CSG ANNUAL REPORT 2011–2012

Over the past twelve months we have immersed ourselves in shaping the future of our business.

Looking ahead, CSG remains firmly focused on delivering organic growth across all services.

Chairman's Letter

CSG is now in a strong financial position and is capable of creating long term shareholders value.

Dear fellow shareholders

The past year has been an extremely challenging period for CSG Limited (CSG). However significant progress has been made to restore shareholder value and create the foundations for future growth in profitability.

I would like to acknowledge the efforts by management that went into finalising the transaction of the sale of the Technology Solutions division. I believe they have delivered an outstanding result for shareholders and this was the first step in restoring shareholder value. Management can now focus on returning the print business to an acceptable level of profitability by executing the restructuring plan announced at the end of May.

The Board is confident that CSG's new management team has the expertise and focus to deliver the announced $17 million in efficiencies and savings in the print business. They also have the strategic vision to deliver growth and an innovative offering to existing and new customers in the medium to long term.

I now believe CSG is in a strong financial position and is capable of creating long term shareholders value. The Board looks forward to playing a constructive role in guiding this progression over the coming year.

On behalf of the Board, I would like to thank the management team and employees for their dedication and commitment over the past year. I would also like to acknowledge and thank the previous Chairman, Joseph Czyzewski, and executive Director Philip Chambers as well as the former Managing Director, Denis Mackenzie for their contribution.

Tom Cowan

Managing Director's Report

This year has been one of significant change for CSG which has both created opportunities and presented some challenges. We have seen a change to our leadership team and Board of Directors, sold the Technology Solutions business, begun the restructure of the Australian Print business and embarked on a transformation and improvement program.

We have driven these necessary changes to create a strong platform for our future success and the turnaround of the Australian business.

Due to a number of external and internal factors the business experienced challenges during the last twelve months. However I am pleased with the progress we have made to date to overcome these and look forward to further improvements in the future.

When appointed Managing Director on 1 February 2012, the first item on my agenda was to undertake a strategic review of the business. This enabled us to embark on a business transformation and improvement program, to deliver greater value to our shareholders and all stakeholders.

Two major decisions were made as a result of the review which were:

- To complete the sale of the Technology Solutions business to crystallise value for shareholders
- Transform and restructure the Print business to remove unnecessary duplication, improve efficiency and reduce costs

We are making good progress with our business transformation program which will assist in returning the business to its desired levels of profitability.

Our business transformation will assist in returning the business to its desired levels of profitability

Managing Director's Report

continued

$227.5 MILLION

CSG completed the sale of the Technology Solutions business to NEC Australia on 2 July 2012

$13.0 MILLION

ANNUAL COST SAVING TARGET by September 2012

$202.8 MILLION

CSG REVENUE

Technology Solutions Sale

CSG completed the sale of the Technology Solutions business to NEC Australia on 2 July 2012 for $227.5 million. During the course of the year the Technology Solutions business performed well and achieved strong organic growth, despite the disruptive circumstances caused by the take over activity.

The business was again recognised for its innovative solutions winning two state ICT industry iAwards in Victoria and Western Australia. CSG won the e-Learning category in Victoria for The Ultranet and the eHealth category in Western Australia for our work with St John Ambulance implementing the Apple iPad based electronic patient record care system.

The sale has enabled CSG to return capital to shareholders, reduce debt and allows our core focus return to Print Services and associated solutions.

Business Transformation

CSG has embarked on a business transformation and improvement journey to drive profitability back to the business, improve efficiency and reduce costs. In May 2012 we announced an annualised cost saving target of $13 million to be delivered by September 2012 and a further annualised cost saving of $4 million by June 2013. The restructuring has removed functional duplication across the Australian and New Zealand operations and we are well on our way to achieving these cost reduction targets.

Performance

Following the sale of the Technology Solutions business, the results for the full year 2011 and 2012 were restated to reflect the ongoing business.

CSG reported a 9 per cent decline in revenue to $202.8 million due to a number of contributing factors over the course of the year. These included a reduction in hardware prices, loss of machines in field due to a vendor transition and the delay in large contracts being installed in New Zealand.

$25.9 million worth of one-off, non-recurring items resulted in a normalised EBITDA (before head office costs) of $18.2 million. These included restructuring costs, litigation and advisory costs and impairment charges following a review of all carrying values of assets.

The New Zealand business was flat overall however our leasing business, Leasing Solutions LTD performed better than anticipated with a return on equity of over 30 per cent and a bad debt rate of less than 0.5 per cent. Over the past 5 years bad debts have never exceeded 1 per cent and the business has maintained a S&P rating of AA.

In Australia we made the final payment to Canon of $7 million and the Fuji Xerox Finance case was found in favour of CSG pending appeal.

Outlook

The outlook for CSG is positive and there are some exciting opportunities in 2012/2013. Over the coming months my focus will be on executing our business transformation and improvement program to achieve our cost saving targets and improve our operational efficiency to ultimately deliver shareholder and stakeholder value.

Increasing our machines in field, acquiring new business and expanding our range of compelling products and services are high on the agenda. In an increasingly commoditised market CSG's focus will be on adding value and offering innovative products and services that will differentiate CSG and assist our customers become more efficient and productive at reduced costs. This is integral to our customer acquisition and retention strategy as is continual improvement and delivering high quality customer service.

There is great potential to grow our enterprise print services business over the coming years and we already have some excellent opportunities in the pipeline.

We will evaluate the viability of establishing a leasing company in Australia, based on our New Zealand model enabling us to provide our customers with alternative finance options.

Extending the billing relationship with our customers to cloud-based services will be a focus in the medium and longer term.

In closing I would like to make note of the significant changes to the Executive team and CSG's Board of Directors. I extend my sincere thanks to former Chairman Joseph Czyzewski and Director Philip Chambers for their guidance and counsel. I would also like to thank former Managing Director, Denis Mackenzie and former Chief Financial Officer Kevin McLaine for their contribution to CSG over the years.

Finally I would like to thank all of our shareholders and staff for their continued support and look forward to the both rewarding and challenging journey we have ahead.

Julie-Ann Kerin

There is great potential to grow our enterprise print services business over the coming year and we already have some excellent opportunities in the pipeline.

Our Board

Changes to Board of Directors that have occurred over the past year are:

- Joseph Czyzewski resigned as Chairman and from the Board of Directors on 15 August 2012
- Phil Chambers retired from the Board of Directors on 26 July 2012
- Tom Cowan was appointed to the Board of Directors on 8 February 2012 and as Chairman, on 16 August 2012
- Denis Mackenzie resigned as Managing Director on 31 January 2012
- Julie-Ann Kerin was appointed as Managing Director on 1 February 2012

Tom Cowan
BCom Hon
Non-Executive Chairman

Tom Cowan is a founding director of TDM Asset Management, a private, Sydney based investment group. Prior to founding TDM in 2005, Mr Cowan worked in mergers and acquisitions at Investec Wentworth and KPMG Corporate Finance, with a focus on the technology, gaming and healthcare sectors.

He has a Bachelor of Commerce (Honours – Class 1) from the University of Sydney. Mr Cowan is currently a Non-Executive Director of Baby Bunting Ltd, Australia's largest baby goods retailer.

Tom is a member of the Audit and Nomination and Remuneration Committees.

Ian Kew
BEc
Non-Executive Director

Ian is the Chief Executive Officer for Airport Development Group Pty Ltd which has interests in Darwin International, Alice Springs and Tennant Creek Airports. He graduated with an Economics Degree from Monash University and joined Exxon for two years and was then employed with Shell Australia for twenty years prior to joining Northern Territory Airports in 2001.

At Shell Australia, Ian worked in a variety of oil marketing, operations, change management, strategy and special project positions in Hobart, Sydney, Brisbane, Darwin and Melbourne. Previously, Ian has been on the Board of the Automobile Association of the Northern Territory (AANT), was Chair of the Darwin Symphony Orchestra and the Charles Darwin University Foundation. He is also a Director of the Australian Airports Association (AAA), a member of the Executive Committee of Tourism Top End and on the Board of the Museum and Art Galley of the Northern Territory (MAGNT).

Ian is a National Councillor of the Australia Arts and Business Foundation (AbaF) and a Fellow of the Australian Institute of Company Directors.

Ian is the Chairman of CSG's Audit Committee.

Philip Bullock
BA, MBA, GAICD, Dip. Ed
Non-Executive Director

Phil is currently the Chair of the Australian Workforce and Productivity Agency, reporting to the Minister for Tertiary Education, Skills, Science and Research.

He is also a non-executive director of Perpetual Limited, a long established provider of financial services. Prior to this he had a long and distinguished career with IBM, which saw him become the CEO and Managing Director of IBM Australia and New Zealand and immediately prior to retirement, the Vice President of IBM's Systems and Technology Group for Asia Pacific, based in Shanghai. He has previously also been a non-executive director of Healthscope Limited, a leading provider of hospitals and pathology in Australia.

Phil joined the Board of CSG in August 2009 and is currently the Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee.

Julie-Ann Kerin
Managing Director

Julie-Ann Kerin has more than 20 years' experience as a senior executive managing both private and public companies across the information technology sector. In 2008, Julie-Ann was appointed Group-General Manager where she oversaw the Technology Solutions Division of CSG.

Following the resignation of the founding CEO, Denis Mackenzie, Julie-Ann was appointed to the role of Managing Director of the group.

Prior to joining CSG, Julie-Ann was responsible for the global management of operations and staff across Asia, the United States, Australia and Europe for a number of organisations. As a Principal of Gramercy Venture Advisors, Julie-Ann focused on corporate finance and international business development for early stage technology companies. She has also held roles with IT companies Actuate, Haht Commerce, Genasys Inc. and Computer Power.

Our Team

During the course of the year, the management of Print Services Australia changed with Phil Chambers stepping into the role of Group General Manager following the retirement of David Ward. Neil Lynch replaced Kevin McLaine as Chief Financial Officer in October 2011. Since the completion of the sale of Technology Solutions to NEC Australia, Managing Director, Julie-Ann Kerin has assumed the direct management of Print Services Australia.

Neil Lynch
Chief Financial Officer

In the role of Chief Financial Officer, Neil brings with him significant public company experience together with extensive accounting and finance skills after spending 11 years with Virgin Blue Airlines Limited (Virgin Australia). As a foundation employee at Virgin Australia, Neil was involved in the development of all aspects of the finance team through several roles with the most recent being General Manager of Finance. Prior to Virgin Australia, Neil worked in a variety of finance roles in both private practice and large corporate organisations. Neil is a Chartered Accountant with degrees in both Commerce and Economics from the University of Queensland.

Evan Johnson
Managing Director – CSG New Zealand

Evan Johnson has headed Konica Minolta and Leasing Solutions in New Zealand since 2004 achieving strong growth and profit performance during this time. Evan brings unrivalled experience to the business, including senior leadership roles such as CFO of Fuji Xerox Australia and Managing Director of Fuji Xerox New Zealand.

William Jeffrey
General Manager – Leasing Solutions Group

William has 20 years of experience in the copier industry. He is experienced with financial management, operations, service and contract management and deals directly with sister leasing companies at Xerox UK and more recently Konica Minolta Business Solutions, New Zealand. William has been running CSG's leasing Solutions Group since September 2010. William is supported by a management team with over 25 years' experience in leasing and banking.

Kim Clark
Company Secretary

Kim joined CSG in October 2007, bringing over 21 years Banking and Finance and Risk Management experience to the group. Kim previously held Senior Corporate Relationship Management, Risk Management and Executive roles within the Commonwealth Bank of Australia.

Our People, Culture and Service

›280
PEOPLE
AUSTRALIAN DIVISION

›460
PEOPLE
NEW ZEALAND DIVISION

As a company we pride ourselves on rewarding and recognising our people.

CSG is an organisation that has built its reputation on providing quality service to all our customers. CSG has more than 750 people across Australia and New Zealand with 10 offices in Australia and 23 offices in New Zealand.

As a company we pride ourselves on rewarding and recognising our people and have proven rewards and recognition program that encourages our people to go that one step further in delivering outcomes for our customers.

Australian Division

We have 10 offices across Australia with a presence in each of the following cities and regional centres; Melbourne, Sydney, Canberra, Adelaide, Perth, Brisbane, Darwin, Cairns, Sunshine Coast and Toowoomba.

There are currently more than 280 people, of which 75 per cent are full time employees and 21 per cent independent contractors.

New Zealand Division

Across the North and South Islands, CSG has 23 offices which comprise of 14 branches and 9 service centres.

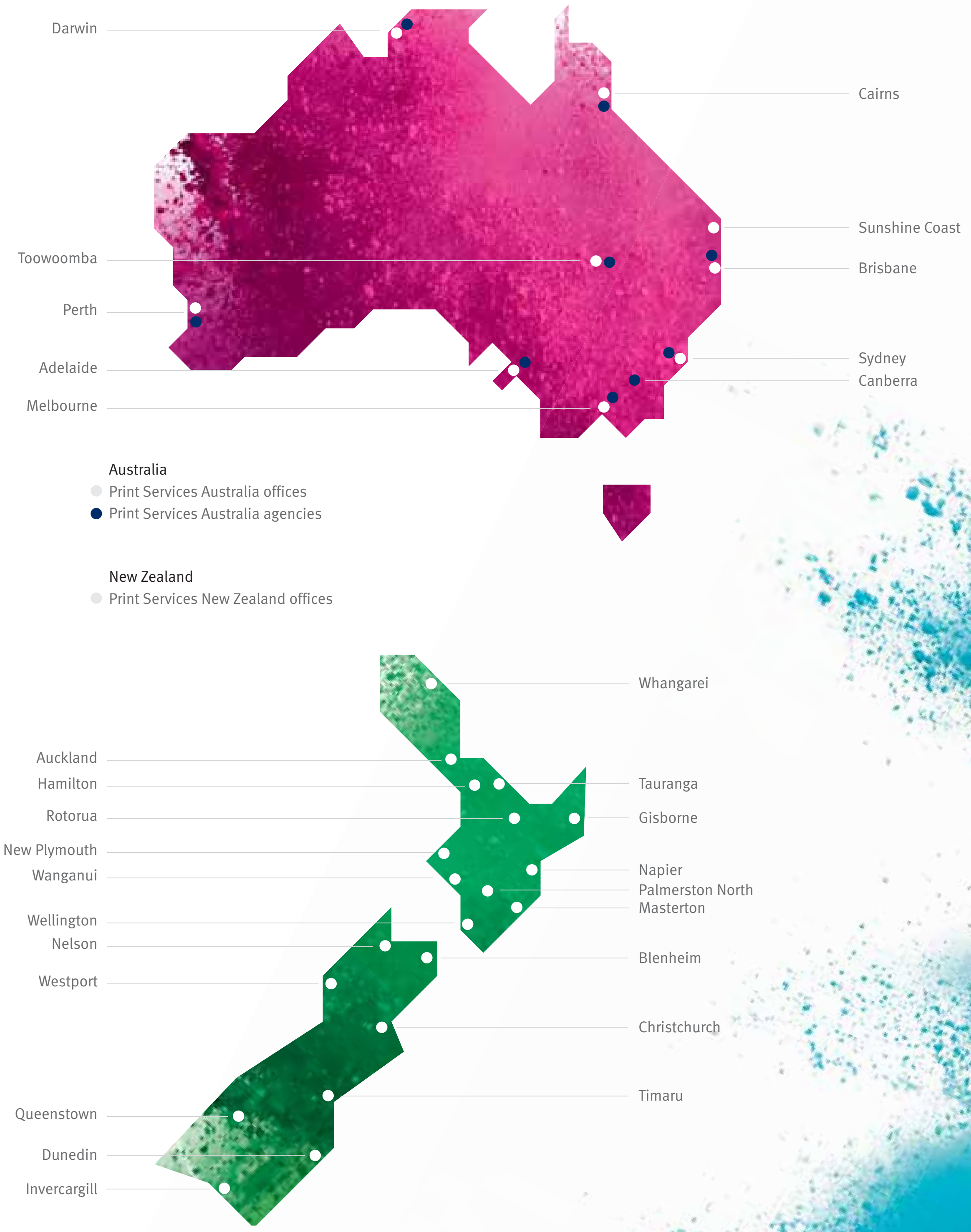
In addition, CSG operates its own finance business, Leasing Solutions (LSL).

