APPENDIX 4E

CSG LIMITED AND CONTROLLED ENTITIES
ABN: 64 123 989 631

FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2018

PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Rule 4.3A

Appendix 4E

Preliminary Final Report

Name of entity:	CSG Limited and its controlled entities
ABN or equivalent company reference:	64 123 989 631 (ASX: CSV)

1. Reporting period

Report for the financial year ended:	30 June 2018
Previous corresponding period is the financial year ended:	30 June 2017

2. Results for announcement to the market

			$'000
Revenues from ordinary activities *(item 2.1)*	Down 8%	to	$194,590
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	Down 238%	to	$(150,282)
Net profit (loss) for the period attributable to members (*item 2.3*)	Down 238%	to	$(150,282)

Dividends *(item 2.4)*	**Amount per security**	**Franked amount per security**
Interim dividend	Nil	N/A
Final dividend	Nil	N/A
Record date for determining entitlements to the dividend *(item 2.5)*	N/A	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*:

Refer to attached statement.

3. Statement of Comprehensive Income *(item 3)*

Refer to the attached statement.

4. Statement of Financial Position *(item 4)*

Refer to the attached statement.

5. Statement of Cash Flows *(item 5)*

Refer to the attached statement.

6. Dividends *(item 7)*

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2016	N/A	N/A
Final dividend – year ended 30 June 2016	N/A	N/A

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend:	Current year	N/A	Zero	Zero
	Previous year	N/A	Zero	Zero

Total dividend on all securities

	Current period $A'000	Previous corresponding period - $'000
Ordinary securities *(each class separately)*	-	-
Preference securities *(each class separately)*		
Other equity instruments *(each class separately)*		
Total	-	-

7. Details of dividend or distribution reinvestment plans in operation are described below *(item 8)*:

N/A

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

8. Statement of retained earnings *(item 6)*

	Consolidated Entity 2018 $'000	Consolidated Entity 2017 $'000
Balance at the beginning of year	902	61,219
Net loss attributable to members	(150,282)	(44,413)
Total available for appropriation	(149,380)	16,806
Dividends paid	-	(15,904)
Balance at end of year	(149,380)	902

9. Net tangible assets per security *(item 9)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$0.07	$0.16

10. Details of entities over which control has been gained or lost during the period: *(item 10)*

Control gained over entities

Name of entities *(item 10.1)*	Please refer to accompanying commentary.
Date(s) of gain of control *(item 10.2)*	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired *(item 10.3)*	$
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 10.3)*	$

Loss of control of entities

Name of entities *(item 10.1)*	N/A
Date(s) of loss of control *(item 10.2)*	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost *(item 10.3)*.	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 10.3)*	

11. Details of associates and joint venture entities ***(item 11)***

Name of associate or joint venture entity *(item 11.1)*	%Securities held *(item 11.2)*
N/A	

Aggregate share of profits (losses) of associates and joint venture entities *(item 11.3)*

Group's share of associates' and joint venture entities':	2018 $	2017 $
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities		
Net profit (loss) from ordinary activities after tax	N/A	N/A
Adjustments		
Share of net profit (loss) of associates and joint venture entities	N/A	N/A

12. Significant information relating to the entity's financial performance and financial position.

Please refer to accompanying commentary.

13. The financial information provided in the Appendix 4E is based on the annual financial report (attached), which has been prepared in accordance with Australian Accounting Standards *(item 13)*.

14. Commentary on the results for the period *(item 14)*

Please refer to accompanying commentary.

15. Audit of the financial report *(item 15)*

Select one of the following:

✓ The financial report has been audited

☐ The financial report has not yet been audited.

☐ The financial report is in the process of being audited.

16. The audit has not yet been completed

Select one of the following:

☐ The financial report is not likely to be the subject of dispute or qualification.

☐ The financial report is likely to be the subject of dispute or qualification as described below.

N/A

17. **The audit has been completed.**
Select one of the following:

✓ The financial report is not subject to audit dispute or qualification.

☐ The financial report is subject to audit dispute or qualification as described below.

N/A

Business Technology Made Easy

Annual Report

2018

Contents

Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of CSG Limited ("CSG" or "the Company") and its subsidiaries ("CSG Group"), for the financial year ended 30 June 2018 and Auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

1. Directors

The qualifications, experience and special responsibilities of each person who has been a Director of the Company 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.

Name, Qualifications, Position	Experience	Appointment Date
Mark Bayliss *BSc (Econ), ACA, MAICD* Executive Director and Chairman	Mark Bayliss was most recently the Chief Executive Officer of Grays eCommerce Group Limited prior to its acquisition by Eclipx Group Limited in August 2017. Prior to that he was the Chief Executive Officer of Quick Service Restaurant Holdings (QSRH), a national fast food chain of 630 franchised restaurants. Before working for QSRH Mark spent four years as a Partner at Anchorage Capital, a Sydney based private equity fund specialising in the turnaround of underperforming businesses. Mark has also performed roles as Executive Chairman of Burger King (NZ), Chief Financial Officer of Australian Discount Retail and Chief Financial Officer of Fairfax Media Limited. Mark is a member of the Institute of Chartered Accountants in England & Wales – ACA.	Appointed 27 June 2018
Julie-Ann Kerin Managing Director & Chief Executive Officer	Julie-Ann Kerin was appointed as Chief Executive Officer and Managing Director of CSG in 2012. Prior to Julie-Ann Kerin's appointment as Chief Executive Officer and Managing Director, she was the Group-General Manager of the former Technology Solutions division for five years. Prior to joining CSG, Julie-Ann Kerin was responsible for the global management of operations and staff across Asia, the United States, Australia and Europe for a number of organisations. She has also held roles with IT companies Actuate, Haht Commerce, Genasys Inc and Computer Power.	Appointed 1 February 2012

Bernie Campbell *MAppFin* Non-Executive Director Member, Audit and Risk Committee Member, Nomination and Remuneration Committee	Bernie Campbell has been Managing Director for the Asset Finance Division of the Pepper Group since October 2014. He was previously Managing Director of Capital Finance Australia Limited (Capital Finance) and a member of the Executive Board for the Lloyds Banking Group businesses in Australia for six years. Following the acquisition of Capital Finance by St George Bank in December 2013 Bernie led the St George Asset Finance Division, one of the largest specialist asset finance businesses in Australia with $18 billion in assets, 500,000 customers and $8 billion of new lending annually. Bernie was a Non-Executive Director of publicly listed auction house, Grays eCommerce Group Limited until August 2017 when it became a wholly owned subsidiary of Eclipx Group Limited. Bernie has a Masters of Applied Finance from Macquarie University and has completed the Advanced Management Programme at INSEAD.	Appointed 13 September 2017 Appointed Chairman 1 May 2018 Ceased Chairman 27 June 2018
Thomas Cowan *B.Com (Hons)* Non-Executive Director Member, Audit and Risk Committee Chairman, Nomination and Remuneration Committee	Thomas Cowan is a partner of TDM Asset Management, a Sydney based private investment firm. TDM Asset Management invests in public and private companies globally. Thomas Cowan has over 15 years of financial markets experience, including roles in corporate finance and investment banking at Investec Wentworth and KPMG Australia. He has a Bachelor of Commerce (Honours – Class 1) from the University of Sydney. Thomas was previously Non-Executive Director of Baby Bunting Group Limited from June 2009 to March 2017.	Appointed 8 February 2012 Appointed Chairman 15 August 2012 Ceased Chairman 15 February 2016 Appointed Chairman of Nomination and Remuneration Committee 15 February 2016
Robin Low *B.Com, FCA, GAICD* Non-Executive Director Chairman, Audit and Risk Committee Member, Nomination and Remuneration Committee	Robin Low was formerly a partner at PricewaterhouseCoopers for over 17 years and has extensive experience in assurance and risk management. She is currently a Non-Executive Director of AUB Group Limited, IPH Limited and Appen Limited. Robin is also a member of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations including Sydney Medical School Foundation, Public Education Foundation and Primary Ethics. Robin has a Bachelor of Commerce from The University of New South Wales, is a Fellow of the Institute of Chartered Accountants in Australia and is a Graduate Member of the Australian Institute of Company Directors.	Appointed 20 August 2014 Appointed Chairman of Audit and Risk Committee 20 August 2014
Stephen Anstice *BA (Economics), Grad. Dip. (SAI)*	Stephen Anstice has over 23 years' experience in the communications industry. Until June 2013, Stephen Anstice was CEO of IPMG Pty Ltd, a print, digital and marketing communications business. Stephen Anstice also has an extensive background in investment banking. He has previously been a Non-Executive Director of PMP Limited and Audant Investments Pty Limited. Stephen Anstice has a Bachelor of Arts (Economics) from Macquarie University and a Graduate Diploma from the Securities Institute of Australia.	Appointed 20 August 2014 Appointed Chairman 15 February 2016 Resigned 1 May 2018

2. Company Secretary

Thomas Wilcox
B.Com, LLB, LLM

General Counsel and Company Secretary

Thomas Wilcox was appointed as General Counsel and Company Secretary in March 2017. He joined CSG after 8 years with the Rio Tinto Group, during which he held a number of legal and commercial roles based in London, Melbourne and Darwin. His most recent role was General Counsel and Company Secretary of Rio Tinto's ASX-listed subsidiary, Energy Resources of Australia Limited. Prior to that he was employed in private legal practice in Melbourne and London since 2003.
Thomas Wilcox has a Bachelor of Laws, Bachelor of Commerce and Master of Laws from The University of Melbourne.
He is currently a director of AFLNT, the governing body of Australian Rules Football in the Northern Territory.

Appointed 27 March 2017

Resigned 17 August 2018

Kerrie-Anne Hutchins
B.A., LLB MAICD

General Counsel and Company Secretary

Kerrie-Anne Hutchins was appointed as General Counsel and Company Secretary on 17 August 2018. She joins CSG after eight years with Linfox Armaguard Pty Ltd, where she held the role of General Counsel. Prior to this, she held various roles in private legal practice in Melbourne since 2003.
Kerrie-Anne has a Bachelor of Arts and a Bachelor of Laws from Monash University and has completed the Australian Institute of Company Directors course.

Appointed 17 August 2018

3. Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director Name	Board Meeting		Audit & Risk Committee		Nomination & Remuneration Committee	
	Meetings Held(i)	Meetings Attended	Meetings Held(i)	Meetings Attended	Meetings Held(i)	Meetings Attended
Current						
Mark Bayliss(ii)	-	-	-	-	-	-
Bernie Campbell	23	23	3	3(iii)	3	3(iii)
Thomas Cowan	27	27	5	5	4	4
Robin Low	27	27	5	5	4	4(iv)
Julie-Ann Kerin	26	26	4	4(v)	4	4
Former						
Stephen Anstice	22	22	4	4	3	3

(i) Number of meetings held during the time the Director held office or was a member of the relevant committee during the financial year.
(ii) Mark Bayliss was appointed as a Director on 27 June 2018.
(iii) Bernie Campbell attended two (2) meetings by invitation and one (1) meetings as a member.
(iv) Robin Low attended three (3) meetings by invitation and one (1) meeting as a member.
(v) Julie-Ann Kerin attended by invitation.

In addition to the above meetings, the following committees of the Board met during the financial year:

- a committee comprising of Stephen Anstice, Thomas Cowan, Robin Low and Julie-Ann Kerin met for the purposes of approving the 2017 Full Year Financial Statements;
- a committee comprising of Stephen Anstice, Thomas Cowan, Robin Low and Julie-Ann Kerin met for the purposes of approving a trading update in February 2018; and
- a committee comprising of Stephen Anstice, Thomas Cowan, Robin Low and Julie-Ann Kerin met for the purposes of approving the 2018 Half Year Financial Statements.

4. Principal Activities

The principal activities of the CSG Group during the financial year were print and business technology solutions in Australia and New Zealand supported by in-house equipment financing.

There have been no significant changes in the nature of the activities of the CSG Group during the financial year.

5. Operating and Financial Review

1. Operations Overview

CSG is a provider of print and business technology solutions in Australia and New Zealand, that is supported by an in-house equipment financing business. The Company has a national sales and service footprint in both countries concentrating on small-to-medium enterprise (SMEs) customers.

CSG works closely with a number of major business partners (including Canon, Konica Minolta, HP, Samsung, Zoom, Microsoft and 8x8) to deliver a brand agnostic, unique end-to-end bundled product and service offering.

A key differentiator is that CSG customers can source all their essential IT needs from one supplier with one simple monthly bill. CSG solutions include print, display solutions, managed IT, desktop, cloud unified communications and contact centre solutions, all offered 'as a subscription' and supported by a national service network.

The Company's 'Technology as a Subscription' approach differentiates CSG from its competitors and gives its customers access to the latest technologies with minimal capital outlay as well as providing an easily trackable and predictable IT spend.

The increasing reliance on technology has resulted in SMEs looking for technology providers capable of delivering a single point of contact for their entire office technology needs. CSG's full-spectrum product offering delivers this and creates genuine value for its customers, saving them time and money.

CSG currently employs approximately 700 staff in 24 locations across Australia and New Zealand. The Company has a commitment to diversity, together with recognising and rewarding its staff. CSG also strives to achieve above industry-standard benchmarks for staff productivity and satisfaction.

2. Review of FY2018 Group Financial Performance[1]

The financial results for FY2018 were as follows:

- Total revenue and other income declined by 8% to $225.7 million;
- Reported EBITDA loss of $151.0 million, reflecting a non-cash impairment of $116.1 million of intangible assets relating to goodwill and customer contracts, provisions relating to the Enterprise Solutions business of $39.3 million, non-cash LTIP of $0.4 million and non-recurring items of $5.3 million; and
- Statutory Net Loss After Tax of $150.1 million, impacted by a non-cash impairment of $116.1 million of intangible assets relating to goodwill and customer contracts acquired within the New Zealand print business provisions relating to the Enterprise Solutions business of $39.3 million.

The Board measures a number of items to assess the performance of the business, one of which is underlying EBITDA after taking into account all non–recurring or one off items. This is an unaudited measure which is reconciled to the audited Net Profit After Tax ("NPAT") in the table below:

	FY2018 $m
Revenue and other income	225.7
NPAT	(150.1)
Less Tax	(11.4)
Add Depreciation and Amortisation	6.7
Add Interest expense / (income)	3.8
EBITDA	(151.0)
Add Non-recurring items	**161.1**
LTIP / Employee Share Plan	0.4
Display implementation overrun	2.2
Acquisition and non-recurring legal costs	1.7
Restructuring and related charges	1.4
Enterprise Solutions provisions	39.3
Impairment	116.1
Underlying EBITDA	**10.0**

a. Revenue and other income

Group revenue and other income declined by 8% to $225.7 million in FY2018 due to lower than expected print equipment sales, primarily within the enterprise segment in Australia and production print in New Zealand.

Print equipment sales in the SME sector were lower also as a result to changes to CSG's salesforce and sales incentive programs to accelerate CSG's high growth Technology business.

Revenue was also impacted by lower display sales relative to FY2017 as revenue is being recognised at the time of installation.

