,655	447,702	432,655	447,702
	<u>\$ 1,372,593</u>	<u>\$ 1,194,507</u>	<u>\$ 464,532</u>	<u>\$ 481,169</u>

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued***13. PREPAYMENTS AND OTHER CURRENT ASSETS** *Continued*

The New Zealand Alternative Stock Exchange (NZAX) listing deposit has been pledged with the NZAX which complies with the NZAX listing rules.

A Bartercard Trade Dollar is an accounting unit used to record the value of goods and services traded. The Bartercard Trade Dollar is recognised by the Inland Revenue Department of New Zealand and New Zealand financial institutions as having the same value as the New Zealand Dollar. The Bartercard credit/debit system functions in the same way the MasterCard and Visa systems deliver service to cash-paying consumers. Bartercard Trade Dollars are not legal tender, securities, debentures or commodities.

14. INVESTMENT IN UNLISTED SUBSIDIARY - PARENT

Mykris Limited has the following investments in subsidiary companies:

	<u>Parent</u>	
	<u>2014</u>	<u>2013</u>
Mykris Asia Sdn Bhd	10,807,542	10,807,542
Mykris Net (MSC) Sdn Bhd	<u>3,192,458</u>	<u>3,192,458</u>
	<u>\$14,000,000</u>	<u>\$14,000,000</u>

Mykris Asia Sdn Bhd ('Mykris Asia') is a company incorporated and domiciled in Malaysia. The principal activity of Mykris Asia is managed internet service provider. Mykris Asia's balance date is 31 March. Mykris Limited own 100% of the shares of Mykris Asia and holds 100% of the voting power.

Mykris Net (MSC) Sdn Bhd ('Mykris Net') is a company incorporated and domiciled in Malaysia. The principal activity of Mykris Net is the developing and providing web-based application software and as multimedia and e-commerce providers and facilitators. Mykris Net's balance date is 31 March. Mykris Limited own 100% of the shares of Mykris Net and holds 100% of the voting power.

15. INVESTMENT IN SUBSIDIARIES - GROUP**Group**

Subsidiary	Nature of business	Ownership %	
		2014	2013
<i>The subsidiary company of Mykris Asia Sdn Bhd is:</i>			
- Mykris (PG) Sdn Bhd	Managed internet service provider	- %	100%

Mykris (PG) Sdn Bhd ('Mykris Penang') is a company incorporated and domiciled in Malaysia. Mykris Penang's balance date is 31 March. On 28 June 2013 Mykris Asia disposed of its equity interest in Mykris Penang (now Asia Network Management Sdn. Bhd).

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued*15. INVESTMENT IN SUBSIDIARIES - GROUP *Continued*

The following summarises the effect of the disposal:

Consideration received:

	<u>2014</u>
Consideration received in cash and cash equivalents	38
Total consideration received	<u>\$ 38</u>

Analysis of assets and liabilities over which control was lost:

	<u>2014</u>
<u>Current assets</u>	
Cash and cash equivalents	1,910
<u>Current liabilities</u>	
Trade and other payables	<u>(1,522)</u>
Net assets	<u>\$ 388</u>

Loss on disposal of subsidiary:

	<u>2014</u>
Consideration received	38
Less net assets disposed	<u>(388)</u>
Loss on disposal	<u>\$ (350)</u>

The loss on disposal is included in other expenses in the consolidated statements of comprehensive income.

Net cash outflow on disposal of subsidiary:

	<u>2014</u>
Consideration received in cash and cash equivalents	38
Less: cash and cash equivalents disposed	<u>(1,910)</u>
Net cash outflow	<u>\$ (1,872)</u>

The consolidated statement of comprehensive income includes sales revenue and net profit / (loss) for the year ended 31 March 2014 of \$Nil and \$(19) respectively.

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued*

16. PROPERTY PLANT AND EQUIPMENT

(a) Carrying values of property, plant and equipment

Group

2014

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Foreign Exchange Movement</u>	<u>Carrying Value</u>
Freehold building	48,222	(9,872)	(3,183)	35,167
Motor vehicles	254,903	(127,700)	(10,686)	116,517
Furniture and fittings	27,793	(9,676)	(1,519)	16,598
Office equipment	106,245	(77,526)	(2,486)	26,233
Computer equipment	140,737	(72,342)	(5,673)	62,722
Broadband equipment	380,123	(127,663)	(19,274)	233,186
Data centre equipment	383,692	(169,242)	(17,940)	196,510
Cabling	191,487	(53,539)	(9,901)	128,047
Renovation	87,663	(26,986)	(5,172)	55,505
Wireless equipment	1,998,556	(1,006,134)	(76,873)	915,549
Infrastructure	50,150	(7,421)	(3,625)	39,104
	<u>\$ 3,669,571</u>	<u>\$(1,688,101)</u>	<u>\$ (156,332)</u>	<u>\$ 1,825,138</u>