There are currently more than 460 people, of which 94 per cent are permanent employees and 18 staff in LSL.

Product mix

CSG's Australian and New Zealand divisions have six broad offerings including:

- **Commercial** – sales and servicing of photocopies, printers, scanners, faxes, software and solutions, and multi-function devices for the commercial business sector
- **Government and Corporate** – sales and servicing of multi-functional printing fleets and associated software, professional services and device management
- **Enterprise Print Solutions** – managed service contracts for multi-function devices and printer fleet management, for customers including the Federal and State governments, some of Australia's largest universities and corporate organisations.
- **Financing** – in New Zealand, Leasing Solutions Limited provides leasing and rental solutions for customers, allowing increased flexibility and improved customer ownership
- **Production Printing** – a rollout has recently commenced in Australia targeting the graphic arts and quick print sectors and is an established business in New Zealand
- **Communications** – provision of phone systems and telephony, including the recent Telco in a Box accreditation


Darwin
Cairns
Sunshine Coast
Toowoomba
Brisbane
Perth
Sydney
Adelaide
Canberra
Melbourne
Australia
Print Services Australia offices
Print Services Australia agencies
New Zealand
Print Services New Zealand offices
Whangarei
Auckland
Hamilton
Tauranga
Rotorua
Gisborne
New Plymouth
Wanganui
Napier
Palmerston North
Masterton
Wellington
Nelson
Blenheim
Westport
Christchurch
Timaru
Queenstown
Dunedin
Invercargill

CSG Limited
Financial Report 2012

Corporate Governance Statement

The Board of CSG Limited ('Company') is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the Company's businesses.

The Directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects high standards of governance. The Directors have established the following processes to protect the interests and assets of shareholders and to ensure high standards of integrity and governance.

The Board has adopted a formal Board Charter, Audit Committee Charter, Nomination and Remuneration Committee Charter and Code of Conduct for Directors and Officers. Further, the Board has also adopted policies with respect to Independence and Conflicts of Interest, Risk Management, Board Performance Evaluation, CEO Performance Evaluation, Continuous Disclosure and External Communications and Securities Trading. Copies of these charters and policies are available to shareholders on request.

This corporate governance statement is referenced against the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council in August 2007 (and amended 2010).

PRINCIPLE 1:

Lay Solid Foundations for Management and Oversight

The Directors of the Company are accountable to shareholders for the proper management of business and affairs of the Company. The Board fulfils these obligations by delegating certain business development responsibilities to the Managing Director, but retains the following responsibilities (as set out in the formally adopted Board Charter):

- agreeing with the Managing Director the annual cycle and process for review of strategic plans, including which stakeholders are to be involved and how;
- ensuring that the whole Board is directly involved in the strategic planning and review processes;
- ensuring that strategy development includes proper consideration by the Board and management of associated risks and opportunities;
- ensuring that all approved strategic plans include clear and measurable financial and other objectives;
- requiring that business plans and budgets are prepared (and provided for information to the Board) to support the agreed strategic plans; and
- monitoring and reviewing the performance of the Company against the agreed strategic plans and goals.

The Board is responsible for the development of appropriate internal controls to monitor and supervise the implementation of agreed strategies and policies and the financial and other performance of the Company against approved strategies, budgets, and delegations.

The Board delegates responsibility for day-to-day management of the Company to the Managing Director. The Managing Director must consult the Board on matters that are sensitive, extraordinary or of a strategic nature.

PRINCIPLE 2:

Structure the Board to add Value

Composition of the Board

At the end of the 2012 financial year the Board comprised six Directors, three of whom, including the Chairman, are non executive and independent Directors. The Managing Director is an executive Director. Profiles of the Directors are set out on pages 18 and 19 of this Report.

Recent changes have been made to the Board's composition following the divestment of the Technology Solutions business. Whilst the number of independent directors on the Board following the sale of the Technology Solutions business does not constitute a majority, the number of non-executive and individual directors does constitute 50% of the Board and all Directors bring an independent judgement to bear on board decisions. Given the current nature and scale of the Company's residual businesses following the sale of the Technology Solutions business in July, there is no current intention to change the composition of the Board although the Board is constantly considering the most appropriate composition having regard to the nature and size of its operations.

All Directors (except the Managing Director) are subject to retirement by rotation but may stand for re election by the shareholders every three years. The term of the Managing Director's appointment is governed by her terms of engagement.

The composition of the Board is determined by the Board and, where appropriate, external advice is sought. The Board has adopted the following principles and guidelines in determining the composition of the Board:

The Majority of the Board should be Independent Directors

To be independent, a Director should be non executive and:

- not be a substantial shareholder of the company or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder of the company;
- not have, within the last three years, been employed in an executive capacity by the Company or another company within the group, or been a Director after ceasing to hold any such employment;

- not be a principal or employee of a professional advisor or consultant to a company in the group whose annual billings to the group represent more than 5% of the advisor's or consultant's total annual billings or greater than 5% of the Company's annual (before tax) profit;
- not be a supplier or customer whose annual revenues from the group represent more than 5% of the Company's annual (before tax) profit or more than 5% of the supplier's or customer's total annual revenue;
- not have a material contractual relationship with the Company or another group company other than as a Director;
- be free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- not have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Director Selection

When a vacancy exists through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination and Remuneration Committee are to nominate candidates for the Board's consideration for Board membership. A selection procedure is then completed, which includes a review of the candidates' independence, and the Board appoints the most suitable candidate who, in accordance with clause 13.9 of the Company's constitution, must retire but may stand for re election at the next annual general meeting of shareholders.

Board Committees

The Board has established an Audit Committee and a Nomination and Remuneration Committee, which operate under formal Charters (see Principle 4 and Principle 8). The Board has not established a separate risk management committee, as the Board has determined that these matters are appropriately addressed by the Audit Committee or the full Board.

Independent Professional Advice

A procedure has been determined for each Director to have the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman.

PRINCIPLE 3:

Promote Ethical and Responsible Decision Making

Code of Conduct

The Company has developed a Code of Conduct to guide the Company's Directors, Managing Director, Chief Financial Officer and other senior executives in respect of ethical behaviour. This Code of Conduct is designed to maintain confidence in the Company's integrity and the responsibility and accountability of all individuals within the Company for reporting unlawful and unethical practices.

These codes of conduct embrace such areas as:

- conflicts of interest;
- use of information or position;
- use of Company property;
- confidentiality;
- fair trading;
- compliance with the law;
- whistle blowing; and
- political contributions and activities.

Share Trading Policy

The Company has adopted a formal Securities Trading Policy, which applies to Directors, the Company Secretary and to all executives and employees of the Company and their associates ('Officers'). The Officers may not deal in any of the Company's security at any time if they have inside information. An Officer may trade in securities in the 6 week period after the release to the ASX of the half-yearly and annual results, the end of the AGM, after the release of a section 708A notice or at any time the Company has a prospectus open, but only if they have no inside information and the trading is not for short term or speculative gain.

An Officer may trade in securities at other times only if they are personally satisfied that they are not in possession of inside information and, with respect to Directors and senior executives, have obtained the approval of the Chairman or in the case of any proposed trade by the Chairman, of another non executive Director nominated by the Chairman for the purpose.

Directors and all senior executives must advise the Company Secretary in writing of the details of completed transactions within two business days following each transaction. Such notification is necessary whether or not prior authority has been required. The Secretary must maintain a register of securities transactions. The Company must comply with its obligations to notify ASX in writing of any changes in the holdings of securities or interest in securities by Directors.

Diversity Policy

The CSG Board of Directors has adopted a Diversity Policy which, consistent with its organisational values and strategic goals focuses upon gender, ethnicity/culture, disability and flexibility as key levers linked to building a high performing and sustainable organisation.

Corporate Governance Statement
continued

Key principles include:

- facilitating equal employment opportunities based on relative ability, performance and potential;
- building and maintaining a safe work environment by taking action against inappropriate workplace and business behaviour including harassment, bullying, victimisation and vilification;
- develop flexible work practices to meet the differing needs of our employees at different stages of their life cycle in the context of business requirements;
- attracting and retaining a skilled and diverse workforce as an employer of choice;
- making a contribution to the economic, social and educational well-being of the communities we serve; and
- creating an inclusive workplace culture.

CSG's diversity policy is implemented by the group executive under the direction of the Managing Director. Achievement of the objectives under the policy are measured by implementation of the following key benchmarks each of which are reviewed annually as a minimum, or upon presentation of results:

1. Percentage of senior management women to exceed 30%
2. Percentage of women across the company to exceed 25%
3. Conduct diversity audit by 31 March

As at the date of this statement gender diversity within CSG is:

Description	Measure
Proportion of Women employed by CSG	28% of CSG's employees are female
Proportion of Women holding Senior Executive Positions	31% of CSG's Senior Executive Team are female
Proportion of Women on the CSG Board	25% of the Board of Directors are female

CSG's Diversity Policy and Code of Conduct can be found at **www.csg.com.au**

PRINCIPLE 4:
Safe Guard Integrity in Financial Reporting

The Board established a formal Audit Committee on 1 March 2007 under a separate charter. The chairman of the Committee is not the Chairman of the Board.

All members of the Committee are financially literate (i.e. they are able to read and understand financial statements) and have an understanding of the industry in which the Company operates. Refer to the Directors Report for the members, their qualifications and meetings attended.

The Audit Committee will provide an independent review of:

- the effectiveness of the accounting and internal control systems and management reporting, which are designed to safeguard Company assets;
- financial information produced by the Company;
- the accounting policies adopted by the Company;
- the quality of the internal and external audit functions;
- external auditor's performance and independence as well as considering such matters as replacing the external auditor where and when necessary; and
- approving internal audit plans including identified risk areas.

The Board will require that the Managing Director and the Chief Financial Officer state in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results and are in accordance with relevant accounting standards. Further, and under the Company's Risk Management Policy, the Managing Director and the Chief Financial Officer must provide written confirmation to the Board that all assurances given by management in respect of the integrity of financial statements are founded on sound systems of risk management and internal compliance and control which implement the policies adopted by the Board.

PRINCIPLE 5:
Make Timely and Balanced Disclosure

The Board recognises that the Company, as a publicly listed entity, will have an obligation to make timely and balanced disclosure in accordance with the requirements of the ASX Listing Rules and the Corporations Act 2001. The Board also is of the view that an appropriately informed shareholder base, and market in general, is essential to an efficient market for the Company's securities. The Board is committed to ensuring that shareholders and the market have timely and balanced disclosure of matters concerning the Company.

In demonstration of this commitment, the Company has adopted a formal Continuous Disclosure and External Communications Policy. Amongst other matters, this policy requires the immediate notification to ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities as prescribed under Listing Rule 3.1, except where such information is not required to be disclosed in accordance with the exception provisions of the Listing Rules.

PRINCIPLE 6:

Respect the Rights of Shareholders

Communication Strategy

The Board recognises that the shareholders are the beneficial owners of the Company and respects their rights and will continually seek ways to assist shareholders in the exercise of those rights.

The Board also recognises that as owners of the Company, the shareholders may best contribute to the Company's growth, value and prosperity if they are informed. To this end, and as set out in the Company's Continuous Disclosure and External Communications Policy, the Board seeks to empower shareholders by:

- communicating effectively with shareholders;
- enabling shareholders access to balanced and understandable information about the Company, its operations and proposals; and
- assisting shareholders participation in general meetings.

All shareholders are entitled to receive a hard copy of the Company's annual and half-yearly reports upon request.

Participation in Meetings

The Board is committed to assisting shareholders participation in meetings. In particular, and in accordance with the Company's Continuous Disclosure and External Communications Policy, the Company will ensure that a representative of the Company's external auditor, subject to availability, is present at all Annual General Meetings and that shareholders have adequate opportunity to ask questions of the auditor at that meeting concerning the audit and preparation and content of the auditor's report.

PRINCIPLE 7:

Recognise and Manage Risk

The Board carries overall responsibility to all stakeholders for the identification, assessment, management and monitoring of the risks faced by the Company.

The Company has adopted a formal Risk Management Policy (as required by ASX Corporate Governance Best Practice Recommendation 7.1), which is available to shareholders on request. This policy aims to ensure that the Board implements appropriate risk management policies and procedures in order to protect the assets and undertaking of the Company.

Under the Company's Risk Management Policy, and as outlined under Principle 4, the Managing Director and the Chief Financial Officer must provide written confirmation to the Board that all assurances given by management in respect of the integrity of financial statements are founded on sound systems of risk management and internal compliance and control which implements the policies adopted by the Board.

The Board and Management are progressing with the development of a Risk and Reporting Framework suitable to the residual CSG businesses post the sale of the Technology Solutions business.

PRINCIPLE 8:

Remunerate Fairly and Responsibly

The Board's primary remuneration objectives are to motivate Directors and management to pursue the long-term growth and success of the Company within an appropriate control framework and to demonstrate a clear relationship between key executive performance and remuneration.

The Board believes that it is in the interest of all stakeholders in the Company for there to be in place a remuneration policy that attracts and retains talented and motivated Directors, managers and employees so as to encourage enhanced performance of the Company.

Accordingly, and as noted previously, the Board has established a Nomination and Remuneration Committee, which, amongst other matters, is responsible for the following:

- reviewing and approving the appropriate remuneration of Directors, the Managing Director and senior executives of the Company;
- ensuring that remuneration levels take into account risks involved, demands and time requirements of each role, and relevant industry and related benchmarks;
- developing and recommending to the Board remuneration incentive programs such as bonus schemes and Company share schemes;
- developing, maintaining and monitoring appropriate remuneration policies and procedures;
- ensuring that the structure of non executive and executive Directors' remuneration is clearly distinguished;
- ensuring that equity-based executive remuneration is paid in accordance with thresholds set in plans, as disclosed to, or approved by shareholders; and
- reviewing and approving appropriate disclosures to be included in the Company's annual report regarding the Committee, its activities and performance.

Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of CSG Limited and the entities it controlled ("CSG" or "the Company"), for the financial year ended 30 June 2012 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

1.0 Directors

The qualifications, experience and special responsibilities of each person who has been a director of CSG Ltd at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

Mr Josef Czyzewski
B.Comm, AICD

Independent, Non-Executive Chairman

Member, Audit and Risk Management Committee

Member, Nomination and Remuneration Committee

Prior to retirement in July 2010, Joe held the position of Chief Financial Officer of Healthscope Ltd, a position he held for 6 years. Prior to joining Healthscope, Joe held a number of senior accounting and finance roles, including Vice President Finance and Group Treasurer with his employer of 32 years, BHP Ltd.

Appointed 16 February 2011

Appointed Chairman 24 March 2011

Resigned 15 August 2012

Mr Thomas Cowan
B.Com (Hons)

Non-Executive Director

Tom Cowan is a founding director of TDM Asset Management, a private, Sydney based investment group. Prior to founding TDM in 2005, Mr Cowan worked in mergers and acquisitions at Investec Wentworth and KPMG Corporate Finance, with a focus on the technology, gaming and healthcare sectors.

He has a Bachelor of Commerce (Honours – Class 1) from the University of Sydney. Mr Cowan is currently a Non-Executive Director of Baby Bunting Ltd, Australia's largest baby goods retailer.