While Print revenue reduced, we continued to see strong growth in the Technology division, with total technology revenue up 42% relative to FY2017 and in line with growth in Technology subscription seats.

b. Expenses

Expenses increased year-on-year with underlying EBITDA margin (pre significant items) declining from 12.4% in FY2017 to 4.5% in FY2018. A key driver for the increased expenses was a significant investment in FY2018 of $6.0 million in the Enterprise business. Following a review of the performance of the Enterprise business, CSG has now ceased further investment in this segment.

Total expenses (excluding depreciation and amortisation, and the non-cash impairment charge) grew by 18% year on year primarily due to investment in the Enterprise business during FY2018.

[1] Figures contained in the "Review of Group Financial Performance" are unaudited.

Borrowing costs in Finance Solutions continue to benefit from the low interest rate environment in delivering an approximately 57% underlying return on equity, excluding the impact of provisions relating to the Enterprise Solutions business in FY2018.

Customer contract amortisation of $3.8 million has remained flat from FY2017.

3. Review of FY2018 Group Operations

FY2018 was a challenging year for CSG within the Enterprise segment. CSG had lower print equipment sales than expected, primarily within the enterprise segment in Australia and production print in New Zealand, with revenue approximately $8.5 million lower than FY2017. Print equipment sales in the SME sector were also lower than expected due to changes to CSG's salesforce and sales incentive programs to accelerate growth in the Technology business. Revenue was also impacted by lower display sales relative to FY2017 as revenue is being recognised at the time of installation.

During FY2018, the Company continued to successfully execute on its Technology as a Subscription strategy in Australia and New Zealand with total technology revenue up 42% to $42.8 million. High Value technology subscription seats grew by approximately 40% organically in FY2018 to 22,326 subscription seats, with an average Monthly Recurring Revenue of approximately $95 per seat. The growth in High Value seats can be attributed to more focused sales effort, increased marketing and improved digital targeting.

The Company also continued to deliver high quality customer service, evidenced by a strong in-field NPS[2] score of 72 across the SME business.

As announced to the market on 9 February 2018, the Board appointed Morgan Stanley to assist in reviewing strategic options to maximise value for CSG's shareholders. The key outcomes from the strategic review were as follows:

- CSG has ceased further investment in the Enterprise technology segment (which impacted FY2018 company earnings by approximately $6.0m, and had consumed considerable management time and focus);
- Simplified and re-aligned the SME business to a product-led, go-to-market model with three distinct operating businesses – Technology, Print & Display and Finance; and
- Implementation of a major restructure of the Australian and New Zealand businesses within sales, service and operations, is being undertaken. The Company is also undertaking cost-out initiatives to simplify its operational structure and distribution costs, and continue realising cost synergies through the integration of recent acquisitions.

Together, the restructure and cost-out initiatives outlined above will result in one-off restructuring charges of approximately $2.5 million (a majority of which have been recognised in FY2018) and approximately $7.7 million of cost savings in FY2019 (annualised cost savings of approximately $10.0 million from FY20 onwards). Approximately $5.0 million of the identified cost savings in FY2019 have already been implemented.

Given the challenges of FY2018, in addition to the above actions, the Company has undertaken the following initiatives to reposition the business for sustainable long-term growth:

- Appointed Mark Bayliss as Executive Director & Chairman in June 2018. Mark has extensive senior executive experience in a variety of roles across both the listed and private landscape, and across a variety of industries including eCommerce, media, FMCG, retail and advertising industries globally;
- Appointed a new country head in New Zealand whose focus will be on driving sales and increasing efficiencies in this region; and
- Appointed four experienced sales business heads to run Print & Digital and Technology in both Australia and New Zealand; and
- Continued the development and rollout of next generation salesforce.com platform which automate the sales lead to delivery process.

The Company expects a further reduction in inventory in FY2019 of approximately $10.0 million, driven by a reduction in equipment and toner-in-field.

4. Review of Group Financial Position

CSG has a closing cash balance of $14.2 million, including an amount of $8.0 million held in restricted cash accounts under the terms of the CSG Finance Solutions debt facilities (refer note 6). CSG had nil cash conversion in FY2018 after excluding the impact of non-recurring items and cash released from Lease Receivables.

[2] Net Promoter Score (NPS) is a method of measuring customer loyalty. To calculate NPS, customers are categorised as "Promoters", "Passives" or "Detractors" based on how likely they would be to recommend CSG to a friend or colleague. The percentage of Detractors is then subtracted from the percentage of Promoters.

($m)	1H FY2017	2H FY2017	FY2017	1H FY2018	2H FY2018	FY2018
EBITDA (underlying)	14.1	16.2	30.3	4.6	5.4	10.0
Operating cash flow (reported)	2.3	(5.1)	(2.8)	3.1	4.2	7.3
add tax paid	2.3	1.7	4.0	0.1	2.3	2.4
add net interest paid	1.0	1.1	2.1	1.4	1.5	2.9
add non-recurring cash items	2.2	4.4	6.7	2.5	4.9	7.4
add change in lease receivables	(1.1)	6.5	5.4	(5.9)	(14.1)	(20.0)
ungeared pre-tax cash flow	6.7	8.6	15.4	1.2	(1.2)	0.0
Profit to cash conversion	48%	53%	51%	27%	(22%)	0%

Lease receivables in the Finance Solutions business have declined to $242.2 million ($266.3 million in FY2017) with $213.0 million funded by associated debt ($225.4 million in FY2017). The decline in the book is driven by lower than expected print equipment sales.

On 21 August 2018, CSG announced a fully underwritten equity raising of approximately $18 million through a 1 for 3.52 pro rata non-renounceable entitlement offer. Net proceeds of approximately $17.0 million will be used to repay corporate debt ($10 million), pay acquisition earn-outs ($2.0 million), pay restructuring costs in relation to Enterprise Solutions business ($2.0 to $2.5 million) and provide for working capital ($3.0 million). Following completion of the capital raising, the pro forma corporate debt balance as at 30 June 2018 is $38.3 million and the pro forma cash balance is $21.2 million (of which $8.0 million is restricted), strengthening CSG's financial and capital position.

5. Divisional Review

On 25 June 2018, following a review of the performance of the Enterprise Solutions business, CSG announced that it would cease investment in this business. For FY2019, the Company will re-align its SME business to a product-led, go-to-market model resulting in three clear operating divisions across Australia and New Zealand – Print & Display, Technology and Finance.

a. Technology

CSG's Technology business offers secure, global and reliable managed IT solutions to SME customers across Australia and New Zealand. With next generation technologies and a disruptive cloud first approach, CSG challenges the traditional managed IT providers to deliver better outcomes for its customers.

CSG's Technology product suite is currently comprised of the following offerings:

- CSG Total Office – Complete end-user technology bundle including desktop / laptop, enterprise grade cloud telephony, Microsoft Office 365 Business Premium, cloud storage, backup and full support for a fixed monthly per user price;
- Desktop as a Subscription – Desktop/laptop, cloud storage and backup with full support;
- Boardroom as a Subscription – Full boardroom package combining Samsung digital display technology with cloud conferencing;
- Private Cloud Platform – Secure, Australian data centre services and on-demand infrastructure for critical business applications; and
- CSG Marketplace – Simplified and centralised procurement solution where customers can subscribe to, track, manage and view all their technology services.

b. Print & Display

CSG's Print & Display business provides the sales, support, service and financing of print equipment to SME customers across Australia and New Zealand. CSG's scale, national presence and significant brand partnerships give it the flexibility to service businesses of any size and in any location across Australia and New Zealand. In Australia, CSG is the only national, brand agnostic provider of print solutions in the market. In New Zealand, the Group operates a well-established and market leading business through its partnerships with Konica Minolta and HP.

The Print & Display business provide the following offerings to CSG customers:

- Print as a Subscription – Print solutions that include equipment, parts, consumables and service for a single monthly operating expense; and
- Display as a Subscription – Large format and digital displays, video walls, cloud displays and business monitors.

The Print & Display division has been repositioned to focus exclusively on transactional print and display equipment and will no longer be accountable for sales of our annuity based technology offerings. By refocussing the sales force and increasing their selling time to transactional equipment we are aiming to return to market share growth within the SME segment over time.

c. Finance

CSG Finance is a specialist service provider of lease and rental products for print and business technology assets sold and serviced by CSG in both Australia and New Zealand. The book is driven by 95% conversion of customers, including government, corporate and commercial businesses across both regions.

CSG's finance business is well managed with strong performance, driven by bad debts of less than 0.5% and strong returns on equity of 56% in 1H FY2018 and 59% in 2H FY2018. Overall, leasing receivables declined by 9% to $242.2 million in FY2018 (excluding the impact of provisions relating to Enterprise Solutions).

CSG Finance is a critical element in enabling the print and technology businesses to be able to deliver bundled Technology as a Subscription offerings. Growth targets for this division include:

- Continuing to support the current print business for both existing customers and targeting of new customers;
- Financing equipment sales for customers acquired through recent acquisitions; and
- Supporting the growth of the Technology as a Subscription product suite.

6. Risk Management

Corporate Governance

The Board of CSG Limited believes that a strong corporate governance framework will underpin growth in the company. CSG's corporate governance policies and practices are set out in the Corporate Governance Statement. In light of the challenging 2018 year, the board has requested a review of risk management practices in 2019.

CSG has identified the following at risk areas and mitigating procedures:

Principal Risk Area		Risk Management Approach
Innovation	Inability to optimise full value of innovation opportunities in services, products, processes and commercial solutions to support growth opportunities.	CSG has a proactive growth strategy that combines leadership, partnerships, and continual review.
Foreign Exchange	Revenue from non-Australian operations is denominated primarily in New Zealand Dollars (NZD) and equipment purchases for New Zealand operations are primarily in US Dollars (USD). Fluctuations in foreign currency exchange rates may result in corresponding movements in revenues and earnings.	Currency risk is hedged in accordance with treasury risk policy. The treasury risk policy aims to manage the impact of short-term fluctuations in CSG's earnings. Derivative financial instruments (forward exchange contracts and options) are used to hedge exposure to fluctuations in foreign exchange rates. Over the longer term, permanent changes in market rates will have an impact on earnings.
Interest Rate	The CSG Group has both corporate and operational debt facilities. Movements in interest rates could have an adverse impact on cash flows and operating results.	To minimise interest rate risk between the fixed rate assets and variable rate liabilities, management uses interest rate swaps to broadly match fixed rate assets to floating rate liabilities.
Adequacy of Funding	CSG has corporate and finance division debt funding, with obligations attached. Corporate debt obligations are sensitive to cashflows from operations and the levels set for dividends and share buy-backs. CSG's finance divisions in Australia and New Zealand provide rental and lease products to customers. These businesses are sensitive to credit cost and market liquidity. Should there be any disruptions	Credit indicators and market conditions are monitored on a regular basis by management. In the light of recent trading conditions, CSG has announced an equity raise to recapitalise the balance sheet and implement a revised covenant regime.

	in the credit markets or changes in the procurement of credit there could be a reduction in the availability of credit or an increase in the cost of sources of funding.	
Key Suppliers	CSG's key suppliers are Canon, Konica Minolta, HP, Samsung, Microsoft, 8x8 and Zoom who supply the majority of inventory. It is critical to maintain relationships.	CSG has maintained a long-term relationship with a majority of these suppliers. These relationships are managed carefully by CSG's executive team and the Board through long term contracts under commercial terms.
Key Personnel	CSG's continued success is highly dependent upon the efforts of the Executive Team and other key employees including sales professionals. The retention of these skilled personnel is critical.	CSG has incentive based remuneration structures in place and is looking to review these to align to the new business structure.
Competition	CSG's business is susceptible to competition in the markets in which the Company operates. Additionally, competitive pricing strategies and demands from high value clients seeking preferred supplier agreements, may impact on the Company's profit margins and profit share.	The risk is mitigated by a large diversified client base with multi-year agreements in place reducing the impact of pricing strategies and demands from any one customer.

6. Remuneration Report

Dear Shareholder,

On behalf of your Board, I am pleased to detail CSG's 2018 Remuneration Report which sets out remuneration information for the Chief Executive Officer ("CEO"), the Group Executive, Directors and the broader employee group.

The Board recognises that the performance of CSG depends on the quality and motivation of its people, including Group Executives and approximately 700 employees across Australia and New Zealand. CSG's remuneration strategy aims to appropriately reward, incentivize and retain talent necessary to achieve its operational and strategic goals.

Core to our remuneration philosophy is a strong performance framework, where the contribution of all our employees is aligned to the interests of our shareholders. For Group Executives and Senior Management this is achieved via both a Short-Term Incentive Plan ("STIP") focused on annual targets, and an equity based Long Term Incentive Plan ("LTIP").

The STIP targets are a mix of Corporate objectives the Company must achieve and Divisional objectives for which individuals are accountable. To ensure alignment with shareholder interests, the achievement of the Corporate financial targets is a 'gate' that must be achieved before payment of any other components of the STIP. This gate was not met in FY2018 and consequently no STIP payments have been made to Group Executives and Senior Management.

Historically, our equity based Long Term Incentive Plan (LTIP) has been used as a mechanism to incentivize and focus Senior Executives on delivering increased shareholder value. In light of the recent underperformance of the business and the transformation required, the Board is further reviewing options to get the optimum balance between incentivization and delivering the results shareholders expect. Should any changes to the LTIP be proposed by the Board as a result of this review, and specifically if they impact the CEO, they will be put to shareholders at the Annual General meeting in November 2018.

With regard to our general employees, in FY2018 we replaced the Staff Tax Exempt Share Plan that had been in place for the past 4 years with a cash based Performance Bonus Scheme. This was on the back of feedback provided by our people. No payments, however, eventuated under this scheme as the pre-requisite EBITDA hurdle was not met.

Significantly, in June 2018, we welcomed Mark Bayliss to CSG as Executive Chairman. Mark has a track record of successfully leading 'turnarounds' and we are confident that his direct involvement will have a positive impact upon the underlying performance of the business. Consistent with our general philosophy, Mark's remuneration is heavily performance weighted and aligned to delivering future shareholder value.

Thank you for reviewing the 2018 Remuneration Report. While the financial results of the Company have been below expectation, the Board takes comfort that CSG's remuneration practices are aligned to shareholder interests and appropriately reward our people commensurate with the level of performance delivered. It is an improved level of performance in executing our business strategy that will result in increased returns for shareholders and increased rewards for both Executives and employees.

Yours sincerely

Thomas Cowan
Chairman, Nomination and Remuneration Committee

This report covers the Key Management Personnel ("KMP") of CSG. KMP are employees with authority and responsibility for planning, directing and controlling the activities of the CSG Group that can materially affect its performance. As such, the KMP for the year ending 30 June 2018 are:

- all persons who have held the position of Director of CSG Limited during the financial year, including Julie-Ann Kerin, CEO/Managing Director;
- Gary Brown, Chief Financial Officer ("CFO");

On 1 July, 2018, due to a change in roles and responsibilities, Stephen Birrell, Warwick Beban, Declan Ramsay, and Mark Thomas ceased being KMPs.