2013

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Foreign Exchange Movement</u>	<u>Carrying Value</u>
Freehold building	49,912	(9,229)	(1,382)	39,301
Motor vehicles	238,916	(93,068)	(5,181)	140,667
Furniture and fittings	26,984	(6,529)	(647)	19,808
Office equipment	107,746	(68,852)	(1,292)	37,602
Computer equipment	118,191	(45,952)	(2,342)	69,897
Broadband equipment	187,557	(58,110)	(3,925)	125,522
Data centre equipment	336,674	(97,772)	(7,598)	231,304
Cabling	48,746	(29,768)	(661)	18,317
Renovation	86,021	(10,779)	(2,168)	73,074
Wireless equipment	1,230,854	(629,084)	(20,674)	581,096
Infrastructure	51,909	-	(1,759)	50,150
	<u>\$ 2,483,510</u>	<u>\$(1,049,143)</u>	<u>\$ (47,629)</u>	<u>\$ 1,386,738</u>

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued*16. PROPERTY PLANT AND EQUIPMENT *Continued*

(b) Movements in the carrying values of property, plant and equipment

Group

<u>2014</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals /Write-offs</u>	<u>Depreciation</u>	<u>Foreign Exchange Movement</u>	<u>Closing Net Book Value</u>
Freehold building	39,301	-	-	(951)	(3,183)	35,167
Motor vehicles*	140,667	29,598	(1,196)	(41,866)	(10,686)	116,517
Furniture and fittings	19,808	1,665	-	(3,356)	(1,519)	16,598
Office equipment	37,602	2,039	-	(10,922)	(2,486)	26,233
Computer equipment	69,897	26,360	-	(27,862)	(5,673)	62,722
Broadband equipment	125,522	198,302	-	(71,364)	(19,274)	233,186
Data centre equipment	231,304	57,636	-	(74,490)	(17,940)	196,510
Cabling	18,317	144,362	-	(24,731)	(9,901)	128,047
Renovation	73,074	4,143	-	(16,540)	(5,172)	55,505
Wireless equipment	581,096	808,292	-	(396,966)	(76,873)	915,549
Infrastructure	50,150	-	-	(7,421)	(3,625)	39,104
	<u>\$ 1,386,738</u>	<u>\$ 1,272,397</u>	<u>\$ (1,196)</u>	<u>\$ (676,469)</u>	<u>\$ (156,332)</u>	<u>\$ 1,825,138</u>

<u>2013</u>	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals /Write-offs</u>	<u>Depreciation</u>	<u>Foreign Exchange Movement</u>	<u>Closing Net Book Value</u>
Freehold building	41,677	-	-	(994)	(1,382)	39,301
Motor vehicles*	193,381	-	-	(47,533)	(5,181)	140,667
Furniture and fittings	11,277	11,669	-	(2,491)	(647)	19,808
Office equipment	33,762	23,337	(134)	(18,071)	(1,292)	37,602
Computer equipment	51,517	42,370	-	(21,648)	(2,342)	69,897
Broadband equipment	38,453	122,009	-	(31,015)	(3,925)	125,522
Data centre equipment	141,227	155,430	-	(57,755)	(7,598)	231,304
Cabling	22,590	5,940	-	(9,552)	(661)	18,317
Renovation	21	85,919	(1)	(10,697)	(2,168)	73,074
Wireless equipment	659,512	217,702	-	(275,444)	(20,674)	581,096
Infrastructure	51,909	-	-	-	(1,759)	50,150
	<u>\$ 1,245,326</u>	<u>\$ 664,376</u>	<u>\$ (135)</u>	<u>\$ (475,200)</u>	<u>\$ (47,629)</u>	<u>\$ 1,386,738</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 *Continued*

17. INTANGIBLE ASSETS

(a) Carrying values of intangible assets

Group

2014

	<u>Cost</u>	<u>Accumulated Amortisation /Impairment</u>	<u>Foreign Exchange Movement</u>	<u>Carrying Value</u>
Computer software	89,582	(46,395)	(3,575)	39,612
Goodwill	4,733,270	(12,685)	(6,553)	4,714,032
Customer lists	8,878,000	(1,997,550)	-	6,880,450
Development	931,297	(612,926)	(27,187)	291,184
	<u>\$14,632,149</u>	<u>\$(2,669,556)</u>	<u>\$ (37,315)</u>	<u>\$11,925,278</u>