Appointed 8 February 2012

Appointed Chairman 15 August 2012

Ms Julie-Ann Kerin
AICD

Managing Director

Julie-Ann Kerin has more than 20 years' experience as a senior executive managing both private and public companies across the information technology sector. In 2008, Julie-Ann was appointed Group-General Manager where she oversaw the Technology Solutions Division of CSG.

Following the resignation of the founding CEO, Denis Mackenzie, Julie-Ann was appointed to the role of Managing Director of the group.

Prior to joining CSG, Julie-Ann was responsible for the global management of operations and staff across Asia, the United States, Australia and Europe for a number of organisations. As a Principal of Gramercy Venture Advisors, Julie-Ann focused on corporate finance and international business development for early stage technology companies. She has also held roles with IT companies Actuate, Haht Commerce, Genasys Inc. and Computer Power.

Appointed 1 February 2012

Mr Denis Mackenzie
B.Comm (Hons)

Managing Director

Denis is a foundation shareholder of CSG and joined the organisation in 1996 and has since driven many initiatives to create CSG's position as a leading provider of print and technology services and solutions.

Through acquisition as well as organic growth, Denis has led the expansion of CSG's capability to encompass a complete portfolio of services and solutions. CSG is now an end-to-end provider with a presence in every mainland capital city in Australia and New Zealand.

Prior to CSG, Denis worked at Macquarie Bank and Coopers and Lybrand.

Appointed Managing Director 16 February 2007

Resigned 31 January 2012

Mr Philip Chambers
B.Sc

Executive Director

Member, Nomination and Remuneration Committee

Philip was Managing Director of Fuji Xerox Australia from 1998 until his retirement in 2006. Prior to this Philip worked for Rank Xerox Australia from 1985 holding management roles in Sydney and Auckland. Philip is a former Director of a peak ITC industry body – the Australian Information Industry Association (AIIA), as well as a former Governor of the American Chamber of Commerce.

In December 2009, Philip commenced working part-time in the print business in a mentoring role. On 30 January 2012 Philip agreed to a contracted role as the Group General Manager for Print Australia on a full time basis. Following the restructure of the Print Australia business and the sale of the Technology division Philip resigned both his management and board positions effective 30 June 2012.

Appointed 16 February 2007

Resigned 26 July 2012

Mr Ian Kew
B.Econ

Non-Executive Director

Chairman, Audit and Risk Management Committee

Ian is the Chief Executive Officer for Airport Development Group Pty Ltd which has interests in Darwin International, Alice Springs and Tennant Creek Airports.

He graduated with an Economics Degree from Monash University and joined Exxon for two years and was then employed with Shell Australia for twenty years prior to joining Northern Territory Airports in 2001.

At Shell Australia, Ian worked in a variety of oil marketing, operations, change management, strategy and special project positions in Hobart, Sydney, Brisbane, Darwin and Melbourne.

Previously, Ian has been on the Board of the Automobile Association of the Northern Territory (AANT), was Chair of the Darwin Symphony Orchestra and the Charles Darwin University Foundation.

He is also a Director of the Australian Airports Association (AAA), a member of the Executive Committee of Tourism Top End and on the Board of the Museum and Art Gallery of the Northern Territory (MAGNT).

Ian is a National Councillor of the Australia Arts and Business Foundation (AbaF) and a Fellow of the Australian Institute of Company Directors.

Appointed 01 March 2007

Mr Philip Bullock
BA, Dip Ed, MBA, AICD

Non-Executive Director

Chairman of the Nomination and Remuneration Committee

Member, Audit and Risk Management Committee

Philip is currently the Chair of The Australian Workforce and Productivity Agency reporting to the Minister for Tertiary Education, Skills, Science and Research.

He is also a non-executive director of Perpetual Limited, a long established provider of financial services. Prior to this, he had a long and distinguished career with IBM, which saw him become the CEO and Managing Director of IBM Australia and New Zealand and immediately prior to retirement, the Vice President of IBM's Systems and Technology Group for Asia Pacific, based in Shanghai. He has previously also been a non-executive director of Healthscope Limited, a leading provider of hospitals and pathology in Australia.

Appointed 1 August 2009

2.0 Company Secretary

Kim Clark was appointed Company Secretary on 12 December 2008 after having joined CSG in October 2007. She brings over 21 years Banking and Finance and Risk Management experience to the group, having previously held Senior Corporate Relationship Management, Risk Management and Executive Roles within the Commonwealth Bank of Australia.

3.0 Directors' Meetings

The number of meetings of the Board of directors and of each Board committee held during the financial year and the numbers of meetings attended by each director were:

Directors Attendance Record

	Board Meeting		Audit Committee		Nom. & Rem Committee	
Director Name	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
Mr. Josef Czyzewski	17	17	9	9	5	5
Mr. Philip Bullock	17	17	9	9	5	5
Mr. Philip Chambers	17	15	–	–	–	–
Mr. Ian Kew	17	17	9	9	5	5
Mr. Thomas Cowan (Appointed 8/2/2012)	6	6	–	–	–	–
Mr. Denis Mackenzie (Resigned 31/1/2012)	9	9	–	–	–	–
Ms. Julie-Ann Kerin (Appointed 21/2/2012)	8	8	–	–	–	–

Directors' Report

continued

4.0 Remuneration Report

To assist in understanding our policies and practices, we have divided the report as follows:

4.1 Overview

4.2 Role of Committee

4.3 Our policy and structure for executive remuneration

4.4 Short Term Incentives (STI)

4.5 Long Term Incentives (LTI)

4.6 Cash Bonuses

4.7 Contract term of executives

4.8 Details of remuneration for directors and executives

4.9 Relationship between remuneration policy and Company's performance

4.1 Overview

In 2010–11 the Board introduced "industry" standard compensation plans for its executives, consisting of; a base salary, Short Term Incentives (STI) and Long Term Incentives (LTI). To assist in this process the Committee engaged an external consultant Hewitt Associates. It was our intention to bring target Total Remuneration of our executives close to market midpoints (50th to 75th percentile range). These actions were consistent with a company within the ASX 300 and were implemented for the 2011–12 year.

However the 2011–12 year has proven to be a year of significant change and a difficult business environment. We have seen the unsuccessful attempt to purchase the company, the departure of our founding CEO, the appointment of a new CEO and finally the sale of a significant portion of our business. While all of these are part of the fabric of business, they have resulted in a number of decisions which have impacted the levels of compensation for our executives.

Specifically, with the departure of Mr Mackenzie, our founding CEO, we needed to ensure that he received all due payments. As part of this process, the CEO and Board agreed that there would be no STI or LTI payments made. All options that had not vested would be forfeited. The final payments included termination payments of $247,470.

The appointment of the new CEO Julie-Ann Kerin, included an assessment of comparative industry compensation levels and her package was made up of:

- base salary $600,000
- Short Term Incentives $200,000
- Long Term Incentive $200,000

STI Key Performance Indicators (KPIs) were focused 70% on annual financial performance and 30% on strategic initiatives. The LTIs were based upon Earnings Per Share performance with vesting in 3 years.

However, given the approach by NEC, the Board agreed to provide Julie-Ann Kerin with retention bonuses to ensure that the transaction was completed satisfactorily and that she would remain committed to the ongoing growth of the new CSG business. As a result of this, the STI provided for in the original CEO package will not be paid. Ms Kerin did receive a pro-rated STI payment for her period as head of the Technology Solutions.

In summary, these bonuses were:

- $600,000 to be paid in cash
- $200,000 to be paid as CSG shares with vesting in 3 years provided she remains an employee of CSG.

As we move into 2012–13 CSG will be entering into a new phase of its development. It is important that our CEO and executive team remain committed and focused on the longer term growth and returns to our shareholders.

In addition to the executive changes, the Board has also undergone change subsequent to balance date. Our Chair Mr Czyzewski is returning to full time employment and hence had resigned from the Board to be replaced by Mr Tom Cowan. Mr Philip Chambers, our founding Chairman, indicated that he felt it was time for further Board renewal as CSG moved into a new phase and has also resigned.

While CSG is now a much smaller company, the demands on the Board remain and the board will review its structure and complexity in the coming year.

4.2 Role of the Committee

The Board policy for determining the nature and amount of remuneration of Directors and executives is agreed by the Board of Directors as a whole. The Board has established a Nomination and Remuneration Committee, which, amongst other matters, is responsible for the following:

- reviewing and approving the appropriate remuneration of Directors, the Managing Director and senior executives of the Company;
- ensuring that remuneration levels take into account risks involved, demands and time requirements of each role, and relevant industry and related benchmarks;
- developing and recommending to the Board remuneration incentive programs such as bonus schemes and Company share schemes;
- developing, maintaining and monitoring appropriate remuneration policies and procedures;
- ensuring that the structure of non-executive and executive Directors' remuneration is clearly distinguished;
- ensuring that equity-based executive remuneration is paid in accordance with thresholds set in plans as disclosed to or approved by shareholders; and

- reviewing and approving appropriate disclosures to be included in the Company's annual report regarding the Committee, its activities and performance.

The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

4.3 Executive Compensation Structure and Philosophy

Like many organisations, CSG relies on the leadership of its senior executives for the successful development and execution of its strategies. Since our listing, the business has grown significantly, albeit this been impacted by the recent sale of the Technology Solutions business to NEC. Despite this recent sale the business remains spread across two countries.

CSG remains focused upon:

- Attracting, motivating and retaining key personnel;
- Aligning our remuneration policy with value creation for our shareholders, our clients and employees; and
- Implementing a governance framework which ensures consistent application of our policy over an extended period.

We are therefore continuing to focus upon an executive compensation process which comprises of:

- Base Salary – Cash or cash equivalents;
- STI based upon the key business drivers to be achieved within a financial year; and
- LTI which vest over 3 years and are subject to performance hurdles.

4.4 Short Term Incentives (STI)

STI focuses on the drivers or lead indicators of shareholder value creation, within an annual budget cycle, such as profit, cash flow and various non-financial indicators of future financial success. The aim of an STI plan is to motivate executives towards high achievement on these key performance indicators (KPIs) and then reward them well for such achievement.

For key management personnel, KPIs will be set based on the Company's overall objectives and the primary objectives of that executive's role. This mix of Company and individual KPIs has been chosen to reflect the Board's view that the Company's overall performance needs to be a significant driver in setting key management personnel's remuneration. Examples of the KPIs that apply to different executives include performance against budgeted cash flow, profit before tax, and key strategic milestones.

4.5 Long Term Incentives (LTI)

Whereas the CSG STI Plan focuses on the drivers or lead indicators of value creation, the CSG LTI Plan focuses on the value actually delivered over a number of years, flowing from the annual lead indicators taking effect on shareholder outcomes.

Even more so than with STI, this is an area where very strong alignment with shareholders' long term interests is expected. To be effective, it was recognised that the CSG LTI plan has to provide a real incentive for executives, which reflects their contribution to the longer term performance of the business.

Reflecting the status of CSG as an ASX 300 company and the interest of CSG's shareholders, the Board determined when setting the policy that LTI's should vest only when superior (no 'average' or near-miss) performance is delivered.

This means that LTI's will revert to zero vesting if moderate stretch performance is not achieved; Earnings Per Share (EPS) was chosen as the appropriate performance measure. The minimum threshold target was set a 5.0% pa. If the moderate stretch threshold of 5.0% is attained, 50% vesting is triggered, rising in a linear fashion to 100% vesting at a defined 'stretch' performance level. This has been set at above 10.0%.

4.6 Cash Bonuses

In addition to the STIs and LTIs discussed above, the Board also retains the discretion to award cash bonuses to employees where the Board considers it appropriate to do so. For the financial year ended 30 June 2012, as is set out in the table in section 4.7 the Company paid cash bonuses to selected directors and key management personnel to reflect significant contribution above normal responsibilities. All of these cash bonuses (other than as set out below) were paid by the Company upon the completion of sale of the Technology Solutions business earlier this year. The cash bonus paid to Evan Johnson relates to a retention payment that the Company previously agreed to pay as part of Mr Johnson's employment arrangements.

4.7 Contract Term of Executives

The names and positions of each person who held the position of director at any time during the financial year is provided within the Directors Report. The named executives (other than those holding director positions) in the consolidated group who are in decision making positions for the financial year are listed below. It is deemed that no other executives meet the definition of executive officer.

Directors' Report
continued

Executives	Position
Mr. David Ward	Group General Manager – Print Services Australia
Mr. Evan Johnson	Group General Manager – Print New Zealand
Mr. Kevin McLaine	Chief Financial Officer
Mr. Neil Lynch	Chief Financial Officer

Contracts of employment	Expiry	Termination notice	Termination payment
DIRECTORS			
Mr. Philip Chambers(i)	31-Jan-13	3 months	3 months
Mr. Denis Mackenzie(ii)	Not specified	6 months	6 months
Ms. Julie-Ann Kerin(iii)	31-Jan-2015	6 months	6 months
EXECUTIVES			
Mr. David Ward(iv)	Not specified	1 week	1 week
Mr. Evan Johnson	Not specified	9 months	9 months
Mr. Kevin McLaine(v)	30-Sep-11	–	9 months
Mr. Neil Lynch(vi)	Not specified	6 months	6 months

(i) Resigned with effective date of 30 June 2012
(ii) Resigned with effective date of 31 January 2012
(iii) Appointed as Managing Director 1 February 2012, previously Group General Manager – Technology Solutions
(iv) Resigned with effective date of 27 January 2012
(v) Resigned with effective date 30 September 2011
(vi) Appointed 10 October 2011

4.8 Remuneration

Directors Remuneration

	Short Term							
	Salary Fees	Cash Bonus	Termination Payments	Post-employment super	Share-based payments options	TOTAL	Total Performance Related	Paid in Options %
2012								
Mr Josef Czyzewski	81,596	–	–	35,200	–	116,796	0%	0%
Mr Philip Chambers	304,326	50,000(iv)	–	30,753	–	385,079	0%	0%
Mr Denis Mackenzie(i)	470,860	–	247,470	11,831	–	730,161	0%	0%
Mr Philip Bullock	67,357	–	–	6,062	–	73,419	0%	0%
Mr Ian Kew	70,342	–	–	6,330	–	76,672	0%	0%
Ms. Julie-Ann Kerin(ii)	464,583	749,987(v)	–	22,916	–	1,237,486	61%	0%
Mr Thomas Cowan	24,011	–	–	2,161	–	26,172	0%	0%
	1,483,075	799,987	247,470	115,253	–	2,645,785	30%	0%
2011								
Mr Josef Czyzewski	36,538	–	–	13,236	–	49,774	0%	0%
Mr Philip Chambers	302,676	–	–	29,682	–	332,358	0%	0%
Mr Denis Mackenzie	789,117	–	–	28,565	21,819	839,501	0%	3%
Mr Philip Bullock	56,697	–	–	5,102	–	61,799	0%	0%
Mr Ian Kew	56,697	–	–	5,102	–	61,799	0%	0%
Mr Andrew Kroger(iii)	22,935	–	–	2,064	–	24,999	0%	0%
	1,264,660	–	–	83,751	21,819	1,370,230	0%	2%

(i) includes termination benefits
(ii) paid as performance related payment whilst in the role of Group General Manager – Technology Solutions
(iii) resigned with effective date of 24 November 2010
(iv) performance payment that relates to prior year performance
(v) includes the sum of $73,125 which relates to performance in a prior period

Executives' Remuneration

	Short Term						
	Salary Fees	Cash Bonus	Post-employment super	Share-based payments options	TOTAL	Total Performance Related	Paid in Options %
2012							
Mr David Ward(i)	432,500	–	–	–	432,500	0%	0%
Mr Evan Johnson	239,700	500,000(vi)	–	–	739,700	65%	0%
Mr Kevin McLaine(ii)	100,000	–	–	71,287	171,287	4%	0%
Mr Neil Lynch(iii)	228,845	150,000	11,831	–	378,845	40%	0%
	1,001,045	650,000	11,831	71,287	1,722,332	39%	0%
2011							
Mr David Ward	367,226	50,000	–	10,018	427,244	12%	2%
Mr Brian Lee(iv)	310,594	50,000	37,515	11,615	409,724	12%	3%
Mr Kevin McLaine	365,854	–	27,418	19,471	412,743	0%	5%
Mr Trevor Oliver(v)	230,135	5,000	22,237	11,615	268,987	2%	4%
Ms Julie-Ann Kerin	377,119	216,520	25,000	11,954	630,593	34%	2%
	1,650,928	321,520	112,170	64,673	2,149,291	15%	3%

Options granted as remuneration are subject to the company option plan. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments.