7. Remuneration Governance

The policy for determining the nature and amount of remuneration of Directors and Group Executives is agreed by the Board. The Board has established a Nomination and Remuneration Committee, which is responsible for the following:

- reviewing and recommending to the Board the appropriate remuneration of the CEO, members of the Group Executive and Non-Executive Directors;
- ensuring that remuneration levels take into account risks involved, demands and time requirements of each role, experience and relevant industry and related benchmarks;
- developing and recommending to the Board remuneration incentive programs such as bonus schemes and Group 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 Group Executive remuneration is paid in accordance with thresholds set out 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 Nomination and Remuneration Committee, its activities and performance.

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

8. Remuneration Objectives, Policy and Practice

The Board, with assistance from the Nomination and Remuneration Committee, is ultimately responsible for ensuring that CSG's Remuneration Policy is consistent with the business strategy and performance, supporting increased shareholder wealth over the long term.

The objective of the Remuneration Policy is to ensure the reward for performance is competitive and appropriate for the results delivered.

The Remuneration Policy details a framework for remuneration to be paid across the Company, from employees to KMP, which includes a mix of fixed and variable remuneration, and short-term and long-term performance based indicators.

Fixed remuneration.

- Fixed remuneration is determined according to industry standards, relevant laws and regulations, labour market conditions, the profitability of the CSG business and individual experience. It consists of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items (e.g. motor vehicles).
- CSG provides employer superannuation contributions at Government legislated rates (9.5% in Australia and 3% in New Zealand), capped at the relevant concessional contribution limit unless part of a salary sacrifice election by the employee.
- The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, with recommendations from the Nomination and Remuneration Committee.
- Fixed remuneration for the CEO and Group Executives has been has been capped for the period FY2016 - FY 2020 in recognition of their participation in the LTI Plan.

Short-Term Incentives

Short term incentives are assessed against a mix of Company key performance indicators (via a Corporate Scorecard), and individual key performance indicators for which managers are personally accountable (via a Divisional Scorecard). Key result areas include a mix of financial and non financial targets.

For 2018, the Corporate Scorecard was based on the following targets:

Category	Target	Weighting
Financial (60%)	Achieve EBITDA target	15%
	Achieve revenue growth target	15%
	Ensure cash targets are achieved	15%
	Achieve technology seats target	15%
Non-Financial (40%)	Rebranding of NZ business and acquisitions	10%
	Achievement of Net Promoter Score target for customer engagement	10%
	Service Desk integration and consolidation	10%
	Implementation of business transformation & system platform in NZ	10%

To encourage and reward Management for extraordinary performance there is an overachievement attached to the EBITDA target that will result in that component being paid at the percentage of the overachievement multiplied by the KPI weighting.

The financial measures in the Corporate Scorecard are a 'gate' that must be achieved before the payment of any other Corporate and Divisional Scorecard components.

The STIP payment is based on the following percentage framework:

CEO/MD:	100% Corporate Scorecard
CFO:	70% Corporate Scorecard / 30% Divisional Scorecard
Group Executives:	50% Corporate Scorecard / 50% Divisional Scorecard
Senior Managers:	30% Corporate Scorecard / 70% Divisional Scorecard

Long-Term Incentives

While STIP recognises performance in any single year, the Board considers it essential that the Group Executive and other key Management (together the "Senior Executives") have reward incentives linked to longer-term Company performance and value creation for shareholders.

In the period since the 2016 LTIP was approved by shareholders, the financial performance of the Company has created a challenging environment in which to balance individual remuneration and Company performance. As a result, other than the CEO, no other Senior Executives were offered performance rights under the STIP in FY 17. Given the environment and business performance the CEO subsequently agreed to have these rights cancelled for no consideration.

The Board has dedicated considerable energy to reviewing the performance hurdles. At the November 2017 Annual General Meeting shareholders approved the issue of Performance Rights along with changes to the LTIP hurdles for the CEO. These hurdles provided appropriate incentivisation whilst remaining sufficiently challenging to deliver shareholder value under the plan.

During FY2018, Performance Rights were also issued to other Senior Executives with the same hurdles approved by shareholders for the CEO.

Key features of the LTIP are:

- Annual grants of performance rights to align reward with individual contributions.
- Performance hurdles attached to the plan use an implied compound annual growth rate of total shareholder return (TSR) of approximately 35%
- Stage 1, 2 & 3 Performance Rights aligned to performance periods from August 2017 to the trading day following the release of the financial results for FY20, FY2021 and FY22 respectively. Vesting periods are aligned accordingly.
- Restrictions regarding the disposal of shares to ensure that Senior Executives continue to hold a meaningful amount of any Company equity that vests.
- New or promoted Senior Executives may be offered participation in the LTIP after 12 months' satisfactory service.

During 2015, the Company also issued Performance Rights to key Sales Agents (MAIP) considered critical to the business at that time. These Performance Rights vested on 1 July 2017.

Performance Rights

Details regarding Performance Rights on issue during the year are listed in the table below.

LTIP	Opening	Issued	Lapsed	Exercised	Cancelled	Closing
Issue 9	4,189,000	-	-	-	(4,189,000)	-
Issue 10	-	9,602,925	(1,716,483)	-	-	7,886,442
Issue 11	-	5,000,000	-	-	-	5,000,000
Total	**4,189,000**	**14,602,925**	**(1,716,483)**	-	**(4,189,000)**	**12,886,442**

Plan	Detail

LTIP 10

Executive and Senior Management were granted 9,602,925 Performance Rights in FY2018 under LTIP 10. The terms of the grant were:

	TSR Performance Hurdle	Vesting Date	Expiry Date
LTI Stage 1	$0.58	18/08/2020	28/09/2020
LTI Stage 2	$0.93	18/08/2021	28/09/2021
LTI Stage 3	$1.39	18/08/2022	28/09/2022

When calculating the TSR CAGR for a performance period, the CSG share price on the trading day following the release of the Company's relevant financial results will be deemed to be the 30-day volume weighted average sale price on the ASX of CSG shares commencing on that trading day plus any cash dividend paid.

If Stage 1 or Stage 2 performance rights do not vest at their initial testing date, they will not lapse and may vest if subsequent stages vests. If Stage 3 lapses due to failure to meet their TSR vesting condition, all unvested Stage 1 and Stage 2 rights will automatically lapse at the same time.

Rights that vest are subject to disposal restrictions. 100% of shares resulting from vesting of Stage 1 rights must not be disposed of until the 2nd trading day after the Company's FY2021 full-year results being released to the ASX. 50% of shares resulting from vesting and exercise from Stage 2 rights must not be disposed of until the 2nd trading day after the Company's FY2022 full-year results being released to the ASX. 25% of shares resulting from vesting and exercise of Stage 1 rights must not be disposed of until the 2nd trading day after the Company's FY2023 full-year results being released to the ASX.

Since issue, employees holding 1,716,483 rights left the Group and these rights have lapsed.

LTIP 11

The Executive Chairman was granted 5,000,000 Performance Rights in FY2018 under LTIP 11. The terms of the grant were:

	Share price hurdle	Vesting Date	Expiry Date
LTI Stage 1	$0.40	N/A[1]	30/06/2023
LTI Stage 2	$0.45	N/A[1]	30/06/2023
LTI Stage 3	$0.50	N/A[1]	30/06/2023

[1]The performance period for all performance rights under LTIP 11 is from 27 June 2018 to 30 June 2023. [1]The rights vest on any day the vesting conditions are achieved within the performance period. If Stage 1 is completed prior to 30 June 2019, the shares issued remain in escrow until 30 June 2019. If Stage 2 is completed prior to 30 June 2020, the shares issued remain in escrow until 30 June 2020. If Stage 3 is completed prior to 30 June 2021, the shares issued remain in escrow until 30 June 2021.

Employee Performance Bonus Scheme

At the commencement of FY2018 a cash based Employee Performance Bonus Plan was introduced for employees that do not participate in the STIP, LTIP or who are not eligible to earn sales based incentives or commissions.

Any benefit under this plan is subject to achieving a minimum EBITDA as determined by the Board.

9. Non-Executive Director Remuneration

The available remuneration pool for Non-Executive Directors, as approved at the 2014 Annual General Meeting, is $600,000 (all inclusive). There is no intention to seek an increase at this year's Annual General Meeting.

The table below summarises the rates for the various roles. Key points to note are:

- the Non-Executive Chairman was paid an all-inclusive fee regardless of Committee positions;
- Board members are currently paid a base fee plus additional fees for each Committee Chair (see table below for fee structure); and
- Superannuation is paid as required on fees at the statutory rates (9.50% for the 2017 financial year).

Non-Executive Directors remuneration fees effective from 1 July 2016 onwards are set out below:

2017/18	Board	Audit and Risk Committee	Nomination & Remuneration Committee
Non-Executive Chairman	140,000	19,163	19,163
Member	71,175		

10. Link to FY2018 Performance

10.1 Company Performance

The table below provides summary information on the Company's earnings and shareholder wealth for the current year and prior years:

	2018	2017	2016	2015	2014
Revenue and income ($m)	225.7	244.5	246.6	224.3	199.3
Net profit/(loss) after tax ($m)	(150.1)	(43.7)	18.2	14.3	12.1
Share price ($)	0.23	0.75	1.49	1.60	1.03
Change in share price	(0.52)	(0.74)	(0.11)	0.57	0.09
Dividends paid ($)	-	0.05	0.09	0.09	0.04
Total Shareholder Return (TSR)	(69%)	(46%)	(1%)	64%	14%
Earnings per Share (cents)	(45.5)	(13.7)	5.8	5.1	4.3

10.2 STIP Outcomes

Under the Remuneration Policy achievement of the Corporate financial KPI's is a gate that must be achieved before performance against Divisional KPI components can be considered for the STIP. This requirement was not met and consequently no STIP payments were made in FY2018.

10.3 LTIP Outcomes

The movement in Performance Rights under previous LTIP during the year ended 30 June 2018 is summarised below:

LTIP	Opening	Issued	Lapsed	Exercised	Cancelled	Closing
Issue 9	4,189,000	-	-	-	(4,189,000)	-
Issue 10	-	9,602,925	(1,716,483)	-	-	7,886,442
Issue 11	-	5,000,000	-	-	-	5,000,000
Total	4,189,000	14,602,925	(1,716,483)	-	(4,189,000)	12,886,442

10.4 Employee Performance Bonus Scheme

Under the Employee Performance Bonus Scheme there is a EBITDA gate, determined by the Board, which must be achieved before any payments are made. This requirement was not met for FY2018 and consequently no bonuses were paid to eligible employees under this scheme.

11. Remuneration Tables and Disclosures

11.1 Directors' Remuneration

	Cash Salary and Fees(ii)	STI and Other Fees	Terminatio n Payments	Post-Employment Super	LTI	Total	Performance Related %
2018							
Non-Executive Directors							
Thomas Cowan	90,338	-	-	-	-	90,338	-
Bernie Campbell(i)	66,819	-	-	5,279	-	72,098	-
Stephen Anstice(ii)	106,708	-	-	10,137	-	116,845	-
Robin Low	82,500	-	-	7,838	-	90,338	-
Total	**346,365**	-	-	**23,254**	-	**369,619**	-
Executive Directors							
Julie-Ann Kerin	675,000	-	-	25,000	199,847	899,847	22%
Mark Bayliss(iii)	3,000	-	-	-	13,776	16,776	82%
Total	**678,000**	-	-	**25,000**	**213,623**	**916,623**	**23%**
Total	**1,024,365**	-	-	**48,254**	**213,623**	**1,286,242**	**17%**

(i) Appointed 13 September 2017, appointed acting chairman 1 May 18, ceased as acting Chairman 27 June 2018, recommenced as Non-Executive Director 27 June 2018.
(ii) Resigned 1 May 18.
(iii) Appointed 27 June 2018
(iv) Note: salary is inclusive of all entitlements

	Cash Salary and Fees	STI and Other Fees	Termination Payments	Post-Employment Super	LTI	Total	Performance Related %
2017							
Non-Executive Directors							
Thomas Cowan	90,338	-	-	-	-	90,338	-
Mark Phillips(i)	48,750	-	-	4,631	-	53,381	-
Stephen Anstice	127,853	-	-	12,146	-	139,999	-
Robin Low	82,500	-	-	7,838	-	90,338	-
Total	**349,441**	-	-	**24,615**	-	**374,056**	-
Executive Directors							
Julie-Ann Kerin	654,166	-	-	25,000	261,920	941,086	28%
Total	**1,003,607**	-	-	**49,615**	**261,920**	**1,315,142**	**20%**

(i) Resigned 16 March 2017.
(ii) Note: salary is inclusive of all entitlements.

11.2 Group Executive Remuneration

	Cash Salary and Fees	STI	Termination Payments	Post-Employment Super	LTI	Total	Performance Related %
2018							
Gary Brown	380,384	-	-	20,048	37,291	437,724	9%
Total	**380,384**	**-**	**-**	**20,048**	**37,291**	**437,724**	**9%**

Warwick Beban, Declan Ramsay, Stephen Birrell, Mark Thomas ceased as KMP on 1 July 2017.

	Cash Salary and Fees	STI	Termination Payments	Post-Employment Super	LTI	Total	Performance Related %
2017							
Neil Lynch(i)	322,740	-	187,508	14,843	48,822	573,913	9%
Mark Thomas	336,539	-	-	19,616	-	356,155	-
Warwick Beban	301,834	-	-	-	24,411	326,245	7%
Declan Ramsay	396,880	-	-	19,747	32,035	448,662	7%
Stephen Birrell	394,308	-	-	19,747	48,822	462,877	11%
Gary Brown(ii)	129,720	-	-	8,193	-	137,913	-
Total	**1,882,021**	**-**	**187,508**	**82,146**	**154,090**	**2,305,765**	**7%**

(i) Resigned 17 March 2017
(ii) Appointed 27 February 2017

11.3 LTIP Issue 9, 10 & 11 – Options & Performance Rights

All Performance Rights refer to rights over ordinary shares of CSG Limited, which are exercisable on a one-for-one basis under various plans. Performance Rights are provided at no cost to the recipients. Non-Executive Directors are not entitled to participate in the LTIP.

	LTIP	Date Granted	Balance at the Beginning of Year	Granted In Year	Vested	Forfeited/ Cancelled in Year	Balance at End of Year
2018							
Julie-Ann Kerin	9	16/11/2016	4,189,000	-	-	(4,189,000)	-
Julie-Ann Kerin	10	22/12/2017	-	2,475,000	-	-	2,475,000
Gary Brown	10	22/12/2017	-	1,237,488	-	-	1,237,488
Mark Bayliss	11	27/06/2018	-	5,000,000	-	-	5,000,000
			4,189,000	8,712,488	-	(4,189,000)	8,712,488

Warwick Beban, Declan Ramsay, Stephen Birrell, Mark Thomas ceased as KMP on 1 July 2017.