2013

	<u>Cost</u>	<u>Accumulated Amortisation /Impairment</u>	<u>Foreign Exchange Movement</u>	<u>Carrying Value</u>
Computer software	76,119	(31,117)	(1,534)	43,468
Goodwill	4,737,070	-	(3,800)	4,733,270
Customer lists	8,878,000	(1,109,750)	-	7,768,250
Development	873,415	(471,343)	(14,497)	387,575
	<u>\$14,564,604</u>	<u>\$(1,612,210)</u>	<u>\$ (19,831)</u>	<u>\$12,932,563</u>

(b) Movements in the carrying values of intangible assets

Group

2014

	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals /Write-offs</u>	<u>Amortisation /Impairment</u>	<u>Foreign Exchange Movement</u>	<u>Closing Net Book Value</u>
Computer software	43,468	17,499	(1,522)	(16,258)	(3,575)	39,612
Goodwill	4,733,270	-	-	(12,685)	(6,553)	4,714,032
Customer lists	7,768,250	-	-	(887,800)	-	6,880,450
Development	387,575	87,465	-	(156,669)	(27,187)	291,184
	<u>\$12,932,563</u>	<u>\$ 104,964</u>	<u>\$ (1,522)</u>	<u>\$(1,073,412)</u>	<u>\$ (37,315)</u>	<u>\$11,925,278</u>

2013

	<u>Opening Net Book Value</u>	<u>Additions</u>	<u>Disposals /Write-offs</u>	<u>Amortisation /Impairment</u>	<u>Foreign Exchange Movement</u>	<u>Closing Net Book Value</u>
Computer software	46,771	12,870	-	(14,639)	(1,534)	43,468
Goodwill	4,737,070	-	-	-	(3,800)	4,733,270
Customer lists	8,656,050	-	-	(887,800)	-	7,768,250
Development	575,846	-	-	(173,774)	(14,497)	387,575
	<u>\$14,015,737</u>	<u>\$ 12,870</u>	<u>\$ -</u>	<u>\$(1,076,213)</u>	<u>\$ (19,831)</u>	<u>\$12,932,563</u>

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued*17. INTANGIBLE ASSETS *Continued***Goodwill**

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Allocated to Mykris Asia and Mykris Net	4,733,270	4,737,070	-	-
	<u>\$ 4,733,270</u>	<u>\$ 4,737,070</u>	<u>\$ -</u>	<u>\$ -</u>

The recoverable amount of business goodwill as at reporting date is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of three years.

(a) The key assumptions used for value-in-use calculations are as follows:

	<u>Mykris Net & Mykris Asia</u>	
	<u>2014</u>	<u>2013</u>
Gross margin	80.0 - 90.0%	80.0 - 90.0%
Growth rate	10.0 - 25.0%	10.0 - 12.5%
Discount rate	12.6%	12.6%

(i) Budgeted gross margin:

The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year adjusted for any expected efficiency improvements and cost saving measures.

(ii) Growth rate:

The growth rates used is based on past years achievements and the expected number of contracts to be secured.

(iii) Discount rate:

The discount rate used is pre-tax and reflects specific risks relating to the relevant segments.

(b) Sensitivity to changes in assumptions

The management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the goodwill to be materially lower than its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014 *Continued*

19. TRADE AND OTHER PAYABLES AND ACCRUALS

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Trade creditors	263,128	129,834	-	-
Accruals	121,743	320,584	59,590	44,992
Deposits received	121,762	59,955	-	-
Other payables	43,641	30,094	392	3,437
	<u>\$ 550,274</u>	<u>\$ 540,467</u>	<u>\$ 59,982</u>	<u>\$ 48,429</u>

The normal trade credit terms granted to the Group range from 30 to 90 days

20. DEFERRED INCOME

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Deferred income	785,922	741,566	-	-
	<u>\$ 785,922</u>	<u>\$ 741,566</u>	<u>\$ -</u>	<u>\$ -</u>

21. TERM BORROWINGS

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current				
Lease and hire purchase payables (refer note (23))	28,900	30,642	-	-
	<u>\$ 28,900</u>	<u>\$ 30,642</u>	<u>\$ -</u>	<u>\$ -</u>
Non Current				
Lease and hire purchase payables (refer note (23))	51,677	88,676	-	-
	<u>51,677</u>	<u>88,676</u>	<u>-</u>	<u>-</u>
	<u>\$ 80,577</u>	<u>\$ 119,318</u>	<u>\$ -</u>	<u>\$ -</u>

22. TERM LOAN

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current				
Alliance Bank (M) Bhd	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the previous financial year, Mykris Asia Sdn Bhd ('Mykris Asia') had a term loan with Alliance Bank (M) Bhd. The loan was for a term of 85 months from the date of inception, which was the 25 April 2005. The term loan bore an effective interest rate of 7.70% per annum at the end of the reporting period and is secured by a legal charge over the building of the Mykris Asia and a joint and several guarantee of the directors of the Mykris Asia. During the year ended 31 March 2013, this term loan was repaid.