(i) Resigned effective 27 January 2012
(ii) Resigned effective 30 September 2011
(iii) Commenced 10 October 2011
(iv) Resigned effective 29 April 2011
(v) Not considered to be key management personnel for the 2012 financial year as transferred to NEC as part of the sale transaction.
(vi) Paid as part of a retention payment (please refer to Section 4.6 of this report)

Options

(a) Compensation Options: Granted and vested during the year

					Terms and conditions for each grant			
	Vested Number	Granted Number	Grant Date	Value of options at grant date $	Exercise Price $	Expiry Date	First Exercise Date	Last Exercise Date
EXECUTIVES								
Kevin McLaine(i)	–	750,000	15/09/2011	71,287	0.84	15/11/2015	15/03/2012	15/09/2012

(i) Options issued to previous Chief Financial Officer Kevin McLaine vest on 15/3/2012 and 15/9/2012 and were issued by the Board on terms that provided for continuation of currency of the option post employment termination.
The cost of options has been calculated using the Black-Scholes method of calculation. Refer to note 21.

Directors' Report

continued

Value of options granted as remuneration that have been exercised or lapsed during the year:

	Balance 01/07/11 $	Value Granted $	Value Exercised $	Value Lapsed $	Balance 30/06/12 $
DIRECTORS					
Denis Mackenzie	62,798	–	–	62,798	–
Julie-Ann Kerin	17,867	–	–	–	17,867
	80,665	–	–	62,798	17,867
EXECUTIVES					
Kevin McLaine	649	71,287	–	–	71,936
David Ward	17,980	–	–	17,980	–
	18,629	71,287	–	17,980	71,936

(b) Options granted as remuneration that have been exercised or lapsed during the financial year:

	Balance 01/07/11	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/12	Total Vested 30/06/12	Total Exercisable 30/06/12	Total Unexercisable 30/06/12
DIRECTORS								
Denis Mackenzie	750,000	–	–	(750,000)	–	–	–	–
Julie-Ann Kerin	500,000	–	–	–	500,000	366,667	366,667	133,333
	1,250,000	–	–	(750,000)	500,000	366,667	366,667	133,333
EXECUTIVES								
Kevin McLaine	750,000	750,000	–	–	1,500,000	575,000	575,000	925,000
David Ward	200,000	–	–	(200,000)	–	–	–	–
	2,200,000	750,000	–	(950,000)	2,000,000	941,667	941,667	1,058,333

**Note: Net change includes options forfeit and cancellation*

4.9 Relationship between remuneration policy and Company's performance

The remuneration policy of the Company, and the individual performance conditions to be satisfied by key management personnel prior to being eligible for any STIs, has been determined having regard to the Board's view that the Company's financial performance needs to be a significant driver in setting the remuneration of key management personnel. Over the past 5 financial years, whilst not solely referable to the Company's earnings, the policy adopted by the Board in this context has continued to drive correlation between the amount paid to its key management personnel as STIs and the Company's earnings.

5.0 Principal Activities

The principal activities of the consolidated entity during the financial year were provision of information technology and office supply and services. In June 2012, the Group sold the Information Technology business, a separate reporting segment (see note 29 to the consolidated financial statements).

Going forward the principal activities of the business will be print related sales and services.

There have been no other significant changes in the nature of the activities of the consolidated entity during the financial year.

6.0 Review of Operations

The consolidated profit after income tax attributable to the members of CSG was $51.2 million (2011: $39.1m), including the results of discontinued operations. The net profit after tax for the sale of the Technology Solutions division was $64.2 million.

Operational performance for CSG for the financial year ended 30 June 2012 is provided below:

- Sale of Technology Solutions division settled on 2 July 2012
- Gain on sale of Technology Solutions division, pre-tax of $92.2 million

- Reported revenue from continued operations of $202.8 million
- Final Canon payment made of $7 million
- $56 million fully franked special dividend at 20 cents per share

Capital management as a result of the sale of the Technology Solutions division will be returned to shareholders through a combination of a $56 million fully franked special dividend at 20 cents per share on 18 September 2012; an on market buyback of up to 10 per cent of shares on issue over the next 12 months; and a $40 million capital return in December 2012. The remainder of the sale proceeds will be used to pay down debt, reducing gearing and be reinvested to improve IT systems.

New Zealand delivered a flat result, largely attributed to a number of large installations being delayed until the first quarter of FY13. The Print Australia division had a disappointing result and as announced previously to the market is in the process of being restructured to improve efficiency and reduce costs. Leasing Solutions Ltd in New Zealand performed better than expectations.

Following the change of management in February 2012, a business transformation process was undertaken and is on track to deliver annualised cost savings of $13 million through reductions in head count, selling costs and other related overheads. Improved efficiencies through IT systems and operations is anticipated to deliver further annualised cost savings of $4 million over the next year.

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

7.0 State of Affairs

As referred to above and as disclosed at note 29 to the financial report the Company sold its Information Technology division in June 2012, with the transaction completing in July 2012.

Other than the above, there have been no significant changes in the consolidated entity's state of affairs during the financial year.

8.0 Likely Developments

As announced to the ASX on 30 May 2012 following a detailed strategic review, the operations of the Print Services Division will be restructured to improve efficiency and to reduce costs.

The strategic review identified significant opportunities to leverage business processes across Print Services Australia and Print Services New Zealand. Duplication of some functions will be eliminated, and other expenses will be reduced, whilst maintaining a focus on service levels to customers.

Directors' Report

continued

9.0 Dividends

A 2.5 cents per share interim dividend was paid in April 2012 and the directors have announced a final dividend of 20 cents per share to be paid in September 2012. The dividends paid or declared since the start of the year are as follows:

	Consolidated entity	
	2012 $'000	2011 $'000
(a) DIVIDENDS PAID DURING THE YEAR		
Current year interim: Franked dividends (2.5 cents per share)	7,064	6,123
Previous year final: Franked dividends (3 cents per share)	8,477	7,328
(b) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY		
Franked dividends (20 cents per share)	56,513	8,477

10.0 Directors' Interests in Shares or Options

Directors' relevant interests in shares of CSG or options over shares in the company are detailed below.

	Ordinary shares of CSG	Options over shares in CSG
Thomas Cowan	19,924,622	–
Philip Chambers	206,788	–
Ian Kew	–	69,730
Philip Bullock	37,927	–
Julie-Ann Kerin	–	500,000
Josef Czyzewski	68,334	–
	20,307,401	500,000

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 25 to the financial statements.

11.0 Shares Under Option

Options issued by CSG Ltd during the year are detailed in Note 21 in the attached financial report. Details of options granted to Directors and executives are in the Remuneration report on page 24.

No option holder has any right under the options to participate in any other share issue of the Company.

The options issued are governed by the terms of the Employee Share Option Plan with each series having a unique expiry date.

During the year no shares were issued on exercise of options.

12.0 Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity has paid a premium amounting to $485,246 insuring all the directors and the officers against judgments, settlements, investigative costs, defence costs and costs to appear at inquiries or investigations.

13.0 Non-Audit Services

Non-audit services are approved by resolution of the Audit Committee and approval is provided in writing to the Board of Directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:

	2012 $'000	2011 $'000
Other assurance services	72	101
Other advice – Overseas subsidiaries:	9	-

14.0 Auditor's Independence Declaration

The lead auditor's independence declaration in relation to the audit for the financial year is set out on page 28 of this report.

15.0 Events Subsequent

On 15 August the Chairman Mr Joe Czyzewski resigned from the board as he was returning to full time employment and was replaced by Mr Tom Cowan. At the same date Mr Philip Chambers, the founding Chairman, indicated that he felt it was time for further Board renewal as CSG moved into a new phase, and has also resigned.

There have been no other significant events between the year end and the date of approval of these accounts which would require a change to or disclosure in the accounts.

16.0 Rounding of Amounts

The amounts contained in the report and in the financial report have been rounded to the nearest one thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

Ms. Julie-Ann Kerin
Director

Melbourne
23 August 2012

Auditor’s Independence Statement

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CSG LIMITED

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

M W PRINGLE
Partner
23 August 2012

PITCHER PARTNERS
Melbourne

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Pitcher Partners, including Johnston Rorke, is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane
An independent member of Baker Tilly International

CSG Limited
Financial Statements 2012

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

		Consolidated entity	
	Notes	2012 $'000	2011** $'000
Revenue from continuing operations	7	198,373	217,686
Other income	7	4,432	4,252
		202,805	221,938
Cost of sales	8	122,730	116,357
Marketing expenses		5,420	3,123
Occupancy expenses		6,598	5,484
Administration expenses		25,478	20,819
Deferred consideration (adjustment)/payment		2,800	(2,527)
Other employee expenses	8	44,132	39,781
Depreciation and amortisation	8	5,597	6,851
Other expenses	8	11,092	1,587
Sub-Contractor expenses		1,542	2,056
Finance costs	8	10,853	12,014
		236,242	205,545
PROFIT/(LOSS) BEFORE INCOME TAX		(33,437)	16,393
Income tax (expense)	9	11,203	2,599
Profit/(loss) from continuing operations		(22,234)	18,892
DISCONTINUED OPERATIONS			
Profit /(loss) from discontinued operations (net of tax)	29	73,912	21,555
Profit/(loss) for year		51,678	40,447
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations, net of tax	22	(62)	(1,205)
Share based transactions	22	71	184
Other comprehensive income for the year		9	(1,021)
Total comprehensive income for the year		51,687	39,426
PROFIT IS ATTRIBUTABLE TO:			
Members of the parent		51,211	39,135
Non-controlling interest		467	1,312
		51,678	40,447
TOTAL COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:			
Members of the parent		51,220	38,114
Non-controlling interest		467	1,312
		51,687	39,426
EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT ENTITY:			
Basic earnings/(loss) per share for continuing operations (cents)	27	(7.9)	7.5
Diluted earnings/(loss) per share for continuing operations (cents)	27	(7.9)	7.5

The accompanying notes form part of these financial statements
*** restated, see note 29*

Consolidated Statement of Financial Position

as at 30 June 2012

	Notes	Consolidated entity 2012 $'000	2011** $'000
CURRENT ASSETS			
Cash and cash equivalents	11	25,881	30,980
Receivables	12	241,637	71,885
Lease receivables	12	35,573	39,666
Current tax receivables	9	–	4,455
Inventories	13	31,597	37,773
Other	14	770	5,941
TOTAL CURRENT ASSETS		335,458	190,700
NON-CURRENT ASSETS			
Lease receivables	12	63,872	67,517
Other financial assets	15	125	1,115
Deferred tax assets	9	4,907	6,763
Property, plant and equipment	16	7,163	22,164
Intangible assets	17	191,614	291,719
TOTAL NON-CURRENT ASSETS		267,681	389,278
TOTAL ASSETS		603,139	579,978
CURRENT LIABILITIES			
Payables	18	45,182	70,963
Deferred consideration	28	16,133	27,661
Short term borrowings	19	91,137	4,278
Current tax payable	9	22,270	–
Provisions	20	5,349	8,686
Debt associated with lease receivables	19	7,825	8,496
TOTAL CURRENT LIABILITIES		187,896	120,084
NON-CURRENT LIABILITIES			
Deferred consideration	28	–	7,000
Long term borrowings	19	94	70,979
Provisions	20	357	963
Debt associated with lease receivables	19	83,028	85,320
TOTAL NON-CURRENT LIABILITIES		83,479	164,262
TOTAL LIABILITIES		271,375	284,346
NET ASSETS		331,765	295,632
EQUITY			
Contributed equity	21	200,724	200,736
Reserves	22	(308)	(317)
Retained earnings	22	120,351	84,682
Equity attributable to owners of CSG Limited		320,767	285,101
Non-Controlling interest		10,998	10,531
TOTAL EQUITY		331,765	295,632

The accompanying notes form part of these financial statements
*** 2011 not restated*

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

Consolidated entity	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total Equity
	$'000	$'000	$'000	$'000	$'000
BALANCE AS AT 1 JULY 2010	157,719	704	58,998	9,219	226,640
Profit for the year	–	–	39,135	1,312	40,447
Exchange differences on translation of foreign operations, net of tax	–	(1,205)	–	–	(1,205)
Share based payments	–	184	–	–	184
Total comprehensive income for the year	–	(1,021)	39,135	1,312	39,426
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Exercise of options	3,654	–	–	–	3,654
Share issue	40,084	–	–	–	40,084
Share issue – Dividend Reinvestment Scheme	520	–	–	–	520
Capital raising cost	(1,772)	–	–	–	(1,772)
Capital raising costs deferred tax asset	531	–	–	–	531
Dividends paid	–	–	(13,451)	–	(13,451)
Balance as at 30 June 2011	200,736	(317)	84,682	10,531	295,632
BALANCE AS AT 1 JULY 2011	200,736	(317)	84,682	10,531	295,632
Profit for the year	–	–	51,211	467	51,678
Exchange differences on translation of foreign operations, net of tax	–	(61)	–	–	(61)
Share based transactions	–	71	–	–	71
Total comprehensive income for the year	–	9	51,211	467	51,687
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:					
Exercise of options	–	–	–	–	–
Share issue	–	–	–	–	–
Share Issue – Dividend Reinvestment Scheme	–	–	–	–	–
Capital raising cost	(17)	–	–	–	(17)
Capital raising costs deferred tax asset	5	–	–	–	5
Dividends paid	–	–	(15,541)	–	(15,541)
Balance as at 30 June 2012	200,724	(308)	120,351	10,998	331,765

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2012

	Notes	Consolidated entity 2012 $'000	2011** $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		205,571	240,324
Payments to suppliers, employees and others		(207,110)	(231,841)
Interest income		119	175
Borrowing costs paid		(10,853)	(12,269)
Income tax paid	*9(c)*	9,595	995
Net cash (used in) operating activities	*23(a)*	(2,678)	(2,616)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for intangibles		(305)	(211)
Payments for investments		(125)	–
Payments for property, plant and equipment		(2,877)	(3,851)
Proceeds from property, plant and equipment		136	473
Payments for businesses	*28*	(21,086)	(14,380)
Net cash (used in) investing activities		(24,257)	(17,970)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares and other equity securities		–	44,258
Proceeds from borrowings		22,633	37,719
Repayment of borrowings		(9,254)	(37,568)
Payment of capital service costs		(17)	(1,772)
Transfers from discontinued operations		34,609	(6,580)
Dividends and reserve distributions		(15,541)	(13,451)
Net cash flows provided by financing activities		32,429	22,606
Net increase in cash held		5,494	2,020
Cash at the beginning of the financial year		20,090	18,367
Foreign exchange difference on cash holdings		297	(296)
Cash and cash equivalents at end of year	*23(b)*	25,881	20,090

The accompanying notes form part of these financial statements
*** restated, see note 29*

Notes to the Financial Statements

30 June 2012

NOTE 1: Reporting Entity

CSG Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 6, 320 Adelaide Street, BRISBANE, QLD, AUSTRALIA, 4000. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its controlled entities (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity and primarily involved in the sale of Print Services.