	Date Granted	Balance at the Beginning of Year	Granted In Year	Vested	Forfeited/ Cancelled In Year	Balance at End of Year
2017						
Julie-Ann Kerin	28/06/2013	1,333,333	4,189,000	(1,333,333)	-	4,189,000
Neil Lynch(i)	28/06/2013	533,333	-	(533,333)	-	-
Warwick Beban	28/06/2013	266,667	-	(266,667)	-	-
Declan Ramsay	28/06/2013 & 30/12/2014	306,667	-	(306,667)	-	-
Stephen Birrell	28/06/2013	533,333	-	(533,333)	-	-
		2,973,333	4,189,000	(2,973,333)	-	4,189,000

(i) Resigned 17 March 2017

	Fair Value per Right at Grant Date $	Exercise Price per Right $	% Vested in Year (a) %	% Lapsed in Year (a) %	Value of Rights Granted in Year (b) $	Value of Rights Held in Year (b) $	Value of Rights Vested in Year © $	Value of Rights Lapsed / Cancelle d in Year © $	Financial Years in which Grant Vest	Expiry Date
2018										
Julie-Ann Kerin	1.0100							21,154	2019	30/09/2018
	1.0100							63,463	2019	30/09/2018
	0.9700							60,950	2020	30/09/2019
	0.9700							60,950	2021	30/09/2020
	1.0900							22,830	2019	30/09/2018
	1.0900							68,490	2019	30/09/2018
	1.0300							64,720	2020	30/09/2019
	0.9700							60,950	2021	30/09/2020
	0.1900							19,898	2019	30/09/2018
	0.1800							56,552	2019	30/09/2018
	0.1400							43,985	2020	30/09/2019
	0.1000							31,418	2021	30/09/2020
	0.2100							21,992	2019	30/09/2018
	0.1900							59,693	2019	30/09/2018
	0.1500							47,126	2020	30/09/2019
	0.1000							31,418	2021	30/09/2020
Julie-Ann Kerin	0.2200				181,500				2021	18/08/2020
	0.2100				86,625				2022	18/08/2021
	0.1800				74,250				2022	18/08/2021
	0.1800				111,375				2023	18/08/2022
	0.1600				33,000				2023	18/08/2022

	Fair Value per Right at Grant Date $	Exercise Price per Right $	% Vested in Year (a) %	% Lapsed in Year (a) %	Value of Rights Granted in Year (b) $	Value of Rights Held in Year (b) $	Value of Rights Vested in Year © $	Value of Rights Lapsed / Cancelle d in Year © $	Financial Years in which Grant Vest	Expiry Date
2018										
Gary Brown	0.2200				90,749				2021	18/08/2020
	0.2100				43,312				2022	18/08/2021
	0.1800				37,125				2022	18/08/2021
	0.1800				55,687				2023	18/08/2022
	0.1600				16,500				2023	18/08/2022
Mark Bayliss	0.2141				356,900				2019	30/06/2019
	0.2063				343,800				2020	30/06/2020
	0.1939				323,167				2021	30/06/2021

Details of the performance criteria attached to each of the Performance Rights are included in the LTIP discussion above and in Note 23 to the financial statements. No Performance Rights have been granted since the end of the financial year.

(a) The percent forfeited and lapsed in the year represents the reduction from the maximum number of options available to vest due to the performance or conditions not being achieved.

(b) Fair value is independently determined utilising a Monte Carlo simulation model which allows for the incorporation of performance hurdles that must be met before the performance right vests. The valuation is undertaken in a risk-neutral framework whilst allowing for variables such as volatility, dividends, the risk free rate, the withdrawal rate and performance hurdles along with constants such as the strike price, term and vesting periods.

(c) The value of options that lapsed or were forfeited during the year represents the benefit foregone and was calculated as the number of options at the date the options lapsed or were forfeited, multiplied by the fair value of the options calculated independently at the date the options lapsed or were forfeited but assuming the vesting conditions were satisfied.

12. Service Agreements

	Expiry	Termination Notice	Termination Payment
Executive Director			
Julie-Ann Kerin	N/A	6 Months	6 Months
Mark Bayliss	N/A	3 Months	3 Months
Group Executive			
Gary Brown	N/A	6 Months	6 Months

13. Key Management Personnel Interests

The KMP's relevant interests in shares of the Company or options over shares in the Company are detailed below.

	Opening Balance	Purchases	Received on Exercise of Performance Rights	Other	Sales	Ceased as Director/KMP	Ordinary Shares of CSG
Thomas Cowan(i)	24,990,579	-	-	-	-	-	24,990,579
Stephen Anstice(ii)	290,563	-	-	-	-	(290,563)	-
Robin Low	122,375	34,725	-	-	-	-	157,100
Julie-Ann Kerin	2,333,333	-	-	-	-	-	2,333,333
Bernie Campbell(iii)	-	-	-	-	-	-	-
Mark Bayliss(iv)	-	-	-	4,000,000	-	-	4,000,000
Warwick Beban(v)	314,286	-	-	-	-	(314,286)	-
Declan Ramsay(v)	306,667	-	-	-	-	(306,667)	-
Stephen Birrell(v)	948,571	-	-	-	-	(948,571)	-
Gary Brown	-	-	-	-	-	-	-
	29,306,374	34,725	-	4,000,000	-	(1,860,087)	31,481,012

(i) Thomas Cowan is a partner in TDM Asset Management (TDM). TDM has a direct interest in the shares held by its clients by virtue of the control it exercises in relation to the shares under its investment management arrangements with clients. TDM and its clients hold in aggregate 24,990,579 shares at 30 June 2018

(ii) Resigned 1 May 2018

(iii) Appointed 13 September 2017, appointed acting chairman 1 May 18, ceased as acting Chairman 27 June 2018, recommenced as Non-Executive Director 27 June 2018

(iv) Appointed 27 June 2018

(v) Warwick Beban, Declan Ramsay, Stephen Birrell, Mark Thomas ceased as KMP on 1 July 2017.

(vi) Mark Thomas ceased as KMP 1 July 2017 at which time held no relevant interest in shares of the company

14. Transactions with Key Management Personnel

During the financial year, the companies in the Group entered into agreements in respect of the purchase of print and technology products and services on normal commercial terms and conditions with related entities of the Directors.

During the financial year, the Group was a supplier to the Commonwealth Games located at the Gold Coast, Queensland. Support staff were required to be located on-site at a time when accommodation was difficult to attain. Julie-Ann Kerin entered into an agreement with the Group, on an arm's length basis, for the use of her property during this period. As such, $13,500 in rent was paid to Ms Kerin.

15. Environmental Regulation

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

16. Proceedings on Behalf of the Consolidated Entity

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

17. State of Affairs

There have been no significant changes in the CSG Group's state of affairs during the financial year.

18. Dividends

The dividends paid or declared since the start of the year are as follows:

	Consolidated Entity	
	2018	2017
	$'000	$'000
Current Year Interim	-	-
Prior Year Final	-	15,904
(Unfranked dividends (5 cents per share paid 7 September 2016)		
Total Dividends	-	15,904

19. Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 27 to the financial statements.

20. Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity has paid a premium amounting to $613,118 insuring all the directors and the officers against judgments, settlements, investigative costs, defense costs and costs to appear at inquiries or investigations.

21. Non-Audit Services

Non-audit services are approved by resolution of the Audit and Risk Committee and approval is provided in writing to the Board. Non-audit services provided by the auditors of the Group during the year, KPMG, 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.

Other Services	2018 $	2017 $
Other assurance, taxation and due diligence services	-	160,502

22. Auditor's Independence Declaration

The lead auditor's independence declaration in relation to the audit for the financial year is set out on page 25 of this report.

23. Events Subsequent to Reporting Date

On 21 August 2018, CSG announced a fully underwritten equity raising of approximately $18 million through a 1 for 3.52 pro rata non-renounceable entitlement offer. Net proceeds of approximately $17.0 million will be used to repay corporate debt ($10 million), payment of acquisition earn-outs ($2.0 million), restructuring costs in relation to Enterprise Solutions business ($2.0 to $2.5 million) and working capital ($3.0 million). Assuming successful completion of the capital raising, the pro forma corporate debt balance as at 30 June 2018 is $38.3 million and the pro forma cash balance is $21.2 million (of which $8.0 million is restricted).

Subsequent to year-end, the Group varied the corporate debt facility which will require the reduction and cancellation of $10m together with revised covenant arrangements. The Group's forecast indicates that the Group will comply with all covenants of the new facility through to its maturity in October 2019. Details of the existing facility are in the Financial Statements Note 25 (i). The Group has commenced implementation of a major restructure of the Australian and New Zealand businesses within sales, service and operations, is being undertaken. The Company is also undertaking cost-out initiatives to simplify its operational structure and distribution costs, and continue realising cost synergies through the integration of recent acquisitions.

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Consolidated Financial Statements which has a significant affect on the operation of the Group.

24. Likely Developments

The CSG Group will continue to pursue its strategy of increasing the profitability and market share of its business units during the next financial year. Refer to the Operational and Financial Review for further details.

25. Rounding of Amounts

The CSG Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.

....

Julie-Ann Kerin

Director
Sydney
21 August 2018

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of CSG Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of CSG Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

James Dent

Melbourne
21 August 2018

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 30 June 2018

		Consolidated entity	
		2018	2017
	Note	$'000	$'000
Sales revenue	7	194,590	210,428
Finance lease interest income		26,389	27,047
Interest income		99	51
Other income	7	4,624	6,994
		225,702	244,520
Cost of sales	8	138,721	119,662
Finance lease interest expense		13,619	13,428
Marketing expenses		2,728	2,925
Occupancy expenses		7,405	7,144
Administration expenses		27,959	26,568
Employee benefits expenses		46,423	46,905
Share based transactions		378	1,879
Acquisition and integration related expenses		2,507	541
Impairment of intangible assets	16	116,100	55,000
Other expenses	8	20,857	3,040
Depreciation and amortisation	8	6,703	6,850
Finance costs	8	3,826	2,660
		387,226	286,602
Loss before income tax		(161,524)	(42,082)
Income tax benefit/(expense)	9	11,395	(1,633)
Loss from continuing operations		(150,129)	(43,715)
Profit/(Loss) is attributable to:			
Members of the parent		(150,282)	(44,413)
Non-controlling interest		153	699
		(150,129)	(43,714)
Loss after income tax expense		(150,129)	(43,714)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations, net of tax	24	(1,957)	(170)
Cash flow hedges:			
Reclassified to profit or loss, net of tax	24	420	(33)
Net gains / (losses) taken to equity, net of tax	24	(406)	1,820
Other comprehensive income / (losses) for the year		(1,943)	1,617
Total comprehensive losses for the year		(152,072)	(42,097)
Total profit and loss and other comprehensive income is attributable to:			
Members of the Parent		(152,225)	(42,796)
Non-controlling interest		153	699
		(152,072)	(42,097)
Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:			
Basic earnings per share (cents)	29	(45.5)	(13.7)
Diluted earnings per share (cents)	29	(45.5)	(13.7)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position as at 30 June 2018

		Consolidated entity	
		2018	2017
	Notes	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	11	14,194	20,338
Receivables	12	38,076	35,767
Lease receivables	12	81,029	96,513
Inventories	13	48,711	65,810
Other	14	3,741	10,386
TOTAL CURRENT ASSETS		185,751	228,814
NON-CURRENT ASSETS			
Lease receivables	12	161,215	169,775
Property, plant and equipment	15	3,158	3,396
Intangible assets	16	58,156	175,851
Deferred Tax Asset	9	6,298	-
TOTAL NON-CURRENT ASSETS		228,827	349,022
TOTAL ASSETS		414,578	577,836
CURRENT LIABILITIES			
Payables	17	53,399	51,529
Deferred income		642	2,001
Deferred consideration	18	5,141	9,071
Short term borrowings	19	2,421	889
Current tax payable		991	2,207
Provisions	22	8,728	4,329
TOTAL CURRENT LIABILITIES		71,322	70,026
NON-CURRENT LIABILITIES			
Provisions	22	448	313
Deferred consideration	18	214	3,515
Long term borrowings	19	45,881	42,117
Derivatives	21	1,307	1,721
Deferred Tax Liability	9	-	6,472
Debt associated with lease receivables	20	212,998	225,355
TOTAL NON-CURRENT LIABILITIES		260,848	279,493
TOTAL LIABILITIES		332,170	349,519
NET ASSETS		82,408	228,317
EQUITY			
Contributed equity	23	213,425	205,727
Reserves	24	3,504	6,982
Retained earnings	24	(149,380)	902
Equity attributable to owners of CSG Limited		67,549	213,611
Non-Controlling interest		14,859	14,706
TOTAL EQUITY		82,408	228,317

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

	Contributed Equity	Reserves	Cashflow Hedge Reserve	Retained Earnings	Non-controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2016	**207,623**	**9,044**	**(3,139)**	**61,219**	**14,007**	**288,754**
Profit for the year	-	-	-	(44,413)	699	(43,714)
Exchange differences on translation of foreign operations, net of tax	-	(170)	-	-	-	(170)
Cash flow hedges:						
Net gains / (losses) taken to equity	-	-	1,820	-	-	1,820
Net gains / (losses) taken to profit and loss	-	-	(33)	-	-	(33)
Total comprehensive income for the year	-	**(170)**	**1,787**	**(44,413)**	**699**	**(42,099)**
Transactions with owners in their capacity as owners:						
Equity settled transactions	(1,896)	(540)	-	-	-	(2,435)
Dividends paid	-	-	-	(15,904)	-	(15,904)
Balance as at 30 June 2017	**205,727**	**8,334**	**(1,352)**	**902**	**14,706**	**228,319**
Balance as at 1 July 2017	**205,727**	**8,334**	**(1,352)**	**902**	**14,706**	**228,319**
Profit/(loss) for the year	-	-	-	(150,282)	153	(150,129)
Exchange differences on translation of foreign operations, net of tax	-	(1,957)	-	-	-	(1,957)
Cash flow hedges:						-
Net gains / (losses) taken to equity	-	-	(406)	-	-	(406)
Net gains / (losses) taken to profit and loss	-	-	420	-	-	420
Total comprehensive income for the year	-	**(1,957)**	**14**	**(150,282)**	**153**	**(152,072)**
						-
Transactions with owners in their capacity as owners:						-
Equity settled transactions	7,698	(1,535)	-	-	-	6,163
Dividends paid	-	-	-	-	-	-
Balance as at 30 June 2018	**213,425**	**4,842**	**(1,338)**	**(149,380)**	**14,859**	**82,408**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows for the year ended 30 June 2018

	Notes	Consolidated entity 2018 $'000	Consolidated entity 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		239,590	256,840
Payments to suppliers, employees and others		(246,981)	(248,140)
Movement in lease receivables		20,005	(5,398)
Interest income		98	50
Interest expense		(3,028)	(2,191)
Income tax paid		(2,404)	(3,989)
Net cash provided by/(used in) operating activities	25(a)	**7,280**	**(2,828)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for intangibles		(4,328)	(4,790)
Payments for property, plant and equipment		(1,093)	(1,752)
Payments of deferred consideration		(3,656)	(3,636)
Net cash used in investing activities		**(9,077)**	**(10,178)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings associated with lease receivables		(8,907)	5,371
Proceeds from borrowings		59,606	63,271
Payments for borrowings		(54,310)	(28,653)
Purchase of Hedge Instruments		(264)	-
Share buy-backs		-	(5,183)
Dividend distributions	10	-	(15,904)
Net cash flows provided by/(used in) financing activities		**(3,875)**	**18,902**
Net increase/(decrease) in cash held		(5,672)	5,896
Cash at the beginning of the financial year		20,338	14,455
Foreign exchange difference on cash holdings		(472)	(13)
Cash and cash equivalents at end of year	25(b)	**14,194**	**20,338**

The accompanying notes form part of these financial statements

Notes to the Financial Statements 30 June 2018

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 1, 357 Collins Street, Melbourne, VIC, Australia, 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 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 print and technology related sales and service and financing of office equipment.