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued*

23. FINANCE LEASE AND HIRE PURCHASE PAYABLES

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Minimum finance lease and hire purchase payments:				
- not later than one year	32,532	36,362	-	-
- later than one year and not later than five years	<u>54,717</u>	<u>95,948</u>	-	-
Total minimum finance lease and hire purchase payments	87,249	132,310	-	-
Less: Future finance charges	<u>(6,672)</u>	<u>(12,992)</u>	-	-
Present value of finance lease and hire purchase payables	<u>\$ 80,577</u>	<u>\$ 119,318</u>	<u>\$ -</u>	<u>\$ -</u>
Current portion:				
- not later than one year	28,900	30,642	-	-
Non current portion:				
- not later than one year and not later than five years	<u>51,677</u>	<u>88,676</u>	-	-
Present value of finance lease and hire purchase payables	<u>\$ 80,577</u>	<u>\$ 119,318</u>	<u>\$ -</u>	<u>\$ -</u>

The finance lease and hire purchase payables were subjected to interest rates ranging from 2.33% to 6.46% (2013: 2.33% to 6.46%) per annum at the end of the reporting period.

The carrying value of the assets under the lease and hire purchase as at reporting date was \$92,665 (2013: \$138,522) and are included in the property, plant and equipment category 'motor vehicles' (refer note 16).

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***24. RELATED PARTY BALANCES AND TRANSACTIONS****Related party transactions and balances**

The Company and Group had related party dealings with the following related parties during the reporting periods:

Related party	Relationship	<u>Group</u>		<u>Parent</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Mykris Asia Sdn Bhd	Subsidiary company of Mykris Limited				
Mykris Net (MSC) Sdn Bhd	Subsidiary company of Mykris Limited				
Chang Wai Hoong	Director and Shareholder of Mykris International Sdn Bhd				
Chew Choo Soon	Director and Shareholder of Mykris International Sdn Bhd				
Mykris International Sdn Bhd	Shareholder of Mykris Limited				
Net Assist (M) Sdn Bhd	Common directors Chang Wai Hoong and Chew Choo Soon				
N-BASE (M) Sdn Bhd	Common directors Chang Wai Hoong and Chew Choo Soon				
Investment Research Group Limited	Common director Brent Douglas King				
Related party receivables:					
<u>Group companies</u>					
Mykris Net (MSC) Sdn Bhd		-	-	-	147,204
<u>External parties</u>					
N-BASE (M) Sdn Bhd		-	135,688	-	-
		<u>\$ -</u>	<u>\$ 135,688</u>	<u>\$ -</u>	<u>\$ 147,204</u>
Related party payables:					
<u>Group companies</u>					
Mykris Asia Sdn Bhd		-	-	-	(323,208)
Mykris Net (MSC) Sdn Bhd		-	-	(413,239)	-
<u>Directors</u>					
Chang Wai Hoong		-	(38,339)	-	(37,500)
Chew Choo Soon		-	(37,500)	-	(37,500)
<u>External parties</u>					
Mykris International Sdn Bhd		-	(3,680)	-	(3,680)
Net Assist (M) Sdn Bhd		-	(66,868)	-	-
		<u>\$ -</u>	<u>\$ (146,387)</u>	<u>\$ (413,239)</u>	<u>\$ (401,888)</u>

The above amounts receivable from / payable to Group companies are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts are to be settled in cash.

The above amounts receivable from / payable to directors are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***24. RELATED PARTY BALANCES AND TRANSACTIONS** *Continued*

The above amounts receivable from / payable to external parties are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts are to be settled in cash.