NOTE 2: Basis of Preparation

Statement of compliance

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements of CSG Ltd also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the directors on 23 August 2012.

Basis of measurement

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain material items in the statement of financial position and as described in the accounting policies.

Functional and presentation currency

The financial report is presented in Australia dollars which is the Company's functional currency.

The company is of a kind referred to in ASIC Class order 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Use of estimates and judgments

The preparation of the financial report in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Estimated impairment of goodwill

Goodwill is allocated to cash generating units (CGUs) according to applicable business operations. The CGUs are aligned at the segment level. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected financial forecasts and projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a discount rate of 10.5% to determine value-in-use. The same discount rate has been applied to each of the CGUs.

(b) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(c) Employment benefits

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

(d) Share-based payments

Calculation of shared based payments requires estimation of the timing of the exercise of the underlying instrument. The estimates are based on historical trends.

(e) Inventory – consumables at customer premises

Inventory balances include consumables owned by the group but located at customer premises. The value of consumables recorded as inventory is based on management's estimate resultant from information held in customer servicing systems and a sample of customer holdings.

(f) Inventory – obsolescence

Inventory balances relate to items subject to technological obsolescence and unknown usage levels. Obsolete and slow-moving inventory is estimated based on the age of the inventory items, historical usage and likely future usage, and likely recoverable values.

NOTE 3: Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in this financial report, and have been applied consistently by Group entities.

The comparative statement of comprehensive income and the statement of cash flows have been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 29).

(a) Basis of Consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

(iii) Non-controlling interests

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

All inter company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(ii) Foreign operations

Entities that have a functional currency different to the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

NOTE 3: Summary of Significant Accounting Policies *continued*

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group as the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at their fair value through profit or loss are remeasured at fair value, and changes therein are recognised in profit or loss.

Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. The fair value of listed investments is based on closing bid prices at balance date.

Non-listed investments, for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, including restricted cash and a group multi-function bank overdrafts facility. Bank overdrafts are shown within long-term borrowings in non-current liabilities on the balance sheet.

(ii) Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade payables, other creditors and loans from third parties including inter company balances and loans from or other amounts due to Director related entities.

(i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

(ii) Derivative financial instruments, including hedge accounting

The consolidated entity uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities and foreign exchange risk in respect of inventory purchases. In accordance with treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that are not designated hedges are accounted for as held for trading instruments.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect report profit or loss.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value and subject to the nature of the hedging instrument the gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income or as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

(d) Revenue Recognition

Sale of Goods

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods and disposal of other assets is recognised when significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The revenue recognised from rendering of services combines:

(i) invoicing from the provision of the group's services inclusive of the amounts due and payable under the terms of the long term service contracts;

(ii) revenue not yet invoiced but earned on work completed in servicing long term service contracts which, while owing to the group under the terms of those contracts, will not become payable until future years.

The long term service contracts specifically detail both services to be performed and the invoicing components for each year of the contracts. The group's contract administration system enables the stage of completion of each contract to be reliably determined.

Interest Income

Interest on loans and receivables from finance leases is recognised on an effective interest rate basis. Minimum lease payments received under finance leases are apportioned between the finance income and the reduction of the outstanding asset. The finance income is allocated to each period during the lease term so as to produce a constant period rate of interest on the remaining balance of the asset. An accrual basis is used to record interest income.

Operating Lease Revenue

Rental income from operating leases of equipment is recognised on an accrual basis with income recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Equipment Sales under Financing Arrangement

Equipment which is subject to rental agreements with customers may be sold to a finance company prior to the commencement of the rental agreement. Rental payments are collected by the relevant CSG entity and passed on to the finance company. A sale is recognised when goods have been dispatched to a customer pursuant to a rental agreement and a sales invoice has been issued to the finance company. Under these arrangements the risks of ownership of the equipment passes to the customer upon delivery of the equipment to the customer and the credit risk in relation to the rental stream passes to the finance company. In these circumstances the entity guarantees to buy back the equipment for a nominal amount at the end of the rental agreement (or upon termination of the agreement) based on the term of the agreement.

Other Income

Dividend revenue is recognised when the right to receive a dividend has been established.

Distributions are recognised when the right to receive the distribution has been established.

(e) Receivables

All trade receivables are recognised initially at fair value, and subsequently at amortised cost, less impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are

NOTE 3: Summary of Significant Accounting Policies *continued*

written off. An impairment loss is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is not material. The amount of the impairment is recognised in the statement of comprehensive income.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion.

(g) Property, Plant and Equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment charges. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Where the Company leases assets as a lessor on an operating lease, the Company retains substantially all the risks and rewards of ownership. The assets are stated at historical cost less accumulated depreciation and impairment losses (where applicable).

Depreciation of property, plant and equipment is calculated on a straight line and diminishing value basis to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives to the Company.

The following rates used in the calculation of depreciation are as follows:

Assets	Rate	Method
Leasehold improvements	2.5% – 4%	Diminishing value and straight line
Plant and equipment	5% – 50%	Diminishing value and straight line
Motor vehicles	8.75% – 25%	Diminishing value
Office computer equipment	15% – 50%	Diminishing value and straight line
Furniture and fittings	7.5% – 37.5%	Diminishing value and straight line

(h) Intangible Assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in a business combination is allocated into the specific components acquired as part of the business combination.

All goodwill is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Licenses and other Intangible Assets

Licenses and other intangible assets have a finite useful life and are recorded at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful life. Software developed for resale is amortised over five years. Customer contracts/relationships acquired in a business combination have been assigned a finite life of 14 years and are amortised on a straight line basis over this period.

(i) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised costs is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Trade and other Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year, which are unpaid.

(k) Borrowings

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw down of the facility, are recognised as transaction costs and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as expenses in the period in which they are incurred.

(l) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Share-based Payments

The consolidated entity operates an employee share option plan. The bonus element over the exercise price for the grant of options is recognised as an expense in the statement of comprehensive income in the period(s) when the benefit is earned.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. The fair value of options at grant date is determined using the Black Scholes option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option.

(m) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount of the provision can be measured reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

NOTE 3: Summary of Significant Accounting Policies *continued*

(n) 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.

Finance Leases

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating Lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(o) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquire, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, fair value losses on financials assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(p) Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current income tax expense or revenue is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

Tax Consolidation

CSG Limited and its Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation on 1 July 2007. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(q) Research & Development

Research & Development expenditure is recognised as an expense as incurred. Concessional tax benefits receivable in respect of eligible expenditure are recognised as income.

Income is recognised with respect to concessional benefits upon confirmation and registration of eligible projects with evaluation and registration of eligible projects typically completed in the following financial year. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

(r) Discontinued operations

Classification as a discontinued operation occurs upon the disposal or when the operation meets the criteria to be classified as held for sale or distribution, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and statement of cash flows has been re-presented as if the operation had been discontinued from the start of the comparative year.

(s) Segment reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

NOTE 4: New Accounting Standards and Interpretations

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

NOTE 5: Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest. Where this fair value is determined for disclosure purposes the market rate of interest is that at the reporting date. Where this fair value is determined when acquired in a business combination, the market rate of interest is that at the date of acquisition.

(c) Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using the market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

NOTE 5: Determination of Fair Values *continued*

(d) Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is referenced to the contract.

(e) Share-based payment transactions

The fair value of the employee share options are measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(f) Contingent consideration

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value.

NOTE 6: Financial Risk Management

The major financial instruments entered into by the group comprise short term trade receivables and payables, loans and receivables, loans and borrowings and long term borrowings. The consolidated entity does not have any significant financial risks in respect of trade receivables and payables. The main area of financial risk arises in respect of interest rate risk on long-term borrowings. Certain aspects of financial risk management are considered further as detailed below.

The consolidated entity is exposed to a variety of financial risks comprising:

(a) interest rate risk;

(b) credit risk;

(c) liquidity risk;

(d) foreign exchange risk; and

(e) fair values.

The Board of Directors has overall responsibility for identifying and managing operational and financial risks.

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are detailed in the table below.

With regard to the Australian Senior Debt facility, interest rate transactions entered into by the consolidated entity exchange variable and fixed interest payment obligations to protect long term borrowings from the risk of increasing interest rates. At balance date the entity has both variable and fixed rate term debt and entered into swap contracts to fix the interest rate on $47,124,000 until 29 January 2013 and to cap the interest rate on a further $20,000,000 of borrowings until 29 January 2013. As a consequence of the sale of one of the Company's business segments (refer note 29) the debt facility (both the fixed and variable components) was repaid in full on 2 July 2012.

The Group's Commonwealth Bank of Australia (CBA) funding facility, securitised by finance lease receivables, ("Securitisation Facility") matures on 8 July 2013. The maximum funding limit under this facility is $78.3m (NZ$100m) (2011 $77.2m (NZ$100m)).

Interest on the Securitisation Facility is charged at a floating rate plus a margin, and re-prices on a monthly basis. As the finance lease receivables are predominantly fixed rate in nature, the Company enters into interest rate swaps to fix these floating rate exposures.

In addition to the CBA facility above the Group has a facility with Equigroup Finance Limited to provide finance by way of finance leases. The facility limit at 30 June 2012 with Equigroup is $21.5m (NZ$27.5m) (2011 $21.2m (NZ$27.5m)).

Financial instruments are subject to the risk that market values may change subsequent to their acquisition. In the case of interest rates, market changes will affect the cash flows of interest income and interest expense for the Company and Group. The management of the Group's exposure to interest rates is carried out through regular monitoring of the interest re-pricing profile for both assets and liabilities of the Group. In terms of the securitisation facility interest rate swaps are taken out by the Company's wholly owned subsidiary Solutions Group Receivables Limited to hedge 100% of the future cash flow equivalent to the portfolio designated "securitised" leases.

Interest Rate Sensitivity Analysis	2012 $'000		2011 $'000	
	Impact on Income Statement	Impact on Equity	Impact on Income Statement	Impact on Equity
	Increase/ (decrease) on profit	Increase/ (decrease) on equity	Increase/ (decrease) on profit	Increase/ (decrease) on equity
INTEREST RATES: 100 BPS INCREASE: CASH FLOW SENSITIVITY:				
Impact on interest income on bank balances	213	213	246	246
Impact on management fee charges	3	3	4	2
Impact on interest expense on loans	(731)	(731)	(943)	(943)
Impact on cash flows from derivative	806	806	847	847
Impact on interest expense on finance leases	(30)	(30)	(27)	(27)
FAIR VALUE SENSITIVITY:				
Impact on derivative fair value at balance date	1,188	1,188	1,228	1,228
Total impact	1,449	1,449	1,355	1,355
INTEREST RATES: 100 BPS DECREASE: CASH FLOW SENSITIVITY:				
Impact on interest income on bank balances	(213)	(213)	(246)	(246)
Impact on management fee charges	(3)	(3)	(4)	(4)
Impact on interest expense on loans	731	731	1,019	1,019
Impact on cash flows from derivative	(806)	(806)	(847)	(847)
Impact on interest expense on finance leases	30	30	27	27
FAIR VALUE SENSITIVITY:				
Impact on derivative fair value at balance date	(1,222)	(1,222)	(1,261)	(1,261)
Total impact	(1,483)	(1,483)	(1,312)	(1,312)

(b) Credit Risk Exposures

Credit risk is the risk that a loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations. Management is responsible for sanctioning large credit exposures to all customers arising from lending activities. Financial instruments that potentially subject the consolidated entity to concentrations of credit risk consist principally of cash and bank balances, finance leases receivables, trade receivables and prepayments.

The consolidated entity has a credit policy that is used to manage its exposure to credit risk. As part of this policy, limits on exposures have been set, lease agreements are subject to defined criteria, and leases are monitored on a regular basis. Maximum exposures are net of any recognised provisions. The maximum credit risk is the contract value of the leases. To control the level of credit risk taken, management evaluates each customer's credit risk on a case by case basis. Credit risk is mitigated by the large number of clients and relatively small size of individual credit exposures.

For finance and operating leases the collateral taken on the provision of a financial facility is by way of a registered security interest over the leased asset. In some cases a personal guarantee is obtained. Loan and lease agreements provide that, if an event of default occurs, collateral will be repossessed and/or the personal guarantee invoked. The repossessed collateral is either held until overdue payments have been received or sold in the secondary market.

In addition the Company has contingent liabilities relating to buy back guarantees on certain finance contracts for the lease of copiers and multi-function devices by customers. The Company undertakes a credit approval process to determine whether it is prepared to buy back the loan on default. When a circumstance arises where the Company is required to buy back the loan, the equipment financed becomes the property of the Company. To date, there has been one instance where the company has been required to buy back a loan.

Concentrations of Credit Risk

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

Notes to the Financial Statements

30 June 2012

NOTE 6: Financial Risk Management *continued*

The print businesses have a broad range of clients across all sectors of the economy, and spread throughout all regions of Australia and New Zealand. The leasing business has a wide spread of clients across all economic sectors and regions of New Zealand. The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

(c) Liquidity Risk

The entity produces positive cash flows from operating activities on a regular basis. Refer to Note 23 (c) for details on the unused banking facility.

As part of the arrangements regarding the Securitisation Facility the Company is required to contribute towards a credit protection reserve. The credit protection reserve has to be maintained at a minimum calculated percentage of the net pool balance of securitised finance leases. The minimum calculated percentage is based on historical bad debt and charge off rates.

At 30 June 2012 the required percentage was 9.40% (2011: 9.40%).

The Company was in full compliance with these covenants at balance date.

Cash reserve accounts and enhancement deposit accounts are restricted under the securitisation arrangements. The funds will be repaid to the consolidated entity on request if the Company has paid more than required for the Credit Protection. Once a month funds paid into the bank accounts, by the lessees, which do not relate to repayment of principal balances, will be returned to the consolidated entity.

	Floating Interest Rate		Fixed Interest Rate Maturing in:				
			1 year or less		1 – 5 years		
Financial Instruments	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000
(i) FINANCIAL ASSETS							
Cash and Cash Equivalents	25,864	30,961	–	–	–	–	–
Trade Receivables	–	–	–	–	–	–	–
Finance Lease Receivables	–	–	35,573	39,666	63,872	67,516	–
Sundry Debtors	–	–	–	–	–	–	–
Income Tax Receivable	–	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	–	–
Total Financial Assets	25,864	30,961	35,573	39,666	63,872	67,516	–
(ii) FINANCIAL LIABILITIES							
Trade Payables	–	–	–	–	–	–	–
Other Payables	–	–	–	1,177	–	–	–
Finance Lease & Hire Purchase Liability	–	–	70	104	94	199	–
Debt Associated with Finance Leases	–	–	5,683	6,134	81,879	83,983	–
Derivatives – interest rate swaps	–	–	2,142	2,362	1,149	1,211	–
Current Tax Liability	–	–	–	–	–	–	–
Deferred Consideration	7,000	28,329	–	–	–	–	–
Term Debt/Bills Payable	43,943	30,576	47,124	4,195	–	42,929	–
Total Financial Liabilities	50,943	58,905	55,019	13,972	83,122	128,322	–

(d) Foreign Exchange risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand dollar and US dollar.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Company's subsidiary, Konica Minolta Business Solutions New Zealand Limited, settles purchases of equipment predominantly in US dollars.

All purchases are fully hedged with forward cover taken out to protect from exchange rate movements between the shipping date and settlement.

(e) Fair values

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Statement of Financial Position and Notes to the financial statements.