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 the Company 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 21 August 2018.

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.

Going concern basis of accounting

The financial statements for the year ended 30 June 2018 have been prepared on a going concern basis. Refer note 32 Subsequent Events for steps taken to achieve capital and funding levels which the Directors consider to be appropriate to sustain the business.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, 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 Australian Accounting Standards requires management to make judgments, 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:

(i) Assessing impairment of goodwill

Goodwill is allocated to cash generating units ("CGUs") according to applicable business operations. 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 post-tax discount rates listed in Note 16 to determine value-in-use.

(ii) 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.

Management conclude that there will be sufficient future taxable profits to offset the tax losses which do not expire.

(iii) 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.

(iv) 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.

(v) 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.

(vi) Inventory - obsolescence

Inventory balances relate to items subject to technological obsolescence and 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.

(vii) Revenue recognition

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. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Where two or more revenue-generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of accounting is accounted for separately. When the deliverables in a multiple element arrangement are not considered to be separate units of accounting, the arrangement is accounted for as a single unit. A separate unit of accounting exists where the deliverable has value to the customer on a stand-alone basis and there is objective and reliable evidence of the fair values. 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.

(viii) 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 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.

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.

(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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less the net recognised 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 profit and loss and other 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 income 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.

(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 has 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.

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 net of transaction costs 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 overdraft facility.

(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.

(iii) Derivative financial instruments, including hedge accounting
The Group 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 Group 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 reported 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 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, i.e. "legal title "has 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:

- 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; and
- 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.

Revenue arrangements with multiple deliverables
Where two or more revenue-generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of accounting is accounted for separately. When the deliverables in a multiple element arrangement are not considered to be separate units of accounting, the arrangement is accounted for as a single unit.

A separate unit of accounting exists where the deliverable has value to the customer on a stand-alone basis and there is objective and reliable evidence of the fair values.

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.

Other income

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

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 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.

Inventories

Inventories are valued on the weighted average cost basis at the lower of cost and net realisable value.
Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion, including cost of sales.

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 profit and loss and other 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 Group leases assets as a lessor on an operating lease, the Group 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 Group.
The following rates used in the calculation of depreciation are as follows:

Assets	Rate	Method
Leasehold Improvements	2.5% - 33%	Diminishing value and straight line
Plant and Equipment	2.5% - 40%	Diminishing value and straight line
Motor Vehicles	13%-19%	Diminishing value
Office computer equipment	10% - 50%	Diminishing value and straight line
Furniture and Fittings	5% - 20%	Diminishing value and straight line
Leased Plant and equipment	20%	Straight Line

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 acquired in a business combination is allocated into the specific components acquired as part of the business combination.

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. Other intangible assets have been assigned finite lives between 3-10 years. Software developed for resale is amortised over five years. Customer contracts/relationships acquired in a business combination have been assigned a finite life of between 5 and 14 years and are amortised on a straight line basis over this period.

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 post-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.

(iii) Trade and other Payables

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

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 against the borrowings 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.

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

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.

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 leases

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.

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 re-measurement to fair value of any pre-existing interest in an acquiree, 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.

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 in other income in Note 7 depending on whether foreign currency movements are in a net gain or net loss position.

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.

Research & Development
Research 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.

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.

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.

NOTE 4:

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) New standards adopted
There was no material impact on the financial report as a result of the adoption of new or amended accounting standards and interpretations effective for annual reporting periods beginning on or after 1 July 2017.

(b) New standards and interpretations not yet adopted
CSG have identified the following new standards which have been issued but not yet adopted by the Group:

AASB 9 Financial Instruments
AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces further disclosure and presentation requirements and a new impairment model replacing AASB 139. The new hedging rules align with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss must now be presented in other comprehensive income.

(i) Financial assets

AASB 9 contains an updated classification and determination approach for financial assets. This method categorises the asset into three principal classifications; measured at amortised cost, Fair Value Through Other Comprehensive Income, and Fair Value Through Profit and Loss eliminating previously used accounts such as held to maturity, loans and receivables, and available for sale.

Based on the Group's assessment, it does not believe that the new classification requirements will have a material impact on its accounting for trade receivables or loans which are managed on a fair value basis.

(ii) Impairment – Financial assets

AASB 9 uses a forward looking model identified as the Expected Credit Loss (ECL) model. This requires considerable management judgment in determining which economic factors affect the Group's financial assets and quantification of these. Under the ECL model, management determine the possibility and quantum of a current default event (less than 12 months) and a lifetime loss based on likely losses from credit risk. Consideration was given to the types of lending product, method of payment, credit rating, underlying asset, customer region and industry and other macro economic factors to determine an ECL. This model has been applied to the Lease Receivables balance and any corresponding Trade Receviable balance.

Based on management's assessment, impairment losses are likely to increase and encounter greater volatility based on its customers changing business environments. The estimated losses from application of AASB 9 as at 30 June 2018 is as follows:

	Estimated Additional Impairment/Adjustment
Lease receivables	$1.5-2m
Trade receiviables	$0.3-0.5m
Retained earnings	$1.8-2.5m

(iii) Hedge Accounting

AASB 9 continues to align hedge accounting relationships with the Group's risk management strategy in assessing hedge effectiveness. The Group currently uses forward foreign exchange contracts (FECs) to hedge the variability in cash flows arising from movements in foreign exchange rates. This is in relation to balances for payables, receivables, sales and cost of goods sold.

AASB 15 Revenue from Contracts with Customers

AASB15 Revenue from Contracts with Customers is effective for annual periods beginning on or after 1 January 2018. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

(i) Sales of goods

For the sale of print and technology products, revenue is currently recognised when the significant risks and rewards of ownership of the goods have passed to the customer and the costs incurred or to be incurred can be reliably measured. Under AASB15, revenue is recognised when a customer obtains control of the goods. One of the indicators of control having passed is where the customer has the significant risks and rewards of ownership, which is in line with the current accounting standard. CSG have assessed there will be no change regarding the timing of revenue recognition for the sale of goods on application of AASB 15.

(ii) Rendering of services

Revenue from a contract to provide services is currently recognised as the service is provided to the customer. For large projects, revenue is recognised by reference to the stage of completion of the contract and the right to invoice the customer. CSG currently tracks project milestones promised in customer contracts, and when achieved, recognises the revenue. Under AASB 15, if a performance obligation is satisfied over time, an entity must measure progress towards satisfaction of that performance obligation. The output method of tracking progress towards milestones reached continues to be appropriate and in compliance with AASB 15. Therefore, CSG does not expect the application of AASB 15 to result in significant differences in the timing of revenue recognition for these services.

(iii) Commissions

Sales commissions paid to agents of the Group are currently either expensed up-front for customer contracts relating to the sales of goods, or capitalised and expensed over the period of the contract for customer contracts where performance is recognised on achievement of project milestones. Under AASB 15, the costs of obtaining a contract with a customer must be recognised as an asset, and amortised on a systematic basis consistent with the transfer of the goods and services to the customer where the costs will be recovered. CSG have assessed that the vast majority of sales commissions paid relate to the consideration received for the sale of equipment, and the costs are recovered up-front when the performance obligations relating to sale are satisfied. CSG expects to realise the following amendments from adopting AASB 15 for commissions:

	Estimated Additional Impairment/Adjustment
Contract Assets	$4.5-5.0m
Deferred Tax Liability	$1.5-1.7m
Retained earnings	$3.0-3.3m

(iv) Transition

CSG plans to adopt AASB 15 using the retrospective method which results in comparative figures being restated at the date of initial application which is 1 July 2018.

AASB 16 Leases
AASB 16 will change the way lessees account for leases by eliminating the current dual accounting model which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there will be a single, on-balance sheet accounting model that is similar to the current finance lease accounting. This new treatment will result in both a depreciation and interest charge in the Statement of Comprehensive Income. In contrast, lessor accounting will remain similar to current practice. The Group is evaluating the impact of the standard.

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 value hierarchy
In valuing financial instruments, the consolidated entity uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:
Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. There are no material level 3 financial instruments.
The fair value of financial assets and financial liabilities, other than the fair value of derivatives, approximates their carrying amounts as disclosed in the Statement of Financial Position and Notes to the financial statements.
The fair values of the Group's derivative financial instruments, being interest rate swaps and forward foreign exchange contracts, are categorised as Level 2 in the fair value hierarchy (2017: Level 2). The fair values are based on the market comparison technique, using broker or counterparty quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. There are no significant unobservable inputs used in the valuations.

Fair value measurement
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.

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.

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.

Share-based payment transactions

The fair value of the Performance Rights under the Long Term Incentive Plan are measured using the Monte Carlo method. The fair value of the employee share options currently under issue is 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 historic volatility of the Company's share price, particularly over the historical 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 and the financial performance of the group). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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, short and long-term borrowings. The Group 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 Group is exposed to a variety of financial risks comprising:

- interest rate risk;
- credit risk;
- liquidity risk;
- foreign exchange risk; and
- fair values.

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

(a) Interest rate risk

Corporate debt facility

As at 30 June 2018, the Senior Debt Facility Agreement with the Commonwealth Bank of Australia ("CBA") has a total limit of $60m. The maturity date of this facility is 10 October 2019 (refer Note 25). This Facility is primarily to be used for working capital and general corporate purposes but also provides for other sub-facilities including bank bills, business loans, overdraft, equipment finance and contingent liabilities. The multi-function facility is split between a Multi-Option Facility and an Amortising Term Cash Advance Facility and includes an amount of $1.5m in relation to various guarantees and security deposits provided by the bank on behalf of the Company. Interest on each of these facilities is charged at a floating rate plus a margin.

Lease financing facilities – New Zealand

The CSG Finance NZ Trust securitisation funding facility limit under the Westpac facility is currently NZ$110m. It was agreed with Westpac for the facility to be extended a further 12 months with a reduction in the funding limit from NZ$115m to NZ$110m on 1 January 2018. The availability period for writing new business is until 15 April 2019, with a final maturity date of 15 April 2021. Interest on the CSG Finance NZ Trust securitisation funding 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 Group enters into interest rate swaps to fix these floating rate exposures.

Lease financing facilities – Australia

The availability period for writing new business was extended until 20 April 2019, with a final maturity date of 20 April 2021. CSG Finance Australia Trust has agreed with Westpac for the facility limit under the Class A facility to be re-aligned relative to the size of the Class AB facility limit, and was reduced from $180m to $135m on 6 June 2018. The funding limit under the Class AB facility is $30m. Interest on the CSG Finance Australia Trust securitisation funding facility is charged at a floating rate plus a margin, and re-prices generally on a quarterly basis. As the finance lease receivables are predominantly fixed rate in nature, the Group enters into interest rate swaps to fix these floating rate exposures.

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 facilities interest rate swaps are taken out by the trust entities to hedge 100% of the debt drawn to fund future cash flow equivalent to the portfolio designated "securitised" leases.

The Group'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 provided below.

	2018 $'000		2017 $'000	
	Impact on income statement Increase/ (decrease) on profit	Impact on Equity Increase/ (decrease) on equity	Impact on income statement Increase/ (decrease) on profit	Impact on Equity Increase/ (decrease) on equity
Interest Rates:				
100 bps increase: **Cash flow sensitivity:**				
Impact on interest income on cash	229	229	198	198
Impact on interest expense on loans	(2,724)	(2,724)	(2,641)	(2,641)
Impact on cash flows from derivative	2,134	2,134	2,124	2,124
Fair value sensitivity:				
Impact on derivative fair value at balance date	2,558	2,494	3,383	3,162
Total Impact	2,197	2,133	3,064	2,843
Interest Rates:				
100 bps decrease: **Cash flow sensitivity:**				
Impact on interest income on cash	(229)	(229)	(198)	(198)
Impact on interest expense on loans	2,724	2,724	2,641	2,641
Impact on cash flows from derivative	(2,134)	(2,134)	(2,124)	(2,124)
Fair value sensitivity:				
Impact on derivative fair value at balance date	(2,558)	(2,494)	(3,383)	(3,162)
Total Impact	(2,197)	(2,133)	(3,064)	(2,843)

(b) Credit Risk Exposures

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

The Group 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.

Concentrations of Credit Risk

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers. The print and technology 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 Australia and New Zealand. The Group 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.

Impairment

At 30 June 2018, the ageing of the trade, lease and other receivables that were not impaired was as follows:

	2018 $'000	2017 $'000
Neither past due nor impaired	264,633	290,046
Past due 1 - 30 days	8,308	6,929
Past due not impaired 31 - 90 days	3,388	2,173
Past due not impaired 91+ days	3,991	2,908
	280,320	302,056

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behavior and analysis of individual customer credit risk.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions. The level of expected cash inflows from trade and lease receivables are closely monitored against the predicted outflows arising from operations. The Group has access to various financing facilities to support its lease receivables financing activities, and to provide funding for working capital and general corporate purposes. Refer to Note 25 for details on the unused banking facilities.

The securitisation financing facilities in both Australia and New Zealand require the Group to contribute to credit enhancement. At 30 June 2018, this comprised 7.7% of the net pool balance of securitised leases for the New Zealand facility ($7.28m (NZ$7.94m)) and 6.7% of the net pool balances of securitised leases for the Australian facility ($9.0m).

(d) Foreign Exchange risk

The Group 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, CSG Technology Limited, settles purchases of equipment predominantly in US dollars. All committed purchases are fully hedged using forward contracts or option contracts to buy US$ / sell NZ$ to protect from exchange rate movements between the shipping date and settlement. Forecast highly probable but not yet committed purchases may also be hedged using forward contracts or option contracts. Foreign exchange hedge contracts generally have maturities of less than one year and are designated as cash flow hedges.

As at 30 June 2018, a total of US$1.6m (2017: US$5.5m) of forward cover was in place with an average NZ$/US$ rate of 0.6742 (2017: 0.7083). Also, as at 30 June 2018, there was a total of NZ$3.245m of forward cover AU$ in place at an average floor and cap of 0.90 – 0.9301 (2017: no forward cover in place).