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Transactions with related parties				
Advances and expenses recharged by Mykris Asia Sdn Bhd to Mykris Limited	-	-	-	278,015
Advances and expenses recharged by Mykris Net (MSC) Sdn Bhd to Mykris Limited	-	-	259,624	-
Dividend paid by Mykris Net (MSC) Sdn Bhd to Mykris Limited	-	-	662,150	617,431
Agents fees payable by Mykris Asia Sdn Bhd to Net Assist (M) Sdn Bhd	-	198,610	-	-
Products and expenses recharged by Mykris Asia Sdn Bhd to Net Assist (M) Sdn Bhd	-	129,757	-	-
Deposits paid by Mykris Asia Sdn Bhd to N-BASE (M) Sdn Bhd	179,891	57,319	-	-
Expenses recharged by Mykris Asia Sdn Bhd to N-BASE (M) Sdn Bhd	2,283	5,561	-	-
Services provided by Investment Research Group Limited	22,883	15,943	22,883	15,943

The above agents fee payable by Mykris Asia Sdn Bhd to Net Assist (M) Sdn Bhd relates to a contract for the supply and installation of a Turnkey Network Infrastructure Project in excess of \$2.1 million. Net Assist (M) Sdn Bhd acted as agent to obtain the contract, invoice and collect the contract payments.

The above deposits paid by Mykris Asia Sdn Bhd to N-BASE (M) Sdn Bhd is for the purchase of a parcel of shop premises from N-BASE (M) Sdn Bhd under a deferred purchase arrangement. The full settlement of the purchase price was paid in the current reporting period (refer also Note 30).

Furthermore subsidiary companies and their subsidiaries transact with one another. During the current and prior reporting periods these transactions entered into included; the sale and purchase of goods and services and royalties, all of which are all on an arm's length basis. These transactions eliminate on Group consolidation.

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Transactions with key management personnel				
Short term employee benefits	299,355	216,992	150,000	75,000
Directors fees	86,250	80,950	86,250	80,950
Consultancy fees	-	15,663	-	-

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued***25. FINANCIAL ASSETS AND LIABILITIES**

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 (h) to the financial statements.

Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Financial assets:</u>				
Loans and receivables:				
- Cash and cash equivalents	1,148,215	1,747,956	2,847	62,677
- Trade receivables	1,379,910	1,743,777	-	-
- Other receivables	280,473	110,216	-	-
- Related party receivables	-	135,688	-	147,204
	<u>\$ 2,808,598</u>	<u>\$ 3,737,637</u>	<u>\$ 2,847</u>	<u>\$ 209,881</u>
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost:				
- Trade payables	263,128	129,834	-	-
- Other payables	43,641	30,094	392	3,437
- Related party payables	-	146,387	413,239	401,888
- Hire purchase	80,577	119,318	-	-
	<u>\$ 387,346</u>	<u>\$ 425,633</u>	<u>\$ 413,631</u>	<u>\$ 405,325</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***26. FINANCIAL RISK MANAGEMENT**

The Group is exposed to a variety of financial risks. The financial risks arise from the business activities of the Group. The specific financial risks that the Group is exposed to are discussed below.

(i) Market risk***Foreign currency risk***

Foreign currency risk is the risk to earnings or capital arising from movements in foreign exchange rates. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's net exposures to foreign currencies are as follows:

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
United States dollar (USD)	74,172	220,670	-	-
Malaysian ringgit (MYR)	2,550,309	2,136,116	(413,239)	(254,684)
	<u>\$ 2,624,481</u>	<u>\$ 2,356,786</u>	<u>\$ (413,239)</u>	<u>\$ (254,684)</u>

Foreign currency risk sensitivity analysis

A 1% strengthening/weakening of the New Zealand dollar against the United States dollar and the Malaysian ringgit as at the end of the reporting period would have an immaterial (2013: immaterial) impact on profit after taxation. This assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its interest-bearing liabilities. The Group's policy is to obtain the most favourable interest rate available.

The Group is not exposed to interest rate risk as the interest-bearing financial instruments carry fixed interest rates and are measured at amortised cost. As such, sensitivity analysis is not disclosed.

Equity price risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued*26. **FINANCIAL RISK MANAGEMENT** *Continued*(ii) **Credit risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group has no major concentrations of credit risk (2013: The Group's major concentrations of credit risk relate to the amounts owing two (2)) customers which constituted approximately 45% of its total trade receivables as at the end of the reporting period).