› 5 years	Non-Interest bearing		Total carrying amount as per Balance Sheet		Weighted Average Effective Interest Rate	
2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 %	2011 %
–	17	19	25,881	30,980	2.08%	2.62%
–	18,586	61,574	18,586	61,574		
1	–	–	99,446	107,183	13.58%	13.57%
–	223,051	10,036	223,051	10,036		
–	–	4,455	–	4,455		
–	125	1,115	125	1,115		
1	241,779	77,199	367,089	215,343		
–	18,044	34,406	18,044	34,406		
–	27,138	35,380	27,138	36,557		3.61%
–	–	–	164	303	10.53%	10.59%
–	–	–	87,562	90,117	4.78%	4.92%
125	–	–	3,291	3,698	5.44%	7.04%
–	22,270	–	22,270	–		
–	9,132	6,332	16,133	34,661	8.48%	8.34%
–	–	–	91,067	77,700	7.25%	7.99%
125	76,584	76,118	265,665	277,442		

Notes to the Financial Statements

30 June 2012

NOTE 7: Revenue

	Consolidated entity	
	2012 $'000	2011 $'000
REVENUES FROM CONTINUING OPERATION		
Sales revenue		
Revenue from sales of goods	86,075	92,051
Revenue from services	96,185	108,857
Interest Income	16,113	16,778
	198,373	217,686
Other Revenue		
Interest	75	161
Sundry	3,990	4,121
Profit on sale of fixed assets	374	29
Foreign exchange gains/(loss)	(7)	(59)
	4,432	4,252

NOTE 8: Profit From Continuing Operations

Profit from continuing operations before income tax has been determined after the following specific expenses

COST OF GOODS SOLD		
Cost of goods	51,673	53,182
Cost of sales – service	42,559	35,804
Cost of sales service (employee benefits)	20,044	17,639
Interest expense	8,454	9,733
	122,730	116,357
EMPLOYEE BENEFITS EXPENSES		
Shared based transactions	71	184
Other employee expenses	44,132	39,781
Cost of sales service (employee benefits)	20,044	17,639
	64,247	57,604
OTHER		
Bad debts expense / (recovered)	1,913	861
Acquisition costs expensed	711	–
Impairment of non-listed investments	1,112	–
Restructuring and impairment	6,717	–
Other	639	726
	11,092	1,587
DEPRECIATION/AMORTISATION OF NON-CURRENT ASSETS		
Plant and equipment	2,830	2,703
Leased property, plant and equipment	–	1
Leasehold improvements	312	279
Amortisation of customer contracts/relationships	2,266	2,935
Amortisation of intangible assets	189	933
	5,597	6,851
FINANCE COSTS EXPENSED		
Interest and charges	10,853	12,014
	10,853	12,014

NOTE 9: Income Tax

	Consolidated entity	
	2012 $'000	2011 $'000
(a) COMPONENTS OF TAX EXPENSE:		
Current tax expense in respect of the current year	(10,714)	2,034
Deferred tax expense recognised in the current year	622	432
Adjustments recognised in the current year in relation to the prior year	–	(201)
Tax expense/(income) excluding sale from continuing operations	(10,092)	2,265
Tax expense from continuing operations	(11,203)	(2,599)
Tax expense from discontinued operations	1,111	4,864
	(10,092)	2,265
Tax on gain on sale of discontinued operations	27,998	–
Total tax expense	17,906	2,265
(b) PRIMA FACIE TAX PAYABLE		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit/loss before tax from continuing operations	(33,437)	42,712
Prima facie income tax payable on profit before income tax at 30.0% (2011: 30.0%)	(10,031)	12,814
Add tax effect of:		
– share-based payments	–	55
– other non-allowable items	829	456
– effect of different tax rates in other jurisdictions(i)	7	–
– under provision for income tax in prior years	523	–
	(8,671)	13,325
Less tax effect of:		
– share-based payments	(21)	–
– other non-assessable items	3	(370)
– deferred consideration released	–	(1,778)
– research & development credits – tax effect	–	(2,182)
– prior year tax provision released (NZ)	–	(3,932)
– deferred tax asset not previously brought to account	–	(2,596)
– recognition of deductible expense – cost based adjustment	(1,403)	–
– over provision for income tax in prior years	–	(201)
	(1,421)	(11,060)
Income tax expense attributable to profit	(10,092)	2,265

(i) The corporate tax rate in New Zealand was changed from 30% to 28% with effect from 1 July 2011. The current tax liability for the current income year reflects the revised rate. The impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period.

(c) CURRENT TAX		
Current tax relates to the following: Current tax liabilities / (assets)		
Opening balance	(4,455)	3,334
Income tax	17,284	2,034
Tax payments	9,595	(2,562)
Under / (over) provisions	–	(201)
Research & Development Tax Credits	–	(7,059)
Exchange rate impact	(195)	–
Other	41	(1)
Current tax liabilities / (assets)	22,270	(4,455)

NOTE 9: Income Tax *continued*

	Consolidated entity	
	2012 $'000	2011 $'000
(d) DEFERRED TAX		
Deferred tax relates to the following: *Deferred tax assets* The balance comprises:		
Inventories	546	627
Investments	334	–
Doubtful debts	474	8
Accrued expenses	2,627	533
Provision for annual and long service leave	1,024	3,227
Other provisions	904	–
Other	401	735
Blackhole deductions	76	1,980
Customer contracts/relationships	–	881
	5,933	7,991
Deferred tax liabilities The balance comprises:		
Property, plant and equipment	(500)	(1,131)
Capital raising costs	(526)	–
Other	–	(97)
	(1,026)	(1,228)
Net Deferred tax assets	4,907	6,763
(e) DEFERRED INCOME TAX (REVENUE)/EXPENSE INCLUDED IN INCOME TAX EXPENSE COMPRISES		
Decrease / (increase) in deferred tax assets	1,648	763
(Decrease) / increase in deferred tax liabilities	(1,026)	(331)
	622	432
(Decrease) / increase in DTA for discontinued operations	(2,478)	–
(f) DEFERRED INCOME TAX RELATED TO ITEMS CHARGED OR CREDITED DIRECTLY TO EQUITY		
Blackhole deductions	–	(532)
	–	(532)
(g) DEFERRED TAX ASSETS NOT BROUGHT TO ACCOUNT		
Capital tax losses	–	346

NOTE 10: Dividends on Ordinary Shares

	Consolidated entity 2012 $'000	2011 $'000
(a) DIVIDENDS PAID DURING THE YEAR		
(i) Current Year Interim – Franked dividends (2.5 cents per share) (2011: 2.5 cents per share)	7,064	6,123
(ii) Prior Year Final – Franked dividends (3.0 cents per share) (2011: 3.0 cents per share)	8,477	7,328
	15,541	13,451
(b) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY		
Franked dividends (20.0 cents per share) (2011: 3.0 cents per share)	56,513	8,477
(c) FRANKING CREDIT BALANCE		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and deducting franking credits to be used in payment of proposed dividends:	23,512	23,727
Impact of the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end	(24,219)	(3,633)
	(707)	20,094

NOTE 11: Cash and Cash Equivalents

Cash at bank[(i)]	25,864	30,961
Cash on hand	17	19
	25,881	30,980

(i) Includes cash amounts provided as part of credit protection reserve – refer note 6.

NOTE 12: Receivables

CURRENT		
Trade receivables	18,752	61,684
Impairment	(166)	(110)
Staff and sundry loans	29	37
Receivable for sale of discontinued operation	221,900	–
Sundry debtors	1,122	10,274
	241,637	71,885
Finance Lease receivables		
Current	35,573	39,666
Non-current	63,872	67,517
	99,445	107,183

NOTE 13: Inventories

Finished goods and consumables – at cost	31,597	37,773
	31,597	37,773

NOTE 14: Other Current Assets

Prepayments	770	5,941
	770	5,941

NOTE 15: Other Financial Assets

NON-CURRENT *Financial assets at fair value through profit and loss*		
Non listed investments at cost	–	1,112
Shares in listed corporations	125	3
	125	1,115

NOTE 16: Property, Plant and Equipment

	Notes	Consolidated entity 2012 $'000	2011 $'000
LEASEHOLD IMPROVEMENTS			
At Cost		2,675	4,922
Accumulated depreciation		(1,805)	(2,150)
	16(a)	870	2,772
PLANT AND EQUIPMENT			
At Cost		5,849	23,243
Accumulated depreciation		(3,726)	(12,325)
	16(a)	2,123	10,918
AIRCRAFT			
At Cost		–	1,525
Accumulated depreciation		–	(409)
	16(a)	–	1,116
FURNITURE AND FITTINGS			
At Cost		4,537	6,103
Accumulated depreciation		(2,989)	(3,047)
	16(a)	1,549	3,056
OFFICE COMPUTER EQUIPMENT			
At Cost		8,587	10,861
Accumulated depreciation		(6,846)	(7,850)
	16(a)	1,741	3,011
MOTOR VEHICLES			
At Cost		1,375	1,993
Accumulated depreciation		(495)	(702)
	16(a)	880	1,291
LEASED PLANT & EQUIPMENT			
At Cost		–	–
Accumulated amortisation		–	–
	16(a)	–	
Total written down value		7,163	22,164

(a) RECONCILIATION OF THE CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT AT THE BEGINNING OF THE YEAR

LEASEHOLD IMPROVEMENTS		
Carrying amount	2,772	2,377
Transfer between classes	–	19
Disposals	(326)	(15)
Additions for continued operations	183	864
Disposals for discontinued operation	(1,453)	–
Foreign currency translation	6	(22)
Depreciation expense	(312)	(451)
	870	2,772

	Notes	Consolidated entity 2012 $'000	2011 $'000
PLANT & EQUIPMENT			
Carrying amount		10,918	12,808
Transfer between classes		–	(443)
Disposals		(840)	(271)
Additions for continued operations		1,102	2,206
Disposals for discontinued operation		(8,485)	–
Foreign currency translation		117	(93)
Depreciation expense		(689)	(3,289)
		2,123	10,918
AIRCRAFT			
Carrying amount		1,116	1,429
Additions		–	222
Disposals		(1,116)	(354)
Depreciation expense		–	(181)
		–	1,116
FURNITURE & FITTINGS			
Carrying amount		3,056	3,419
Transfer between classes		–	96
Disposals		(535)	(423)
Additions for continued operations		472	1,045
Disposals for discontinued operation		(620)	–
Foreign currency translation		18	(56)
Depreciation expense		(842)	(1,025)
		1,549	3,056
OFFICE COMPUTER EQUIPMENT			
Carrying amount		3,011	3,069
Transfer between classes		–	332
Additions for discontinued operation		188	–
Additions for continued operations		815	1,254
Disposals for discontinued operation		(1,223)	(2)
Depreciation expense		(1,066)	(1,576)
Foreign currency translation		16	(66)
		1,741	3,011
MOTOR VEHICLES			
Carrying amount		1,291	437
Transfer between classes		–	11
Disposals		(184)	–
Additions for continued operations		96	601
Disposals for discontinued operation		(90)	(124)
Additions through acquisitions		–	683
Depreciation expense		(233)	(317)
		880	1,291

Notes to the Financial Statements

30 June 2012

NOTE 16: Property, Plant and Equipment *continued*

	Notes	Consolidated entity 2012 $'000	2011 $'000
LEASE PLANT AND EQUIPMENT			
Carrying amount		–	16
Transfer between classes		–	(15)
Additions		–	–
Disposals		–	–
Foreign currency translation		–	–
Amortisation expense		–	(1)
		–	–

NOTE 17: Intangibles

	Consolidated entity 2012 $'000	2011 $'000
GOODWILL		
Goodwill on consolidation	114,127	186,372
Goodwill at cost	50,663	50,663
Net carrying amount	164,790	237,035
OPENING NET BOOK AMOUNT	237,035	215,774
Additions	–	34,254
Transfer to Customer Contracts/Relationships	–	(12,993)
Disposals for discontinued operation	(72,245)	–
Closing net book value	164,790	237,035
CUSTOMER CONTRACTS\RELATIONSHIPS		
Customer Contracts\Relationships on consolidation	31,727	31,727
Accumulated amortisation	(5,201)	(2,935)
Net carrying amount	26,526	28,792
OPENING NET BOOK AMOUNT	28,792	18,734
Transfers from Goodwill	–	12,993
Amortisation expense	(2,266)	(2,935)
Closing net book value	26,526	28,792
LICENSES AND OTHER INTANGIBLE ASSETS		
Licenses and other intangibles at cost	660	37,215
Accumulated amortisation	(361)	(11,323)
Net carrying amount	299	25,892
OPENING NET BOOK AMOUNT	25,892	18,141
Additions continued operations	305	13,431
Disposals for discontinued operation	(1,072)	–
Disposals	(24,637)	–
Amortisation expense	(189)	(5,680)
Closing net book value	299	25,892
Total	191,614	291,719

NOTE 18: Payables

	Notes	Consolidated entity 2012 $'000	2011 $'000
CURRENT			
Trade payables		18,044	34,406
Other payables		27,138	36,557
		45,182	70,963

NOTE 19: Borrowings

	Notes	2012 $'000	2011 $'000
CURRENT			
Secured			
Term Debt(i)		91,067	4,195
Lease and hire purchase liabilities(ii)	*23*	70	83
		91,137	4,278
NON-CURRENT			
Secured			
Lease and hire purchase liabilities(ii)	*23*	94	220
Term Debt, net of transaction costs(i)		–	70,759
		94	70,979

(a) terms and conditions relating to the above financial instruments

(i) Bank loans and commercial bills are secured by mortgage over the assets of the companies and trusts and various undertakings. The entire facility was repaid subsequent to reporting date (July 2, 2012) from the proceeds received on the sale of the Technology business (note 29).

(ii) Lease and Hire Purchase liabilities are secured by assets leased or under hire purchase.

		2012 $'000	2011 $'000
DEBT ASSOCIATED WITH FINANCE LEASE RECEIVABLES			
CURRENT			
Loans and borrowings		5,683	6,134
Derivatives – Interest rate swaps		2,142	2,362
		7,825	8,496
NON-CURRENT			
Loans and borrowings		81,879	83,983
Derivatives – Interest rate swaps		1,149	1,337
		83,028	85,320

(b) Information about interest rate risk is detailed in Note 6

NOTE 20: Provisions

		2012 $'000	2011 $'000
CURRENT			
Employee Benefits		3,334	8,686
Other		2,015	–
		5,349	8,686
NON-CURRENT			
Employee Benefits		357	963
Total Provisions		5,706	9,649

NOTE 21: Contributed Equity

(a) Issued and paid up capital

	Consolidated entity	
	2012 $'000	2011 $'000
Ordinary shares fully paid	200,724	200,736
	200,724	200,736

Fully paid ordinary shares carry one vote per share and carry the right to dividends

(b) Movement in shares on issue

	2012		2011	
	No. of shares	$'000	No. of shares	$'000
Beginning of the financial year	282,567,499	200,736	242,060,195	157,719
Exercise of options	–	–	3,623,500	3,654
Share issue	–	–	36,439,832	40,084
Dividend Reinvestment Plan	–	–	443,972	520
Capital raising cost[(i)]	–	(17)	–	(1,772)
Capital raising costs deferred tax asset	–	5	–	531
Balance at the end of the year	282,567,499	200,724	282,567,499	200,736

(i) related to prior period capital raising

(c) Employee Share Scheme

The company, in accordance with its Executive Remuneration Framework, continued to offer employee participation in short-term and long-term incentive schemes as part of the remuneration packages for the employees of the companies.

All employees, including directors, may be issued options at the discretion of the Nomination and Remuneration Committee.

The options are issued for $nil consideration and the strike price and vesting period are set by the Remuneration Committee. The options are exercisable in two tranches and have an expiry period of up to three years. The total amount of issued options cannot exceed 5% of share capital. The options are not listed on the ASX and any director issued options are approved at the Annual General Meeting.

During the 2012 financial year the executive staff were issued with Performance Rights subject to specified performance hurdles being achieved within a 3 year period.