Financial Instruments	Floating Interest Rate 1 year or less		Floating Interest Rate 1 - 5 years		Fixed Interest Rate Maturing in: 1 year or less		Fixed Interest Rate Maturing in: 1 - 5 years		Non-Interest Bearing		Total Carrying Amount per Balance Sheet		Weighted Average Effective Interest Rate	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 %	2017 %
(i) Financial Assets														
Cash and Cash Equivalents	14,192	20,338							2	16	14,194	20,354	1.39%	1.61%
Trade Receivables									36,828	28,786	36,828	28,786		
Finance Lease Receivables					81,029	96,513	161,215	169,776			242,244	266,288	9.82%	9.98%
Derivatives														
Sundry Debtors									6,569	8,297	6,569	8,297		
Total Financial Assets	14,192	20,338			81,029	96,513	161,215	169,776	43,399	37,099	295,835	323,725		
(ii) Financial Liabilities														
Trade Payables									23,602	24,263	23,602	24,263		
Other Payables and deferred income									29,797	27,265	29,797	27,265		
Debt Associated with Finance Leases							212,998	225,355			212,998	6,472	4.09%	3.71%
Derivatives - interest rate swaps							1,295	1,474			1,295	1,474	2.57%	2.69%
Derivatives - Foreign currency options									12	247	12	247		
Current Tax Liability									991	2,207	991	2,207		
Term Debt/Bills Payable			45,881	42,117	2,421	889					48,302	43,509	3.75%	3.74%
Total Financial Liabilities			45,881	42,117	2,421	889	214,293	226,829	54,402	53,982	316,997	105,437		

NOTE 7:
REVENUE AND OTHER INCOME

	Consolidated entity	
	2018	2017
	$'000	$'000
Revenues from continuing operations		
Sales revenue		
Revenue from sale of goods	89,651	106,641
Revenue from services	104,939	103,787
	194,590	210,428
Other income		
Sundry	4,263	6,622
Interest rate swap income	53	176
Gain on foreign exchange	308	196
	4,624	6,994

NOTE 8:

Expenses

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

	Consolidated entity	
	2018	2017
	$'000	$'000
Cost of sales		
Cost of goods	55,992	59,754
Inventory write down in relation to the business restructure(ii)	7,482	-
Onerous contracts in relation to the business restructure(ii)	8,778	-
Cost of sales - service	47,530	40,567
Cost of sales - service (employee benefits)	18,939	19,341
Total cost of sales	**138,721**	**119,662**
Other expenses		
Bad debts expense(i)	2,584	2,804
Derecognition of unrecoverable assets and other charges in relation to the business restructure(ii)(iii)	16,147	-
Redundancy costs relating to the business restructure(ii)	2,058	-
Other	68	236
Total other expenses	**20,857**	**3,040**
Depreciation and amortisation		
Plant and equipment	1,027	1,356
Leasehold improvements	148	129
Amortisation of customer contracts/relationships	3,836	3,773
Amortisation of intangible assets	1,692	1,592
Total depreciation and amortisation	**6,703**	**6,850**
Finance costs		
Interest	3,345	2,224
Bank fees	217	186
Amortisation of borrowing costs	264	250
Total finance costs	**3,826**	**2,660**

(i) Bad debt expense relating to the Finance segment totals $4,385,000; Business Solutions $947,000.

(ii) Relates to the Business Solutions segment

(iii) Due to the withdrawal from the Enterprise Solutions business, assets comprising deferred finance charges and non-trade receivables were written off. Additionally, provisions were raised for transition-out costs for contracts that are not expected to be renewed.

NOTE 9:
INCOME TAX

	Consolidated entity	
	2018	2017
	$'000	$'000
(a) Components of tax expense/benefit		
Current tax expense/benefit in respect of the current year	(7,380)	4,362
Deferred tax expense/benefit recognised in the current year[i]	(5,699)	(214)
Adjustments recognised in the current year in relation to the prior year	1,684	(2,515)
Total tax expense/(benefit)	**(11,395)**	**1,633**

[i] Origination and reversal of temporary differences

(b) Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	2018 $'000	2017 $'000
Profit/(loss) before tax from continuing operations	(161,524)	(42,082)
Prima facie income tax payable/benefit on profit before income tax at 30% (2017: 30%)	**(48,457)**	**(12,625)**
Add tax effect of:		
- other non-allowable items	2,871	1,432
- Impairment	34,265	16,500
- effect of different tax rates in other jurisdictions[ii]	380	(176)
- share-based payments	(199)	(354)
- over provision for income tax in prior years	101	(2,515)
	37,418	**14,887**
Less tax effect of:		
- other non-assessable items	(356)	(252)
- research and development benefit	-	(377)
	(356)	**(629)**
Income tax expense/(benefit) attributable to profit	**(11,395)**	**1,633**

[ii] The corporate tax rate in New Zealand is 28%.

(c) Deferred tax

Deferred tax relates to the following:

Deferred tax assets

The balance comprises:

	2018 $'000	2017 $'000
Inventories	2,459	997
Doubtful debts	2,668	781
Property, plant and equipment	183	281
Accrued expenses	2,056	1,088
Employee Entitlements	1,627	1,384
Other provisions	730	145
Research and development tax offsets	6,603	6,416
Tax losses carried forward	17,665	9,133
Share issue costs	137	205
Other	301	926
Total deferred tax assets	**34,429**	**21,247**

NOTE 9: INCOME TAX (cont.)

	Consolidated entity	
	2018 $'000	2017 $'000
Deferred tax liabilities		
The balance comprises:		
Intangibles	(3,806)	(4,373)
Property, plant and equipment	(3,854)	(3,254)
Leases	(20,201)	(19,629)
Other	(642)	(46)
Total deferred tax liabilities	(28,503)	(27,483)
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	67	63
Derivatives	305	(299)
Total	372	(236)
Net deferred tax assets/(liabilities)	6,298	(6,472)

NOTE 10:
DIVIDENDS ON ORDINARY SHARES

	Consolidated entity	
	2018 $'000	2017 $'000
a. Dividends paid during the year		
(i) Current Year Interim		
Unfranked dividends		
(2017: nil cents per share)	-	-
(ii) Prior Year Final		
Unfranked dividends (nil cents per share)		
(2017: 5 cents per share)	-	15,904
	-	15,904
b. Franking credit balance(i)		
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	1,730	1,730

(i) The ability to utilize the franking credits is dependent upon the ability to declare dividends.

NOTE 11:
CASH AND CASH EQUIVALENTS

	Consolidated entity	
	2018 $'000	2017 $'000
Cash at bank	6,241	11,944
Restricted cash(i)	7,951	8,378
Cash on hand	2	16
	14,194	20,338

(i) Restricted cash relates to cash the consolidated entity is required to have on hand under various financing arrangements - refer note 6.

NOTE 12:
RECEIVABLES

	Consolidated entity	
	2018	2017
	$'000	$'000
Trade receivables	36,828	28,786
Impairment provision	(5,319)	(1,316)
Sundry debtors	6,567	8,297
	38,076	**35,767**
Finance Lease receivables		
Gross receivable	285,006	311,222
Impairment provision	(3,699)	(1,337)
Unearned finance income	(39,063)	(43,597)
	242,244	**266,288**
Represented by:		
Current net receivable	81,029	96,513
Non-current net receivable	161,215	169,775
	242,244	**266,288**

NOTE 13:
INVENTORIES

	Consolidated entity	
	2018	2017
	$'000	$'000
Finished goods	12,333	24,657
Consumables	9,833	14,188
Toner in Field	26,545	26,965
	48,711	**65,810**

NOTE 14:
OTHER CURRENT ASSETS

	Consolidated entity	
	2018	2017
	$'000	$'000
Prepayments	3,429	4,251
Other	312	6,135
	3,741	10,386

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements $ '000	Plant & Equipment $ '000	Furniture & Fittings $ '000	Office Computer Equipment $ '000	Leased Plant & Equipment $ '000	Total $ '000
At 1 July 2016						
Cost	3,383	2,530	3,890	10,128	640	20,571
Accumulated depreciation	(2,879)	(1,662)	(3,556)	(9,252)	(640)	(17,989)
Net book amount	504	868	334	876	-	2,582
Year ended 30 June 2017						
Opening net book amount	504	868	334	876	-	2,582
Acquisitions through business combinations	21	17	122	386	2	548
Foreign exchange impact	(6)	210	(12)	(80)	-	112
Additions	634	196	498	424	-	1,752
Disposals	-	(110)	(1)	(2)	-	(113)
Depreciation charge	(129)	(255)	(345)	(756)	-	(1,485)
Closing net book amount	1,024	926	596	848	2	3,396
At 30 June 2017						
Cost	4,031	2,374	4,476	11,130	640	22,651
Accumulated depreciation	(3,007)	(1,448)	(3,880)	(10,282)	(638)	(19,255)
Net book amount	1,024	926	596	848	2	3,396
Year ended 30 June 2018						
Opening net book amount	1,024	926	596	848	2	3,396
Foreign exchange impact	(90)	(308)	31	260	-	(106)
Additions	401	111	203	378		1,093
Disposals	-	1	(43)	(8)	-	(50)
Depreciation charge	(147)	(220)	(218)	(589)	(1)	(1,175)
Closing net book amount	1,188	510	569	889	1	3,158
At 30 June 2018						
Cost	4,342	2,179	4,667	11,760	640	23,588
Accumulated depreciation	(3,154)	(1,668)	(4,098)	(10,871)	(639)	(20,430)
Net book amount	1,188	511	569	889	1	3,158

NOTE 16:
INTANGIBLE ASSETS

	Goodwill $'000	Customer Contracts/ Relationships $'000	Licenses and Other Intangibles $'000	Total $'000
Year ended 30 June 2017				
Opening net book amount	179,224	29,410	14,343	222,977
Acquisitions through business combinations	5,268	3,217	9	8,494
Acquisitions	-	-	4,790	4,790
Impairment	(55,000)	-	-	(55,000)
Foreign exchange impact	-	(14)	(31)	(45)
Amortisation for the year	-	(3,773)	(1,592)	(5,365)
Closing net book amount	**129,492**	**28,840**	**17,519**	**175,851**
At 30 June 2017				
Cost	129,492	47,774	21,416	198,683
Accumulated amortisation	-	(18,934)	(3,898)	(22,832)
Net book amount	**129,492**	**28,840**	**17,518**	**175,851**
Year ended 30 June 2018				
Opening net book amount	129,492	28,840	17,518	175,851
Adjustment to acquisition accounting through business combinations	(18)	-	-	(18)
Acquisitions	-	-	4,328	4,328
Impairment	(109,640)	(6,460)	-	(116,100)
Foreign exchange impact	-	(138)	(238)	(376)
Amortisation for the year	-	(3,836)	(1,692)	(5,528)
Closing net book amount	**19,834**	**18,406**	**19,916**	**58,156**
At 30 June 2018				
Cost	19,834	41,062	25,331	86,227
Accumulated amortisation	-	(22,656)	(5,415)	(28,071)
Net book amount	**19,834**	**18,406**	**19,916**	**58,156**

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	2018 $'000	2017 $'000
Business Solutions Australia	6,171	25,660
Enterprise Solutions Australia	-	7,028
Business Solutions New Zealand	-	50,262
Finance Solutions Australia	-	8,637
Finance Solutions New Zealand	-	24,385
CodeBlue	13,663	13,520
	19,834	**129,492**

INTANGIBLE ASSETS NOTE 16 (cont.)

	Terminal EBITDA Growth Rate		Discount Rate	
	2018	2017	2018	2017
Business Solutions Australia	2.50%	2.50%	10.44%	9.40%
Enterprise Solutions Australia	2.50%	2.50%	10.44%	9.40%
Business Solutions New Zealand	2.50%	2.50%	10.60%	10.45%
Finance Solutions Australia	2.50%	2.50%	10.44%	9.40%
Finance Solutions New Zealand	2.50%	2.50%	10.60%	9.50%
CodeBlue	2.50%	2.50%	10.60%	9.50%

Goodwill testing incorporated a five year forecast including the board approved FY19 budgets and growth rates. Historical growth rates were used and over the first five years were ranged from (10.7%) in the declining print businesses to 13.0% in the technology business. A rate of 2.50% was then used to calculate a terminal value. The discount rate applied was a post-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market and in the same currency as the cash flows. This was then adjusted for a premium to reflect both the increased risk of investing in the Company and equities generally along with the systemic risk of each specific CGU.

Following on from the prior financial year, business conditions across the traditional print units proved challenging. Pressure on volumes and margins was evident and certain CGUs underperformed to forecasted expectations. The value in use methodology calculation resulted in a deficiency of headroom within the Australian and New Zealand CGUs. This had a flow-on effect to the Finance entities in each region. As a result, management have impairedthe goodwill held within these CGUs from $25.7m to $6.2m in BSA, $7.0 to nil in ESA, $50.3m to nil in BSNZ, $8.6m to nil in Finance Solutions Australia, and $24.4m to nil in Finance Solutions New Zealand. Additionally, BSNZ had further negative headroom and an amount of $6.2m of customer contracts were impaired. Finance Australia also had negative headroom and an amount of $0.2m of customer contracts were impaired. This represents total impairment of $116.1m. Following the impairment losses, goodwill has been written down to nil in the CGUs other than BSA and CodeBlue. As the recoverable amount recognised is equal to the carrying value in BSA. If there is any adverse movement, in a key assumption this would lead to further impairment.

NOTE 17:
PAYABLES

	Consolidated entity	
	2018 $'000	2017 $'000
CURRENT		
Trade payables	23,602	24,263
Other payables	29,797	27,266
	53,399	51,529

NOTE 18:
DEFERRED CONSIDERATION

The Group has provided an amount of $5,141,000 to complete the acquisitions of CodeBlue, Printsync, and pcMedia. This payment is contingent on meeting certain targets. A further non-current deferred consideration of $214,000 has been recognised and contingent on certain targets being met. The payment of the above amounts are represented by both cash and CSG Ltd shares.

NOTE 19:
BORROWINGS

	Consolidated entity	
	2018	2017
	$'000	$'000
CURRENT		
Secured		
Loans and Borrowings	21	29
Other	2,400	860
	2,421	889
NON CURRENT		
Secured		
Loans and Borrowings	45,881	42,117
	45,881	42,117
Total Borrowings	48,302	43,006

NOTE 20:
DEBT ASSOCIATED WITH LEASE RECEIVABLES

	Consolidated entity	
	2018	2017
	$'000	$'000
NON-CURRENT		
Loans and borrowings	212,998	225,355
	212,998	225,355

NOTE 21:
DERIVATIVE LIABILITIES

	Consolidated entity	
	2018	2017
	$'000	$'000
NON-CURRENT		
Interest rate swaps	1,295	1,474
Foreign currency forward contracts	12	247
	1,307	1,721

Information about interest rate risk is detailed in Note 6.