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Malaysia	1,352,352	1,501,783	-	-
United Kingdom	380	-	-	-
China	27,178	-	-	-
United States	-	9,259	-	-
Hong Kong	-	229,921	-	-
Singapore	-	2,814	-	-
Net trade receivables	<u>\$ 1,379,910</u>	<u>\$ 1,743,777</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***26. FINANCIAL RISK MANAGEMENT** *Continued***(ii) Credit risk** *continued**Ageing analysis*

The ageing analysis of the Group's trade receivables as at reporting date is as follows:

Group**2014**

	Gross amount	Individual impairment	Collective impairment	Carrying value
Not past due	644,762	-	-	644,762
Past due:				
- 0 to 30 days	377,944	-	-	377,944
- 31 to 90 days	164,878	-	-	164,878
- more than 90 days	310,203	(117,877)	-	192,326
Net trade receivables	<u>\$ 1,497,787</u>	<u>\$ (117,877)</u>	<u>\$ -</u>	<u>\$ 1,379,910</u>

2013

	Gross amount	Individual impairment	Collective impairment	Carrying value
Not past due	825,914	-	-	825,914
Past due:				
- 0 to 30 days	140,974	-	-	140,974
- 31 to 90 days	589,865	-	-	589,865
- more than 90 days	460,165	(273,141)	-	187,024
	<u>\$ 2,016,918</u>	<u>\$ (273,141)</u>	<u>\$ -</u>	<u>\$ 1,743,777</u>

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***26. FINANCIAL RISK MANAGEMENT** *Continued***(iii) Liquidity risk**

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the rate at the end of the reporting period):

Group**2014**

	Carrying amount	Total	0-6 mths	7-12 mths	1-2 yrs	2-5 yrs
Trade payables	263,128	263,128	263,128	-	-	-
Other payables	43,641	43,641	43,641	-	-	-
Related party payables **	-	-	-	-	-	-
Hire purchase payables *	80,577	87,249	16,678	15,853	29,425	25,293
	<u>\$ 387,346</u>	<u>\$ 394,018</u>	<u>\$ 323,447</u>	<u>\$ 15,853</u>	<u>\$ 29,425</u>	<u>\$ 25,293</u>

* The weighted average effective interest rate for hire purchase payables is 2.33% to 6.46%.

** The weighted average effective interest rate for the related party payables loan is 0.00%.

2013

	Carrying amount	Total	0-6 mths	7-12 mths	1-2 yrs	2-5 yrs
Trade payables	129,834	129,834	129,834	-	-	-
Other payables	30,094	30,094	30,094	-	-	-
Related party payables **	146,387	146,387	146,387	-	-	-
Hire purchase payables *	119,318	132,316	18,177	18,177	72,708	23,254
	<u>\$ 425,633</u>	<u>\$ 438,631</u>	<u>\$ 324,492</u>	<u>\$ 18,177</u>	<u>\$ 72,708</u>	<u>\$ 23,254</u>

* The weighted average effective interest rate for hire purchase payables is 2.33% to 6.46%.

** The weighted average effective interest rate for the related party payables loan is 0.00%.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***26. FINANCIAL RISK MANAGEMENT** *Continued***(iii) Liquidity risk** *Continued***Parent****2014**

	<u>Carrying amount</u>	<u>Total</u>	<u>0-6 mths</u>	<u>7-12 mths</u>	<u>1-2 yrs</u>	<u>2-5 yrs</u>
Other payables	392	392	392	-	-	-
Related party payables ***	413,239	413,239	413,239	-	-	-
	<u>\$ 413,631</u>	<u>\$ 413,631</u>	<u>\$ 413,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*** The weighted average effective interest rate for the related party payables loan is 0.00%.

2013

	<u>Carrying amount</u>	<u>Total</u>	<u>0-6 mths</u>	<u>7-12 mths</u>	<u>1-2 yrs</u>	<u>2-5 yrs</u>
Other payables	3,437	3,437	3,437	-	-	-
Related party payables ***	401,888	401,888	401,888	-	-	-
	<u>\$ 405,325</u>	<u>\$ 405,325</u>	<u>\$ 405,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*** The weighted average effective interest rate for the related party payables loan is 0.00%.

(iv) Capital risk

The Group considers its capital to comprise its ordinary share capital, and accumulated retained earnings.

The capital of the Group is monitored to ensure equity holder objectives are met, the primary of which is to ensure the Group's continued ability to provide a consistent return to its equity shareholders through a combinations of capital growth and distributions.

In order to achieve the objectives of equity holders, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable to Group to meet its working capital and strategic investment needs.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, or new share issue, the Group takes into consideration not only its short-term position but also its long-term operational and strategic objectives.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***27. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The estimated fair value of the Group's financial assets and liabilities are noted below. The purpose of reporting the carrying and fair values is to show the extent to which the Group is carrying an exposure from its foreign exchange and interest rate hedging activities. The table below identifies whether the Group is in a notional gain or loss position as if the Group had closed out the instruments at reporting date.