Options on issue 30 June 2012:

Issued date	Expiry date	Exercise price*	Opening 01/07/2011	Issued	Exercised	Lapsed	Closing 30/06/2012
ESOP Various	31/08/2012	$0.68 – $1.76	2,663,500	–	–	(1,509,000)	1,154,500
ESOP Various	31/08/2012	$1.98	1,000,000	–	–	–	1,000,000
ESOP Various	31/08/2012	$1.16	100,000	–	–	–	100,000
ESOP Various	01/01/2014	$1.18 – $1.23	1,825,000	–	–	(320,000)	1,505,000
ESOP	15/09/2014	$0.84	–	750,000	–	–	750,000
			5,588,500	750,000	–	(1,829,000)	4,509,500

**After adjusting for capital raising costs*

Options on issue at 30 June 2011:

Issued date	Expiry date	Exercise price	Opening 01/07/2010	Issued	Exercised	Lapsed	Closing 30/06/2011
ESOP Various	Various	\$1.00 – \$1.25	2,877,000	–	(2,738,000)	(139,000)	–
ESOP Various	31/10/2012	\$0.68 – \$1.76	3,967,000	–	(885,500)	(418,000)	2,663,500
ESOP Various	31/08/2012	\$1.98	–	1,000,000	–	–	1,000,000
ESOP Various	31/08/2012	\$1.18	–	100,000	–	–	100,000
ESOP Various	01/01/2014	\$1.18–\$1.23	–	1,825,000	–	–	1,825,000
			6,844,000	2,925,000	(3,623,500)	(557,000)	5,588,500

Performance rights on issue at 30 June 2012:

Issued Date	Performance Hurdle Date	Opening 01/07/2011	Issued	Lapsed	Closing 30/06/2012
Various 2012	01/07/2013	–	40,000	(40,000)	–
Various 2012	01/07/2014	–	417,094	(187,881)	229,213
Total		–	457,094	(227,881)	229,213

NOTE 22: Reserves and Retained Earnings

	Notes	Consolidated entity 2012 \$'000	Consolidated entity 2011 \$'000
Share-based payment reserve	*22(a)*	654	583
Foreign currency translation reserve	*22(b)*	(961)	(900)
		(308)	(317)
Retained earnings	*22(c)*	120,351	84,682

(a) SHARE-BASED PAYMENT RESERVE

(i) Nature and purpose of reserve

This reserve is used to record the value of equity benefit provided to employees and directors as part of their remuneration.

(ii) Movements in reserve

	Notes	2012 \$'000	2011 \$'000
Balance at beginning of year		583	399
Share based payments	*8*	71	184
Balance at end of year		654	583

(b) FOREIGN CURRENCY TRANSLATION RESERVE

(i) Nature and purpose of reserve

This reserve is used to record the exchange differences arising on translation of a foreign entity.

(ii) Movements in reserve

	Notes	2012 \$'000	2011 \$'000
Balance at beginning of year		(900)	305
Exchange differences on translation of foreign operations		(61)	(1,205)
Balance at end of year		(961)	(900)

(c) RETAINED EARNINGS

	Notes	2012 \$'000	2011 \$'000
Balance at beginning of year		84,682	58,998
Net profit attributable to members		51,211	39,135
Total available for appropriation		135,893	98,133
Dividends paid	*10*	(15,541)	(13,451)
Balance at end of year		120,351	84,682

Note 23: Cashflow Information

	Consolidated entity	
	2012 $'000	2011** $'000
(a) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX		
Profit/(loss) from ordinary activities after income tax	51,678	40,447
Profit/(Loss) from discontinued operation	73,912	21,555
Profit/(loss) from continued operations after income tax	(22,234)	18,892
NON-CASH ITEMS		
Profit/(loss) on sales of assets	(374)	(28)
Amortisation of intangibles	2,455	3,115
Depreciation of property, plant and equipment	3,142	3,736
Share based payments	71	184
Loan forgiveness	(17,004)	–
	(11,710)	7,007
(INCREASE)/DECREASE IN ASSETS		
Receivables	9,202	(10,554)
Prepayments	2,390	(1,578)
Inventories	4,897	(17,881)
Deferred tax assets	165	(1,625)
Other receivables	8,568	(17,370)
INCREASE/(DECREASE) IN LIABILITIES		
Payables	(4,031)	33,472
Provisions	1,360	1,994
Tax provision	9,970	(3,699)
Tax paid/(received)	9,595	995
Interest paid	(10,853)	(12,269)
Net cash flow from operating activities	(2,678)	(2,616)
(b) RECONCILIATION OF CASH		
Cash balance comprises:		
Cash at bank	25,881	20,090
Closing cash balance	25,881	20,090

Non cash transactions relating to business combinations are disclosed in Note 28.

*** restated, see note 29*

(c) CREDIT STAND-BY ARRANGEMENTS AND LOAN FACILITIES		
FACILITIES		
Multi-function facility(i)	121,602	125,805
Securitisation and lease finance facility(iii)	99,836	98,433
	221,438	224,238
FACILITIES USED		
Multi-function facility(ii)	91,151	81,816
Securitisation and lease finance facility	87,562	90,117
	178,713	171,933

	Consolidated entity	
	2012 $'000	2011** $'000
FACILITIES UNUSED		
Multi-function facility	18,663	43,989
Securitisation and lease finance facility	12,273	8,316
	30,936	52,305

i. Facility comprises a Term Debt facility (current limit $75.5m) and a Working Capital facility (current limit $46.1m). The Term Debt facility limit reduces by $2.1m every six months (reductions in August 2011 and February 2012). This facility was repaid in full on July 2 and is reflected as a current liability.

ii. The multi-function facility includes an amount of $1.6m in relation to various guarantees and security deposits provided by the bank on behalf of the company.

The company has a multi-function facility with the Commonwealth Bank (Australian Senior Debt Facility). Debt facilities include bank bills, business loans, overdraft, equipment finance and contingent liabilities and are available to all members of the consolidated group including the parent.

iii. The Securitisation facility will mature on the 8 July 2013 with a maximum limit of $78.3m (NZ $100m).

In addition to the facilities above the Group has a facility with Equigroup Finance Limited to provide finance by way of finance leases. The facility limit as at 30 June 2012 with Equigroup is $21.5m (NZ $27.5m).

NOTE 24: Lease Commitments

		Consolidated entity	
	Notes	2012 $'000	2011 $'000
LEASE EXPENDITURE COMMITMENTS			
(a) OPERATING LEASES (NON-CANCELLABLE)			
(i) Operating leases relate to the lease of land, buildings and office computer equipment			
(ii) Minimum lease payments			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
No later than one year		4,919	8,198
Later than one year but not later than five years		11,496	22,271
Later than five years		1,604	5,688
		18,019	36,157
(b) FINANCE LEASES			
(i) Finance leases relates to computer equipment, motor vehicles, furniture, and other office equipment. Lease terms vary from two to five years. Various lease arrangements in place have the option to purchase the assets for a nominal amount at the conclusion of the lease agreement			
(ii) Future minimum lease payment and present value of the net minimum lease payment			
Not later than one year		81	107
Later than one year but not later than five years		103	246
Total minimum lease payments		184	353
Future finance charges		(20)	(50)
Present value of minimum lease payments		164	303
Included in financial statements as:			
Current liability	*19*	70	83
Non-current liability	*19*	94	220
		164	303

NOTE 24: Lease Commitments *continued*

	Notes	Consolidated entity 2012 $'000	Consolidated entity 2011 $'000
FINANCE LEASE RECEIVABLE			
(a) FINANCE LEASES			
Finance lease receivable relates to assets held under finance leases recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments.			
No later than one year	*12*	35,573	39,666
Later than one year but not later than five years	*12*	63,872	67,516
Later than five years		–	1
		99,445	107,183

NOTE 25: Related Party Disclosures

(a) The consolidated financial statements include the financial statements of CSG Ltd and its controlled entities listed below:

	Country of Incorporation	Ownership interest 2012 %	Ownership interest 2011 %
PARENT ENTITY			
CSG Limited[(i)]	Australia		
SUBSIDIARIES OF CSG LTD:			
CSG Services Pty Ltd[(ii)]	Australia	–	100
CSG Services Pty Ltd ATF CSGS Unit Trust[(iii)]	Australia	–	100
Connected Solutions Group Pty Ltd	Australia	100	100
CSG Print Services Pty Ltd	Australia	100	100
CSG Communications Pty Ltd	Australia	100	100
Sunshine Coast Office Equipment Pty Ltd	Australia	100	100
CSG Solutions Pty Ltd[(ii)]	Australia	–	100
Haloid Holdings Pty Ltd	Australia	100	100
Seeakay Pty Ltd	Australia	100	100
Anadex Pty Ltd ATF Anadex Trust	Australia	100	100
CSG Finance Pty Ltd	Australia	100	100
Bexton Professional Pty Ltd	Australia	100	100
Change Corporation Pty Ltd	Australia	100	100
CSG Enterprise Print Services Pty Ltd	Australia	100	100
A.C.N. 126 840 542 Pty Ltd	Australia	100	100
CSG Education Pty Ltd	Australia	100	100
Delexian Pty Ltd	Australia	100	100
Aaromba Technologies Pty Ltd	Australia	100	100
CSG Management Services NZ Limited[(iv)]	New Zealand	100	100
CSG Print Services NZ Limited	New Zealand	100	100
Leasing Solutions Limited	New Zealand	100	100

	Country of Incorporation	Ownership interest	
		2012 %	2011 %
SUBSIDIARIES OF CSG PRINT SERVICES NZ LIMITED:			
Konica Minolta Business Solutions New Zealand Limited	New Zealand	90	90
Ubix Business Solutions Limited(v)	New Zealand	100	100
SUBSIDIARIES OF LEASING SOLUTIONS LIMITED:			
Onesource Finance Limited	New Zealand	100	100
Solutions Group Receivables Limited	New Zealand	100	100

(i) CSG Limited and its Australian subsidiaries are part of a tax consolidated group.
(ii) Sold on June 30, 2012 (note 29)
(iii) Company is no longer operating
(iv) Formerly CSG NZ1 Limited and CSG Technology Solutions Limited
(v) Formerly CSG NZ2 Limited

(b) The following table provides the total amount of transactions that were entered into with related parties for the relevant year:

	Consolidated entity	
	2012 $	2011 $
CSG LTD		
Hire of Jet Aircraft from entity associated with Mr. Denis Mackenzie (These arrangements were terminated in December 2010.)	–	292,344
CSG SERVICES PTY LTD		
Rent paid to an entity associated with Mr. Denis Mackenzie for aircraft hangar (at commercial rates)	150,000	150,000
Loans made by CSG Ltd to controlled entities under normal terms and conditions. The aggregate amounts receivable/(payable) from controlled entities by the parent entity at the end of the reporting period were :	47,705,000	68,459,000

NOTE 26: Deed of Cross Guarantee

CSG Limited and its Australian wholly owned subsidiaries as detailed in note 25(a) are parties to a Deed of Cross Guarantee under which each company guarantees the debts of others.

By entering into the Deed, the participating wholly owned entities have been relieved of the requirements to prepare financial reports and Director's Report under the Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321 and 01/1087) issued by the Australian Securities and Investment Commission.

The above companies represent a 'Closed Group' for the purpose of the Class Order, and there are no other parties to the Deed of Cross Guarantee that are controlled by CSG Limited, that also represent the 'Extended Closed Group'. Those wholly owned subsidiaries which are included in the Deed of Cross Guarantee are exempt from preparing a financial report and Director's Report under the terms of ASIC Class Order 98/1418 and the Corporation Act 2001.

A consolidated Income Statement, consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is set out as follows:

	2012 $'000	2011 $'000
INCOME STATEMENT		
Revenue and income	160,881	281,747
Operating expenses	(168,696)	(257,565)
Profit/(loss) before income tax expense	(7,815)	24,182
Income tax expense/(benefit)	(15,482)	3,278
Net profit/(loss)	7,667	20,904
Profit/(loss) from discontinued operations	73,912	–
Net profit/(loss)	81,579	20,904
STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS		
Profit/(loss) for the period	81,579	20,904
Other comprehensive income	71	184
Total comprehensive income for the period	81,650	21,088
Retained earnings at the beginning of the year	45,000	37,453
Dividends distributed	(15,541)	(13,541)
Retained earnings at the end of the year	111,109	45,000
STATEMENT OF FINANCIAL POSITION		
CURRENT ASSETS		
Cash and cash equivalents	11,815	16,042
Trade and other receivables	233,850	60,947
Tax receivable	–	6,872
Inventories	14,837	21,012
Other current assets	53	5,455
Total current assets	260,555	110,328
NON-CURRENT ASSETS		
Other financial assets	125	1,115
Property, plant and equipment	3,918	18,031
Deferred tax assets	3,425	5,220
Intangible assets	26,824	54,683
Goodwill	70,853	112,167
Investment in subsidiaries	116,638	116,638
Total non-current assets	221,783	307,855
Total assets	482,338	418,182

	2012 $'000	2011 $'000
CURRENT LIABILITIES		
Trade and other payables	39,405	54,789
Deferred consideration	16,133	27,661
Borrowings	91,067	4,208
Provisions	22,719	7,048
Total current liabilities	169,323	93,706
NON-CURRENT LIABILITIES		
Deferred consideration	–	7,000
Borrowings	–	70,777
Provisions	358	963
Total non-current liabilities	358	78,740
Total liabilities	169,681	172,446
Net assets	312,657	245,736
EQUITY		
Share capital	200,724	200,736
Reserves	824	–
Retained earnings	111,109	45,000
Total equity	312,657	245,736

NOTE 27: Earnings Per Share

	Consolidated entity	
	2012 $'000	2011 $'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit/(loss) from continuing operations:	(22,234)	18,892
	(22,234)	18,892
Weighted average number of ordinary shares used in calculating basic earnings per share	282,567,499	250,259,246
EFFECT OF DILUTIVE SECURITIES:		
Share Options	–	594,593
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	282,567,499	250,853,839

NOTE 28: Business Combination

Changes in the composition of the entity during the 2012 year:

As discussed at note 29 the Company sold its Technology Services business in June 2012. No other transactions affecting business combinations took place during the year.

Changes in the composition of the entity during the 2011 year:

In July 2010, CSG acquired the sub-contract rights over approximately 10,500 Canon Multi-Function Devices in Sydney, Melbourne, Canberra, Adelaide and Perth. The major elements of the total consideration to be paid by CSG under the Subcontracting Agreement are $31.0m plus adjustments. On 1 July 2010, CSG paid $6.4m to Canon ($6.0m consideration less employee entitlement of $0.8m plus stock and fixed assets totalling $1.2m) with CSG incurring a debt to Canon via a Vendor Loan of $25.0m in respect of the remainder of the purchase price. In accordance with the agreement, CSG paid $12.5m of the Vendor Loan on 1 July 2011, followed by 11 monthly instalments of $500k ($5.5m) and the balance of $7.0m on July 2 2012 less certain adjustments. The fair value of assets acquired equated to carrying value of assets acquired.

In October 2010, CSG acquired the rights to service approximately 1,300 Canon Multi-Function Devices in Brisbane. The total consideration paid by CSG under the Subcontracting Agreement was $3.3m. The amount was financed via a vendor loan which was repaid.

The Canon acquisition gave rise to goodwill of $33.7m. In addition to the acquisition of Canon, adjustments of $0.6m were also made to goodwill with $0.4m representing additional cash payments and $0.2m representing an adjustment to asset and liability fair values at acquisition date. Goodwill was reduced by $31.7m on specific allocation of goodwill arising on the acquisition of Canon and the NZ businesses to Customer contracts/relationships. This element of goodwill has been given a finite life of 14 years and is amortised on a straight line basis over this period.