NOTE 22:
PROVISIONS

	Consolidated entity	
	2018	2017
	$'000	$'000
CURRENT		
Employee Benefits	4,244	4,244
Restructure of ES business	2,328	-
Other	2,156	85
	8,728	4,329
NON-CURRENT		
Employee Benefits	448	313
	448	313

NOTE 23:
CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid (No. of shares):

2018	2017
213,425	205,727
213,425	205,727

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Movement in shares on issue

	2018		2017	
	No. of shares	$'000	No. of shares	$'000
Beginning of the financial year	320,872,439	205,727	319,076,671	207,623
Share buy-backs	-	-	(4,074,588)	(5,179)
Issued shares	21,735,618	8,730	5,118,676	2,757
Tax exempt share plan	-	-	751,680	526
Treasury shares	(4,000,000)	(1,032)	-	-
Balance at the end of the year	338,608,057	213,425	320,872,439	205,727

NOTE 23: CONTRIBUTED EQUITY (cont.)

(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.

(d) Performance Rights

Each performance right represents a right to receive one ordinary share subject to the satisfaction or waiver of the relevant vesting conditions. No consideration is payable by the participants for the grant of the Performance Rights and no consideration is to be paid on the exercise of the Performance Rights.

Performance Rights on issue at 30 June 2018:

Issued Date	Performance Hurdle Date	Opening 1 July 2017	Issued	Lapsed	Cancelled	Vested	Closing 30 June 2018
LTIP Issue 9	30-09-18	418,900	-	-	(418,900)	-	-
LTIP Issue 9	30-09-18	1,256,700	-	-	(1,256,700)	-	-
LTIP Issue 9	30-09-19	1,256,700	-	-	(1,256,700)	-	-
LTIP Issue 9	30-09-20	1,256,700	-	-	(1,256,700)	-	-
MAIP	01-07-17	1,555,637	-	-	-	(1,555,637)	-
LTIP Issue 10	18-08-2020	-	3,200,975	(572,161)	-	-	2,628,814
LTIP Issue 10	18-08-2021	-	3,200,975	(572,161)	-	-	2,628,814
LTIP Issue 10	18-08-2022	-	3,200,975	(572,161)	-	-	2,628,814
LTIP Issue 11	30-06-2019	-	1,666,666	-	-	-	1,666,666
LTIP Issue 11	30-06-2020	-	1,666,667	-	-	-	1,666,667
LTIP Issue 11	30-06-2021	-	1,666,667	-	-	-	1,666,667
Total		5,744,637	14,602,925	(1,716,483)	(4,189,000)	(1,555,637)	12,886,442

Performance Rights on issue at 30 June 2017:

Issued Date	Performance Hurdle Date	Opening 1 July 2016	Issued	Lapsed	Cancelled	Vested	Closing 30 June 2017
LTIP Issue 9	30-09-18	-	418,900	-	-	-	418,900
LTIP Issue 9	30-09-18	-	1,256,700	-	-	-	1,256,700
LTIP Issue 9	30-09-19	-	1,256,700	-	-	-	1,256,700
LTIP Issue 9	30-09-20	-	1,256,700	-	-	-	1,256,700
LTIP Issue 5 & 7	30-11-16	4,071,329	-	(133,333)	-	(3,937,996)	-
LTIP Issue 8	30-11-16	40,000	-	-	-	(40,000)	-
MAIP	01-07-17	1,555,637	-	-	-	-	1,555,637
Total		5,666,966	4,189,000	(133,333)	-	(3,977,996)	5,744,637

NOTE 23: CONTRIBUTED EQUITY (cont.)

Plan	Detail
LTIP 10	Executive and Senior Management were granted 9,602,925 Performance Rights in FY2018 under LTIP 10. The terms of the grant were:

	TSR Performance Hurdle	Vesting Date	Expiry Date
LTI Stage 1	$0.58	18/08/2020	28/09/2020
LTI Stage 2	$0.93	18/08/2021	28/09/2021
LTI Stage 3	$1.39	18/08/2022	28/09/2022

When calculating the TSR CAGR for a performance period, the CSG share price on the trading day following the release of the Company's relevant financial results will be deemed to be the 30-day volume weighted average sale price on the ASX of CSG shares commencing on that trading day plus any cash dividend paid.

If Stage 1 or Stage 2 performance rights do not vest at their initial testing date, they will not lapse and may vest if subsequent stages vests. If Stage 3 lapses due to failure to meet their TSR vesting condition, all unvested Stage 1 and Stage 2 rights will automatically lapse at the same time.

Rights that vest are subject to disposal restrictions. 100% of shares resulting from vesting of Stage 1 rights must not be disposed of until the 2nd trading day after the Company's FY2021 full-year results being released to the ASX. 50% of shares resulting from vesting and exercise from Stage 2 rights must not be disposed of until the 2nd trading day after the Company's FY2022 full-year results being released to the ASX. 25% of shares resulting from vesting and exercise of Stage 1 rights must not be disposed of until the 2nd trading day after the Company's FY2023 full-year results being released to the ASX.

Since issue, employees holding 1,716,483 rights left the Group and these rights have lapsed.

Plan	Detail
LTIP 11	The Executive Chairman was granted 5,000,000 Performance Rights in FY2018 under LTIP 11. The terms of the grant were:

	Share price hurdle	Vesting Date	Expiry Date
LTI Stage 1	$0.40	N/A[1]	30/06/2023
LTI Stage 2	$0.45	N/A[1]	30/06/2023
LTI Stage 3	$0.50	N/A[1]	30/06/2023

[1]The performance period for all performance rights under LTIP 11 is from 27 June 2018 to 30 June 2023. [1]The rights vest on any day the vesting conditions are achieved within the performance period. If Stage 1 is completed prior to 30 June 2019, the shares issued remain in escrow until 30 June 2019. If Stage 2 is completed prior to 30 June 2020, the shares issued remain in escrow until 30 June 2020. If Stage 3 is completed prior to 30 June 2021, the shares issued remain in escrow until 30 June 2021.

	Notes	Consolidated entity 2018 $'000	2017 $'000
NOTE 24: RESERVES AND RETAINED EARNINGS			
Share-based payment reserve	24(a)	555	2,090
Foreign currency translation reserve	24(b)	4,287	6,244
Cash flow hedge reserve	24(c)	(1,338)	(1,352)
		3,504	6,982
Retained earnings	24(d)	(149,380)	902

(a) Share-based payment reserve

(i) Nature and purpose of reserve

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

(ii) Movements in reserve

	2018 $'000	2017 $'000
Balance at beginning of year	2,090	2,630
Equity settled transactions	(1,535)	(540)
Balance at end of year	555	2,090

(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

	2018 $'000	2017 $'000
Balance at beginning of year	6,244	6,414
Exchange differences on translation of foreign operations	(1,957)	(170)
Balance at end of year	4,287	6,244

(c) Cash flow hedge reserve

(i) Nature and purpose of reserve

This reserve is used to record the effective portion of changes in the value of hedging derivatives.

(i) Movements in reserve

	2018 $'000	2017 $'000
Balance at beginning of year	(1,352)	(3,139)
Net gains/(losses) taken to equity	(406)	1,820
Net gains/(losses) transferred to profit and loss	420	(33)
Balance at end of year	(1,338)	(1,352)

(d) Retained Earnings

	Notes	2018 $'000	2017 $'000
Balance at beginning of year		902	61,219
Net profit attributable to members		(150,282)	(44,413)
Total available for appropriation		(149,380)	16,806
Dividends paid	10	-	(15,904)
Balance at end of year		(149,380)	902

NOTE 25:

CASH FLOW INFORMATION

	Consolidated entity	
	2018 $'000	2017 $'000
a. Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) from ordinary activities after income tax	(150,130)	(43,715)
Non-cash items		
Deferred consideration unwind	310	220
Amortisation of intangibles	5,528	5,615
Impairment of goodwill	116,100	55,000
Depreciation of property, plant & equipment	1,175	1,484
Share-based transactions	368	1,884
Cash flow hedge	20	(3,048)
	123,501	61,155
(Increase)/decrease in assets		
Receivables	2,995	(1,845)
Prepayments	1,337	(900)
Inventories	17,098	(15,697)
Deferred tax assets	(16,896)	(5,168)
Lease receivables	20,005	(5,398)
Increase/(decrease) in liabilities	-	
Payables	1,925	4,398
Provisions	4,548	88
Deferred tax liabilities	4,126	2,308
Tax provisions	(1,229)	1,946
Net cash from operating activities	7,280	(2,828)
b. Reconciliation of cash		
Cash balance comprises:		
Restricted cash	7,951	8,378
Non-restricted cash	6,243	11,960
Cash at bank	14,194	20,338
c. Credit stand-by arrangements and loan facilities		
Facilities		
Multi-function facility (i)	60,000	60,000
Securitisation and lease finance facilities - NZ (ii)	100,892	109,526
Securitisation and lease finance facilities - Australia (iii), (iv)	165,000	210,000
	325,892	379,526
Facilities Used		
Multi-function facility	50,302	42,028
Securitisation and lease finance facilities - NZ	79,918	93,333
Securitisation and lease finance facilities - Australia	125,866	132,022
	256,086	267,383
Facilities Unused		
Multi-function facility	9,698	17,972
Securitisation and lease finance facilities - NZ	20,974	16,193
Securitisation and lease finance facilities - Australia	39,134	77,978
	69,806	112,143

NOTE 25: CASH FLOW INFORMATION (cont.)

(i) On 15 November 2017, the Company amended the three year multi-option facility, increasing the limit to $70m with the CBA (Australian Senior Debt Facility) between a $35m Multi-Option Facility and a $35m Amortising Term Cash Advance Facility which begins to be repaid on 30 June 2018 in accordance with a repayment schedule. 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, but excluding CSG Finance Group and subsidiaries with a shareholding less than 100%. The multi-function facility includes an amount of $1.5m in relation to various guarantees and security deposits provided by the bank on behalf of the Company. This facility matures on 10 October 2019. On 29 June 2018 a repayment of $10m was made reducing the Amortising Term Cash Advance Facility. During the year, the Group breached certain requirements of its Australian Senior Debt Facility. A waiver was sought ahead of the financial impact of the business restructure. Without this waiver, certain covenants with respect to this facility would have been breached at 30 June 2018.

(ii) The Group's Westpac Banking Corporation New Zealand funding facility, securitised by finance lease receivables ("New Zealand Securitisation Facility"), matures on 15 April 2021. The facility limit is NZ$110m.

(iii) The Group's Westpac Banking Corporation Australia funding facility ("Class A Financier") securitised by finance lease receivables, matures on 20 April 2021. The facility limit is $135m.

(iv) The Group's IFM Australia funding facility ("Class AB Financiers") securitised by finance lease receivables, matures on 20 April 2021. The facility limit is $30m. Together the Class A Financier and Class AB Financiers make up the Australian Securitisation Facility ("Australian Securitisation Facility").

NOTE 26:
LEASE COMMITMENTS

Lease expenditure commitments

	Consolidated entity	
	2018	2017
	$'000	$'000
Operating Leases (non-cancellable)		
i. Operating leases relate to the lease of land, buildings, vehicles 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	6,792	6,658
Later than one year but not later than five years	9,083	10,776
Later than five years	1,808	3,516
	17,683	20,950

NOTE 27:
RELATED PARTY DISCLOSURES

(a) The key management personnel compensation comprised:

	Consolidated entity	
	2018 $	2017 $
Short Term Employee Benefits	1,403,313	2,885,628
Post-Employment Benefits	68,150	131,761
Termination Benefits	-	187,508
Other long term benefits	250,914	416,010
	1,722,377	3,621,907

(b) Individual directors and executives compensation disclosures

Apart from the details disclosed in this report, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

(c) Transactions with Key Management Personnel

During the financial year, the companies in the Group entered into agreements in respect of the purchase of print and technology products and services on normal commercial terms and conditions with related entities of the Directors.

During the financial year, the Group was a supplier to the Commonwealth Games located at the Gold Coast, Queensland. Support staff were required to be located on-site at a time when accommodation was difficult to attain. Julie-Ann Kerin entered into an agreement with the Group, on an arm's length basis, for the use of her property during this period. As such, $13,500 in rent was paid to Ms Kerin.

(d) Group Entities

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

	Former Name	Country of Incorporation	Ownership Interest	
Parent Entity			2018 %	2017 %
CSG Limited		Australia		
Subsidiaries of CSG Limited				
CSG Business Solutions (AUS) Pty Ltd(i)	CSG Communications Pty Ltd	Australia	100	100
CSG Finance Pty Ltd(i)		Australia	100	100

RELATED PARTY DISCLOSURES cont.	Former Name	Country of Incorporation	Ownership Interest 2018 %	2017 %
CSG Print Services NZ Limited(iii)		New Zealand	100	100
CSG Enterprise Solutions Pty Ltd(i)	CSG Enterprise Print Solutions Pty Ltd	Australia	100	100
Subsidiaries of CSG Business Solutions (AUS) Pty Ltd:				
CSG Services Pty Ltd(i)	Connected Solutions Group Pty Ltd CSG Business Soloutions (NT) Pty Ltd	Australia	100	100
CSG Print Services Pty Ltd(i)		Australia	100	100
CSG Business Solutions (Sunshine Coast) Pty Ltd (i)	Sunshine Coast Office Equipment Pty Ltd	Australia	100	100
CSG Business Solutions (South Queensland) Pty Ltd (i)	Haloid Holdings Pty Ltd	Australia	100	100
CSG Business Solutions (North Queensland) Pty Ltd (i)	Seeakay Pty Ltd	Australia	100	100
CSG Business Solutions (WA) Pty Ltd (i)	Edgeview Enterprises Pty Ltd	Australia	100	100
Subsidiaries of CSG Enterprise Print Solutions Pty Ltd:				
CSG Enterprise Solutions (Singapore) Pte. Ltd		Singapore	100	100
Subsidiaries of CSG Finance Pty Ltd:				
Valedus Group Pty Ltd		Australia	100	
CSG Finance (NZ) Limited (iii)	Leasing Solutions Limited	New Zealand	100	100
CSG Finance Australia Pty Ltd (i)		Australia	100	100
Subsidiaries of CSG Finance Australia Pty Ltd:				
CSG Finance Group Receivables Pty Ltd (i)		Australia	100	100
CSG Finance Australia Trust		Australia	100	100

RELATED PARTY DISCLOSURES cont.	Former Name	Country of Incorporation	Ownership Interest (%) 2018	2017
Subsidiaries of CSG Print Services NZ Limited:				
CSG Business Solutions Limited (iii)	CSG Management Services Limited	New Zealand	100	100
CSG Technology Limited	Konica Minolta Business Solutions New Zealand Limited	New Zealand	90	90
Ubix Business Solutions Limited (iii)		New Zealand	100	100
pcMedia Technologies Limited		New Zealand	100	100
CodeBlue Limited		New Zealand	100	100
Subsidiaries of CodeBlue Limited:				
CodeBlue Christchurch Limited		New Zealand	100	100
Work IT Solutions Limited		New Zealand	100	100
IT Synergy Limited		New Zealand	100	100
CodeBlue Wellington Limited		New Zealand	100	100
Subsidiaries of CSG Finance (NZ) Limited:	Leasing Solutions Limited			
CSG Finance (NZ Facility 2) Limited (iii)	Onesource Finance Limited	New Zealand	100	100
CSG Finance (NZ Warehouse) Limited(iii)	Solutions Group Receivables Limited	New Zealand	100	100
CSG Finance New Zealand Trust		New Zealand	100	100
Subsidiaries of Valedus Group Pty Ltd				
R&G Technologies Pty Ltd		Australia	100	100
Client Heartbeat Pty Ltd		Australia	100	100

(i) CSG Limited and its Australian subsidiaries are part of a tax consolidated group.