The carrying values of short term financial assets and liabilities are equivalent to their fair values. Short term financial assets include cash, trade and other receivables and related party receivables. Related party receivables carrying values are equivalent to their fair values.

<u>2014</u>	<u>Group</u>		<u>Parent</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Financial assets				
Cash and cash equivalents	1,148,215	1,148,215	2,847	2,847
Trade receivables	1,379,910	1,379,910	-	-
Other receivables	280,473	280,473	-	-
Financial liabilities				
Trade payables	263,128	263,128	-	-
Other payables	43,641	43,641	392	392
Related party payables	-	-	413,239	413,239
Hire purchase	80,577	80,577	-	-
<u>2013</u>	<u>Group</u>		<u>Parent</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Financial assets				
Cash and cash equivalents	1,747,956	1,747,956	62,677	62,677
Trade receivables	1,743,777	1,743,777	-	-
Other receivables	110,216	110,216	-	-
Related party receivables	135,688	135,688	147,204	147,204
Financial liabilities				
Trade payables	129,834	129,834	-	-
Other payables	30,094	30,094	3,437	3,437
Related party payables	146,387	146,387	401,888	401,888
Hire purchase	119,318	119,318	-	-

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***28. 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).

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.

2014 - Group

	Group
External revenue	7,328,612
Inter-segment revenue	-
Total	<u>\$ 7,328,612</u>
Net segment profit / (loss) before taxation	(163,673)
Taxation expense	260,647
Net profit / (loss) after taxation	<u>\$ 96,974</u>
Interest income	\$ (8,607)
Interest expense	\$ 5,707
Depreciation	\$ (676,749)
Amortisation	\$(1,060,727)
Other material non-cash items:	
- Impairment intangible assets - goodwill	\$ (12,685)
- Impairment of trade receivables	\$ (1,914)
- Bad debts expense	\$ (90,816)
Assets	
Total segment assets	\$17,992,838
Additions to non-current assets other than financial instruments:	
- Property, plant and equipment	\$ 1,272,397
- Intangible assets	\$ 104,964
Liabilities	
Total segment liabilities	\$ 3,435,479

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***28. OPERATING SEGMENTS** *Continued***2013 - Group**

	Group
External revenue	8,878,771
Inter-segment revenue	-
Total	<u>\$ 8,878,771</u>
Net segment profit / (loss) before taxation	1,073,939
Taxation expense	212,783
Net profit / (loss) after taxation	<u>\$ 1,286,722</u>
Interest income	\$ (1,118)
Interest expense	\$ 8,661
Depreciation	\$ (475,200)
Amortisation	\$(1,076,213)
Other material non-cash items:	
- Impairment of trade receivables	\$ (51,104)
- Bad debts recovered	\$ 12,296
Assets	
Total segment assets	\$19,184,140
Additions to non-current assets other than financial instruments:	
- Property, plant and equipment	\$ 664,376
- Intangible assets	\$ 12,870
Liabilities	
Total segment liabilities	\$ 3,830,417

The Group operated predominantly in Malaysia.

	Group	
	2014	2013
The Group's revenues from external customers by geographic area are:		
- United States of America	(1,705)	21,450
- Hong Kong	-	322,118
- Australia	-	715
- United Kingdom	1,626	-
- China	29,227	-
- Malaysia	7,299,464	8,534,488
Total external revenue	<u>\$ 7,328,612</u>	<u>\$ 8,878,771</u>

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 MARCH 2014 *Continued*28. OPERATING SEGMENTS *Continued*

The Group's non-current assets by geographic area:

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
<i>Malaysia</i>		
- Property, plant and equipment	1,825,138	1,386,738
- Intangible assets	11,925,278	12,932,563
- Investment properties	284,172	-
Total non-current assets	<u>\$14,034,588</u>	<u>\$14,319,301</u>

The Group does not place any reliance on any single major customer amounting to 10% or more of a segments revenue.