Payments for businesses in the comparative statement of cash flows of $14.4m consist of the cash paid under the Canon Subcontracting Agreement, acquisition costs and payments made during 2011 relating to acquisitions made in prior periods:

	$'000
CURRENT YEAR ACQUISITIONS:	
Canon Subcontracting Agreement	6,436
PRIOR YEAR ACQUISITIONS:	
Aaromba Technologies Pty Ltd	6,267
Delexian Pty Ltd	1,183
Small acquisitions & costs	586
Total Payments	14,472

Deferred Consideration

At balance date the group has provided for the following deferred consideration in respect of previously acquired businesses:

	2012			2011		
Business	Current Liability $'000	Non-Current Liability $'000	Total Liability $'000	Current Liability $'000	Non-Current Liability $'000	Total Liability $'000
Canon(i)	7,000	–	7,000	21,328	7,000	28,328
ATI	2,333	–	2,333	2,333	–	2,333
Cinglevue	4,000	–	4,000	4,000	–	4,000
Delexian(ii)	2,800	–	2,800	–	–	–
Total	16,133	–	16,133	27,661	7,000	34,661

(i) The balance outstanding is interest bearing with principal repayments made or due as follows:

- *paid $12.5m 1 July 2011*
- *paid $0.5m monthly until June 2012 ($5.5m in total)*
- *paid $3.0m 1 October 2012*
- *paid $7.0m 2 July 2012*
- *overprovision of $0.2m released during 2012*

(ii) CSG and the Delexian shareholders have agreed to settle all existing and potential claims relating to the payments for the amount of $2.8m which was paid on 9 July 2012.

NOTE 29: Discontinued Operation

In June 2012 the Group sold its Technology Services segment (see note 31). The segment was not a discontinued operation or classified as held for sale as at 30 June 2011 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment in May 2012 following a decision to focus on its print services business. Completion of the transaction occurred on 2 July 2012 when the transaction was settled.

Results of discontinued operation	Note	2012 $'000	2011 $'000
Revenue		182,567	166,670
Expenses		(171,711)	(140,251)
Results from operating activities		10,856	26,419
Tax		(1,111)	(4,864)
Results from operating activities, net of tax		9,745	21,555
Gain on sale of discontinued operation		92,165	–
Tax on sale of discontinued operation	9	(27,998)	–
Profit for the year		73,912	21,555
Basic earnings per share (cents)		26.2	8.6
Diluted earnings per share (cents)		26.2	8.6

The gain on sale of the discontinued operation includes an estimate of a working capital adjustment of $5.6m. The adjustment is expected to be settled within the first 6 months of balance date.

The profit from discontinued operations is attributable entirely to the owners of the Company.

Cash flows from (used in) discontinued operation	Note	2012 $'000	2011 $'000
Net cash from operating activities		35,208	16,716
Net cash from investing activities		(9,870)	(15,652)
Net cash from financing activities		(34,626)	6,007
Net cash flows for the year		(9,288)	7,071

Cash flows from financing activities include transfers to the Parent Entity of $34.6m (2011: $6.1m).

Effect of disposal on financial position of the Group	Note	2012 $'000
Cash and cash equivalents		1,605
Trade and other receivables		41,653
Inventories		399
Property, plant and equipment		11,872
Goodwill		72,245
Intangible assets		24,367
Trade and other payables		(24,756)
Provisions		(5,909)
Net assets and liabilities		121,475
Consideration receivable, net of working capital adjustments and transaction costs (Note 32) settled on July 2, 2012.		213,640

NOTE 30: Auditors Remuneration

	Consolidated	
	2012 $'000	2011 $'000
AUDITORS REMUNERATION PARENT ENTITY		
Amount received or due and receivable to Pitcher Partners:		
Assurance services (excluding disbursements)	404	329
Other services (excl. disbursements)	72	101
	476	430
AUDITORS REMUNERATION OVERSEAS SUBSIDIARIES		
Amount received or due and receivable to KPMG:		
Assurance services (excluding disbursements)	142	139
Other services (excl. disbursements)	9	–
	151	139

NOTE 31: Segment Information

a) Description of segments

Management has determined the operating segments based on reports reviewed by the Chief Executive Officer and executive team (comprising the Chief Financial Officer and Group General Managers) for making strategic decisions. The Chief Executive Officer and executive team monitor the business based on product/service factors and have identified the following reportable segments:

Segment 1 – IT Services

The IT Service segment derives its revenue through the alignment of providing both tailored IT outsourcing services and the provision of consulting, services and technology solutions.

Segment 2 – Print Services

The Print Services segment derives its revenue through the aggregation of three specialist service offerings.

- Print Service business centres providing integration and convergence of voice, print and data;
- Enterprise Print Services delivering and implementing holistic managed print solutions and document output solutions; and
- Leasing solutions for print services equipment.

The remaining business operations/activities (including corporate office activities) are classified as 'Other' to facilitate reconciliation to Group results.

Management has determined that the Australian and New Zealand businesses are not considered to be separate segments.

b) Segment Information

	IT Services (discontinued operation) $'000	Print Services $'000	Other Segments $'000	Total $'000
				Consolidated entity
2012				
SEGMENT REVENUE				
Total segment revenue	281,103	202,805	–	483,909
SEGMENT RESULT				
Total segment result (before income tax)	103,021	(3,618)	(29,819)	69,584
Total Segment Assets (i)	152,142	360,977	242,162	755,281
Total Segment Liabilities (i)	30,665	133,061	138,314	302,040

	IT Services $'000	Print Services $'000	Other Segments $'000	Total $'000
				Consolidated entity
2011				
SEGMENT REVENUE				
Total segment revenue	166,670	222,785	654	390,109
Inter-segment revenue	1,500	–	–	1,500
Revenue from external source	165,170	222,785	654	388,609
SEGMENT RESULT				
Total segment result (before income tax)	30,319	38,634	(26,241)	42,712
Inter-segment eliminations	–	–	–	–
Segment result from external source (before income tax)	30,319	38,634	(26,241)	42,712
Total Segment Assets(i)	167,053	368,965	43,960	579,978
Total Segment Liabilities(i)	29,295	138,401	116,650	284,346

(i) Excludes loans to and from CSG Group entities (related parties)

	2012 $'000	2011 $'000
(i) Reconciliation of segment result from the external source to the consolidated statement of comprehensive income		
Segment result from external source	69,584	42,712
Deduct discontinued operation	(103,021)	–
Income tax (expense)	11,203	(2,265)
Total Profit/(loss) after income tax from continuing operations	(22,234)	40,447
(ii) Reconciliation of segment assets to the consolidated statement of financial position		
Segment assets	755,281	579,978
Deduct discontinued operation	(152,142)	–
Total Assets	603,140	579,978
(iii) Reconciliation of segment liabilities to the consolidated statement of financial position		
Segment liabilities	302,040	284,346
Deduct discontinued operation	(30,665)	–
Total Liabilities	271,374	284,346

NOTE 32: Subsequent Events

As per note 29 the sale of the Technology Solutions business was settled on July 2 2012 when the purchaser of the business paid the purchase price. The consideration was applied to the repayment of the Company's bank debt and any surplus consideration is currently held on term deposit. The terms of sale included a mechanism for an adjustment to the purchase price. This has been estimated and is included in the calculation of the gain on disposal of the discontinued operation as disclosed in this financial report. The purchase price adjustment is expected to be finalised within 6 months of balance date.

Subsequent to year end the Chair of the Board, Mr Czyzewski has resigned in order to return to full time employment. Mr Cowan has been appointed as Chair of the Board.

NOTE 33: Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2012 the parent company of the consolidated entity was CSG Ltd. A summary of the financial performance and financial position of the parent entity is detailed below:

	Parent Entity	
	2012 $'000	2011 $'000
RESULT OF THE PARENT ENTITY		
Profit for the year	114,512	12,597
Total profit and other comprehensive income for the year	114,512	12,597
FINANCIAL POSITION OF PARENT ENTITY AT YEAR END		
Current assets	301,534	111,612
Total assets	471,758	360,981
Current Liabilities	158,413	71,716
Total liabilities	158,433	149,796
TOTAL EQUITY OF THE PARENT ENTITY COMPRISING OF:		
Issued capital	200,724	200,204
Reserves	654	583
Retained earnings	111,946	10,398
Total equity	313,325	211,185

NOTE 34: Key Management Personnel Compensation

Details of key management personnel compensation are contained within the Remuneration Report section of the Directors' Report.

NOTE 35: Key Management Equity Holdings

Equity holdings of each person who held the position of director or executive during the year are outlined below.

	Balance 01/07/2011	Received as remuneration	Options exercised	Net change other – includes market transactions	Balance 30/06/2012
DIRECTORS					
Mr. Philip Chambers	206,788	–	–	–	206,788
Mr. Denis Mackenzie(i)	57,891,495	–	–	–	57,891,495
Mr. Philip Bullock	37,927	–	–	–	37,927
Mr. Josef Czyzewski	33,334	–	–	35,000	68,334
Mr. Ian Kew	69,730	–	–	–	69,730
Ms. Julie-Ann Kerin	–	–	–	–	–
Mr. Thomas Cowan(ii)	19,924,622	–	–	–	19,924,622
Total	78,163,896	–	–	35,000	78,198,896
EXECUTIVES					
Mr. David Ward	–	–	–	–	–
Mr. Kevin McLaine(iii)	1,157,240	–	–	(665,000)	492,240
Mr. Neil Lynch(iv)	–	–	–	–	–
Mr. Evan Johnson	–	–	–	–	–
Total	1,157,240	–	–	(665,000)	492,240

(i) Resigned 31 January 2012
(ii) Appointed 08 February 2012
(iii) Resigned effective 30 September 2011
(iv) Appointed 10 October 2012

	Balance 01/07/2010	Received as remuneration	Options exercised	Net change other – includes market transactions	Balance 30/06/2011
DIRECTORS					
Mr. Philip Chambers	200,868	–	–	5,920	206,788
Mr. Denis Mackenzie	57,791,495	–	1,000,000	(1,900,000)	57,891,495
Mr. Philip Bullock	33,420	–	–	4,507	37,927
Mr. Josef Czyzewski	–	–	–	33,334	33,334
Mr. Ian Kew	57,920	–	–	11,810	69,730
Mr. Andrew Kroger	1,299,000	–	–	(1,299,000)	–
Total	60,382,703	–	1,000,000	(3,143,429)	58,239,274
EXECUTIVES					
Mr. Kevin McLaine	600,000	–	1,250,000	(692,760)	1,157,240
Mr Trevor Oliver	139,000	–	–	(112,445)	26,555
Mr. Brian Lee	–	–	100,000	(100,000)	–
Total	739,000	–	–	(905,205)	1,183,795

NOTE 36: Contingent Liabilities

The company is currently involved in two separate legal proceedings in the NSW Supreme Court brought against it by Fuji Xerox Australia Pty Ltd ("FXA") and Fuji Xerox Finance Limited ("FXF").

In the first case, the Court found in favour of FXA in December 2010. FXA is presently pursuing a damages claim against CSG. A court directed discovery process is currently underway with a view to FXA serving its evidence before the end of 2012. It is not possible at this stage to reliably estimate the likely quantum of costs or damages, and further disclosure would prejudice the position of the entity in the dispute.

In the second case, the Court has found in favour of CSG. The parties are in the process of finalising orders to record the Court's judgment.

Directors' Declaration

CSG Limited and Controlled Entities

Directors Declaration

The Directors declare that the financial statements and notes set out on pages 30 to 68 in accordance with the Corporations Act 2001:

(a) comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and

(b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2012 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that CSG Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2012.

This declaration is made in accordance with a resolution of the directors.

Ms. Julie-Ann Kerin
Director

Melbourne
23 August 2012

Independent Auditor's Report

PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 255 196

CSG LIMITED
ABN 64 123 969 631
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CSG LIMITED

Report on the Financial Report

We have audited the accompanying financial report of CSG Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of CSG Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 24 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of CSG Limited and controlled entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

M W PRINGLE
Partner

23 August 2012

PITCHER PARTNERS
Melbourne

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Shareholding Analysis
as at 31 August 2012

In accordance with listing rule 4.10 of the Australian Stock Exchange Limited, the Directors provide the following shareholding information which was applicable as at 31 August 2012.

a. Distribution of shareholding

Range	Total holders	Units	% of Issued Capital
1 – 1,000	438	157,357	0.06
1,001 – 5,000	833	2,643,338	0.94
5,001 – 10,000	508	4,018,644	1.42
10,001 – 100,000	792	24,648,623	8.72
100,001 – 999,999,999	134	251,099,537	88.86
1,000,000,000 – 9,999,999,999	0	0	0.00
Rounding			0.00
Total	2,705	282,567,499	100.00

b. Less than marketable parcels

309 shareholders hold less than a marketable parcel of shares, being market value of less than $500.

c. Substantial holders

Name	Units at 30 Jun 2012	% of Units
Entities associated with Denis Mackenzie, namely Lynden Investments (NT) Pty Ltd in its own capacity and in its capacity as trustee of the Mackenzie Family Trust	57,891,495	20.48
UBS NOMINEES PTY LTD ‹PB SEG A/C›	46,597,443	16.49
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	20,013,803	7.08
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,215,852	5.74

d. Twenty largest shareholders

Name	Units at 30 Jun 2012	% of Units
Entities associated with Denis Mackenzie, namely Lynden Investments (NT) Pty Ltd in its own capacity and in its capacity as trustee of the Mackenzie Family Trust	57,891,495	20.48
UBS NOMINEES PTY LTD <PB SEG A/C>	46,597,443	16.49
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	20,013,803	7.08
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,215,852	5.74
ICON OFFICE SOLUTIONS AUST PTY LTD <THE BRODIE FAMILY A/C>	13,391,053	4.74
NATIONAL NOMINEES LIMITED	10,853,892	3.84
AUST EXECUTOR TRUSTEES SA LTD <TEA CUSTODIANS LIMITED>	10,822,174	3.83
Entities associated with Glen Philips, namely Glenmar (NT) Pty Ltd in its own capacity and in its capacity as trustee of the GM Phillips Family Trust	10,280,974	3.64
Mr & Mrs Andrew Boller and entities associated with Andrew Boller, namely Boltec Pty Ltd and in its capacity as trustee of the Boller Family Trust and Boltec Investments Pty Ltd in its capacity as trustee of the Boller Superannuation Fund	9,423,084	3.34
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,926,530	3.16
IQ RENTAL & FINANCE PTY LTD <WATTS FAMILY A/C>	4,315,754	1.53
CJH HOLDINGS PTY LIMITED <CJ HOWARD SUPER FUND A/C>	3,862,820	1.37
MR BLAIR GOWANS <GOWANS FAMILY A/C>	3,140,346	1.11
COGENT NOMINEES PTY LIMITED	2,591,071	0.92
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	2,329,589	0.82
WARBONT NOMINEES PTY LTD <SETTLEMENT ENTREPOT A/C>	2,040,233	0.72
CITICORP NOMINEES PTY LIMITED	2,028,736	0.72
CULLEN HOLDINGS PTY LTD	1,590,000	0.56
UBS NOMINEES PTY LTD	1,577,827	0.56
CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	1,200,000	0.42
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	229,092,676	81.07

Company

CSG Limited
ABN 64 123 989 631
Level 6, 320 Adelaide St
Brisbane, QLD 4000

Directors

Tom Cowan
Non-Executive Chairman

Ian Kew
Non-Executive Director

Phil Bullock
Non-Executive Director

Julie-Ann Kerin
Managing Director

Kim Clark
Company Secretary

Lawyers to the Company

DLA Philips Fox
Level 21, 140 William St
Melbourne, VIC 3000

Share Register

Computershare Investor Services Pty Limited
452 Johnston St
Abbotsford, VIC 3067

Auditor

Pitcher Partners
Level 19, 15 William St
Melbourne, VIC 3000