29 RECONCILIATION OF NET PROFIT / (LOSS) AFTER TAXATION TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit / (loss) after tax	96,974	1,286,722	232,786	278,347
<i>Add/(less) non-cash items:</i>				
- Depreciation of property, plant and equipment (16)	676,469	475,200	-	-
- Amortisation (17)	1,060,727	1,076,213	-	-
- Impairment of intangible assets - goodwill (17)	12,685	-	-	-
- Depreciation of investment properties (18)	280	-	-	-
- Impairment of trade receivables (12)	1,914	51,104	-	-
- Bad debts (12)	114,039	-	-	-
- Current tax	(38,697)	9,167	-	-
- Deferred tax	(246,384)	(277,931)	-	-
- Property, plant & equipment written off	-	135	-	-
- Gain on disposal of property, plant and equipment	(707)	-	-	-
- Loss on disposal of subsidiary (15)	350	-	-	-
- Effects of exchange rates	(198,906)	(74,272)	-	-
<i>Add / less movements in working capital items:</i>				
- Decrease / (increase) in trade receivables	247,914	(785,250)	-	-
- Decrease / (increase) in prepayments and other current assets	(178,087)	(293,041)	16,637	2,532
- Decrease / (increase) in tax receivables	16,690	40,362	-	-
- Decrease / (increase) in deferred income	44,356	13,734	-	-
- (Decrease) / increase in trade and other payables and accruals	11,330	43,632	11,553	(46,359)
- (Decrease) / increase in tax payables	(10,202)	10,203	-	-
Net cashflows from operating activities	<u>1,610,745</u>	<u>1,575,978</u>	<u>\$ 260,976</u>	<u>\$ 234,520</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***30. COMMITMENTS****Capital commitments**

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Approved and contracted for:				
- purchase of shop premises	-	163,066	-	-
	<u>\$ -</u>	<u>\$ 163,066</u>	<u>\$ -</u>	<u>\$ -</u>

In previous financial year, Mykris Asia Sdn Bhd ('Mykris Asia') had agreed to purchase a parcel of investment properties from N-BASE (M) Sdn Bhd. The full settlement of the purchase price has occurred during the current financial year.

Other commitments

There were no other material commitments at reporting date (2013: none).

31. CONTINGENT LIABILITIES**ACN System Solutions Sdn. Bhd contingency**

ACN System Solutions Sdn. Bhd. ("Plaintiff") vide Kuala Lumpur High Court Summons No. S-22-720-2010 instituted legal action against the Mykris Asia and 7 other defendants ("Defendants") for a sum of RM11,626,400 (NZD\$4,114,400) as well as general damages, exemplary damages and punitive damages together with interests.

The Plaintiff's claim in its writ and statement of claim dated 29 July 2010 against the Defendants is premised upon an alleged conspiracy between the Defendants to injure the Plaintiff and thereby caused losses and damages to the Plaintiff.

On 20 March 2014, the Court allowed Plaintiff's claim but only granted a nominal damages of RM10,000 (NZD\$3,500) to the Plaintiff. The Learned Judge also awarded a sum of RM30,000 (NZD\$10,600) as costs to the Plaintiff. In short, Mykris Asia is required to pay a total sum of RM40,000 (NZD\$14,200) to the Plaintiff.

On 16 April 2014, the Plaintiff vide Court of Appeal Summons No. W-02-708-04/2014 instituted an appeal against the outcome of the aforesaid decision by the High Court. The Plaintiff appeals against the quantum of damages granted by the High Court.

On 17 April 2014, the Company vide Court of Appeal Summons No. W-02-737-04/2014, appeals against the High Court's decision on both the liability and quantum.

Both the appeals are now fixed for further case management on 8 July 2014 ("Two Appeals").

The Company's solicitors are of the view that the Company has a fair chance to win in the Two Appeals. This is because the Plaintiff's appeal is lack of merits as they do not have any evidence to support the damages alleged. Therefore, it is the solicitors' opinion that the Plaintiff's appeal will fail and be dismissed with costs. In the event the Company wins the Two Appeals, the Company will not be required to pay the Plaintiff for the nominal damages and costs (RM40,000 (NZD\$14,200) in total) awarded by the High Court.

Other contingent liabilities

There were no other material contingent liabilities at reporting date (2013: none).

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 MARCH 2014** *Continued***32. LICENCE RENEWAL REQUIREMENTS**

On 12 February 2014, the Network facilities and Network services licences granted to Mykris Asia Sdn Bhd under the Communications and Multimedia Act 1998 were extended to 10 March 2019. The licences are subject to the requirement that Mykris Asia shall not have foreign shareholding greater than 49% and have Bumiputera equity not less than 30%. The company has 12 months from renewal date (11 March 2014) to comply with these conditions. The Directors are considering options to ensure these conditions are met.

33. SUBSEQUENT EVENTS

On 8 April 2014, Mykris Asia entered into a conditional Sale and Purchase Agreement with Berjaya Golf Resort Berhad for the acquisition of a unit of 6 storey corner shop office for a total purchase consideration of \$3,290,700 (RM9,298,880). On completion the Malaysian operations will be located at this facility. The purchase of the facility is to be financed from cash balances and Bank funding of \$2,797,100 (RM7,904,048).

There were no other material events subsequent to reporting date.