(ii) Form part of a NZ tax consolidated group.

NOTE 28:

DEED OF CROSS GUARANTEE

CSG Limited and its Australian wholly owned subsidiaries (excluding CSG Finance Entities) are parties to a Deed of Cross Guarantee under which each company guarantees the debts of others.

During the current reporting period, the legal entities of the R&G Technologies and PrintSync businesses were acquired and were added to the Deed of Cross Guarantee.

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 ASIC Corporations (wholly-owned companies) Instrument 2016/785.

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 Corporations (wholly-owned companies) Instrument 2016/785 and the Corporations 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:

	Consolidated entity	
	2018	2017
	$'000	$'000
Income Statement		
Revenue and income	114,370	117,327
Operating expenses	(174,406)	(153,053)
Loss before income tax expense	(60,036)	(35,726)
Income tax benefit	11,587	4,382
Net loss	(48,449)	(31,344)
Statement of Other Comprehensive Income and Retained Earnings		
Profit/(loss) for the period	(48,449)	(31,344)
Other comprehensive income	-	-
Total comprehensive income for the period	(48,449)	(31,344)
Retained profits at the beginning of the year	(1,063)	45,736
Retained earnings adjustment	-	449
Dividends distributed	-	(15,904)
Retained profits at the end of the year	**(49,512)**	**(1,063)**

DEED OF CROSS GUARANTEE NOTE 28 (cont.)

	Consolidated Entity	
	2018	2017
	$'000	$'000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	-	1,390
Receivables	25,738	30,902
Inventories	26,161	31,686
Current tax receivable	211	231
Other	14,885	5,832
Total current assets	**66,995**	**70,041**
Non-current assets		
Property, plant and equipment	2,035	2,449
Deferred tax asset	13,879	2,420
Intangible assets	42,938	79,072
Investment in subsidiaries	130,183	130,183
Total non-current assets	**189,035**	**214,124**
Total assets	**256,030**	**284,165**
Current liabilities		
Overdrafts	2,554	-
Payables	33,498	30,705
Deferred income	366	165
Deferred consideration	-	1,365
Short term borrowings	48,294	43,032
Provisions	6,674	2,974
Total current liabilities	**91,386**	**78,241**
Non-current liabilities		
Provisions	448	313
Long term borrowings	8	458
Total non-current liabilities	**456**	**771**
Total liabilities	**91,842**	**79,012**
Net assets	**164,188**	**205,153**
Equity		
Contributed equity	213,426	205,728
Reserves	274	488
Retained earnings	(49,512)	(1,063)
Total equity	**164,188**	**205,153**

NOTE 29:
EARNINGS PER SHARE

	Consolidated entity	
	2018	2017
	$'000	$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Profit /(loss)	(150,129)	(43,715)
Weighted average number of ordinary shares used in calculating basic earnings per share	329,995,450	318,708,450
Calculated basic earnings per share (cents)	(45.5)	(13.7)
Effect of diluted securities:		
Effects of Performance Rights and options issued	7,884,590	6,036,445
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	337,880,040	324,744,895
Calculated diluted earnings per share (cents)	(45.5)	(13.7)

NOTE 30:
AUDITORS REMUNERATION

	Consolidated entity	
	2018	2017
	$	$
Audit and review services (excl. disbursements)		
Auditors of the Company - KPMG		
Audit and review of financial statements	465,872	466,938
Other regulatory audit services	-	-
	465,872	466,938
Other services (excl. disbursements)		
Auditors of the Company - KPMG		
In relation to other assurance, taxation and due diligence services	-	160,502
	-	160,502

NOTE 31:
SEGMENT INFORMATION

a) Description of Segments

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

1. Business Solutions

   CSG Business Solutions provides the sale, support, service and financing of print and business technology equipment to customers across Australia and New Zealand. CSG Enterprise Solutions provides managed service based print and technology solutions for Tier 1 enterprise, education and government customers also in Australia and New Zealand. CSG Enterprise Solutions has not been identified as a separate division within Business Solutions, as the business will no longer compete in this segment.

   Management has determined that the Australian and New Zealand businesses are separate operating segments but due to their similarity in terms of product and service offerings in addition to the methods used to distribute products across both geographies these business units will be aggregated for the purposes of segment reporting.

2. Finance Solutions

   CSG Finance Solutions is a specialist service provider of lease and rental products for business technology assets sold and serviced by CSG in both Australia and New Zealand.

3. Other

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

b) Segment Information

	Business Solutions $'000	Finance $'000	Other $'000	Eliminations $'000	Total $'000
2018					
Segment revenue					
External segment revenue	211,259	13,980	463	-	225,702
Inter-segment revenue	1,587	-	-	(1,587)	-
Total	**212,846**	**13,980**	**463**	**(1,587)**	**225,702**
Segment result					
Interest income	97	-	2	-	99
Interest expense	(10)	547	(4,053)	(310)	(3,826)
Depreciation and amortisation	(3,753)	(325)	(2,625)	-	**(6,703)**
Impairment of intangible assets	(115,025)	(1,075)	-	-	**(116,100)**
Total segment profit/(loss) before income tax	(67,866)	4,791	(23,372)	(75,077)	**(161,524)**
Total segment assets(i)	**69,229**	**220,393**	**125,083**	**(127)**	**414,578**
Total segment liabilities(i)	**58,400**	**216,925**	**51,491**	**5,354**	**332,170**

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

	Business Solutions $'000	Finance $'000	Other $'000	Eliminations $'000	Total $'000
2017					
Segment revenue					
External segment revenue	216,789	27,090	641	-	244,520
Inter-segment revenue	317	-	220	(537)	-
Total	**217,106**	**27,090**	**861**	**(537)**	**244,520**
Segment result					
Interest revenue	45	-	6	-	51
Interest expense	(228)	649	(2,867)	(214)	(2,660)
Depreciation & amortization	(4,722)	(392)	(2,553)	817	**(6,850)**
Impairment of goodwill	(17,182)	-	(37,818)	-	**(55,000)**
Total segment profit/(loss) before income tax	(5,127)	8,715	(46,048)	378	**(42,082)**
Total segment assets(i)	**328,813**	**315,604**	**26,425**	**(92,505)**	**578,337**
Total segment liabilities(i)	**68,404**	**236,765**	**31,829**	**12,521**	**349,519**

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	Australia $'000	New Zealand $'000	Eliminations $'000	Total $'000
2018				
Revenue	112,363	114,926	(1,587)	225,702
Assets	217,347	197,359	(128)	414,578
2017				
Revenue	126,354	118,703	(537)	244,520
Assets	371,097	299,245	(92,505)	577,837

NOTE 32: SUBSEQUENT EVENTS

On 21 August 2018, CSG announced a fully underwritten equity raising of approximately $18 million through a 1 for 3.52 pro rata non-renounceable entitlement offer. Net proceeds of approximately $17.0 million will be used to repay corporate debt ($10 million), payment of acquisition earn-outs ($2.0 million), restructuring costs in relation to Enterprise Solutions business ($2.0 to $2.5 million) and working capital ($3.0 million). Assuming successful completion of the capital raising, the pro forma corporate debt balance as at 30 June 2018 is $38.3 million and the pro forma cash balance is $21.2 million (of which $8.0 million is restricted).

Subsequent to year-end, the Group varied the corporate debt facility which will require the reduction and cancellation of $10m together with revised covenant arrangements. The Group's forecast indicates that the Group will comply with all covenants of the new facility through to its maturity in October 2019. Details of the existing facility are in Note 25 (i). The Group has commenced implementation of a major restructure of the Australian and New Zealand businesses within sales, service and operations, is being undertaken. The Company is also undertaking cost-out initiatives to simplify its operational structure and distribution costs, and continue realising cost synergies through the integration of recent acquisitions.

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Consolidated Financial Statements which has a significant affect on the operation of the Group.

NOTE 33: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2018, the parent company of the consolidated entity was CSG Limited. A summary of the financial performance and financial position of the parent entity is detailed below:

	Parent Entity 2018 $'000	2017 $'000
Result of the parent entity		
Profit/(loss) for the year	(2,598)	1,950
Total profit/(loss) and other comprehensive income for the year	(2,598)	1,950
Financial position of parent entity at year end		
Current assets	82,917	70,024
Total assets	264,756	251,410
Current liabilities	51,492	44,650
Total liabilities	51,492	44,746
Total equity of the parent entity comprising of:		
Issued capital	213,426	205,727
Reserves	188	(1,312)
Retained earnings	(349)	2,249
Total equity	213,265	206,664

NOTE 34: CONTINGENT LIABILITIES

There were no contingent liabilities recorded at reporting date.

Directors' Declaration

CSG LIMITED AND CONTROLLED ENTITIES

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 26 to 68 and the Remuneration Report in sections 6 to 14 in the Directors' Reports are in accordance with the Corporations Act 2001:

(a) comply with Australian 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 2018 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.

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

There are reasonable grounds to believe that the Company and group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785.

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 2018.

The Directors draw attention to Note 2 to the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Julie-Ann Kerin
Director

Sydney
21 August 2018

KPMG

Independent Auditor's Report

To the shareholders of CSG Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of CSG Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 30 June 2018;
- Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we have identified are:

- Group funding and liquidity
- Revenue recognition
- Valuation of goodwill and customer contracts/relationships intangible assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group funding and liquidity

Refer to Notes 2 and 32 to the Financial Report

The key audit matter	How the matter was addressed in our audit

The Group's use of the going concern basis of accounting is a key audit matter due to the judgement required by us in evaluating the Group's assessment of going concern and the events or conditions considered by the Group in determining its ability to continue as a going concern. These are outlined in Notes 2 and 32.
 	
The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on:
 	
• Renegotiated corporate debt facility with revised covenant requirements;
 	
• Fully underwritten rights issue, launched on 21 August 2018; and
 	
• Cash flow projections which forecast the business will be cash positive and comply with covenant requirements.
 	
The preparation of these projections incorporated a number of assumptions and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to
	Our procedures included:
	
	• We analysed the cash flow projections included in the Group's forecast by:
	
	  • Evaluating the underlying data used to generate the projections. We specifically looked for their consistency, with cash flow forecasts used by the Directors, and tested by us, in the Valuation of goodwill and customer contracts/relationships intangible assets key audit matter, their consistency with the Group's operational plans, as outlined in Directors minutes and strategy documents, and their comparability to past practices;
	
	  • Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to pay debts as and when they fall due, meet revised covenants and continue as a going concern. The specific areas we focused on were informed from the results of our testing of the accuracy of previous Group cash

continue as a going concern. We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on events and circumstances that could influence the Group's ability to achieve its forecast performance such as : • The risks associated with the execution of the Group's strategy, including initiatives to reduce costs, optimise working capital and increase sales and its ability to manage cash within available funding limits and covenants; • The risks attributable to the external market that could impact the Group's cash inflows and planned levels of operational expenditure; • The terms of the renegotiated corporate debt facility and the Group's ability to meet covenant requirements; and • The timing and quantum of the fully underwritten rights issue. In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.	flow projections and sensitivity analysis on key cash flow projection assumptions; • Assessing the planned levels of operating expenditures for consistency of relationships and trends to the Group's historical results, particularly in light of the plans to move away from Enterprise IT in Australia, results since year end, and our understanding of the business, industry and economic conditions of the Group; and • Considered the sensitivity of the Group's ability to comply with debt covenants to underperformance relative to forecast cash flows. • We read the amendments to the corporate debt facility, including principal repayments, covenants and other conditions, and checked for consistency to the Group's forecasts; • We read the terms of the rights issue, announced on 21 August 2018, and the associated underwriting agreement to evaluate the amount and timing of additional funds included in the Group's forecast; and • We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, and accounting standard requirements.

Revenue recognition ($89.7m revenue from sale of goods)	
Refer to Note 7 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Revenue recognition in relation to equipment sales is a key audit matter due to the: • Significant audit effort required by us to address the unique circumstances of	Our procedures included: • We assessed the Group's revenue recognition policy against the requirements of the *Australian Accounting Standards*.

KPMG

individualized contract arrangements the Group enters into; • Complexities associated with unbundling single service contracts with a customer for multiple services, driving potentially different revenue recognition outcomes. Equipment sales are often combined with ongoing servicing programs and financing arrangements under a single contract which form a multiple element arrangement for accounting purposes. • Significance of the Group's judgments relating to the point in time at which revenue is recorded, in particular those relating to transfer of risks and rewards criteria in the accounting standards. We focused on these sales as a key audit matter due to these conditions leading to increased risk of incorrect revenue recognition.	• We tested a sample of sales transactions as to their revenue recognition. We did this by: • We read the terms and conditions of the customer contract and identified the features distinguishing the revenue elements; • We compared these against the criteria in the accounting standards; and • For equipment sales, we considered the transfer of risks and rewards against our understanding of the contracts and the criteria of the accounting standards to evaluate the timing by which revenue was recognized. • We tested a sample of equipment sales transactions pre and post year end. We focused on high dollar value sales. We read the terms and conditions of sale. We assessed these features to the criteria in the accounting standards for transfer of risks and rewards and the impact to revenue recognition in the current financial year or the next financial year.
Valuation of goodwill and customer contracts/relationships intangible assets ($38.2m)	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter was the Group's annual testing for goodwill and customer contracts/relationship intangible assets for impairment. The risk associated with these assets was raised given several issues and therefore drove additional audit attention. These included: • Recognised impairment losses in previous years; • Recognition of an impairment charge of $116,100,000 against goodwill and customer contracts/relationships in the current period across the following CGUs: • Business Solutions Australia; • Enterprise Solutions Australia; • Business Solutions New Zealand; • Finance Solutions Australia; and • Finance Solutions New Zealand.	Working with our valuation specialists, our procedures included: • We considered the value in use method applied by the Group against the requirements of the accounting standards; • We assessed the integrity of the value in use models used, including accuracy of the underlying formulas; • We compared the forecast cash flows contained in the value in use models to Board approved forecasts; • We challenged the Group's key assumptions, including those relating to forecast cash flows, discount rates, and growth rates by comparing to external data, such as group forecasts of entities considered peers, as well as our assessments based on industry experience and knowledge of the Group. We specifically

- Withdrawal from the Enterprise Solutions market sector; and
- Deterioration in the operating results of the other CGUs and forecast cash flows.

The Group operates in highly competitive market sectors which are impacted by factors such as evolution in on-line, digital and document management technology, innovation and change programs and capital investment programs. These circumstances create uncertainties which impact the Group's assumptions such as growth rates, the probability and timing of sales, lease renewal rates, and discount rates.

Further, the Group uses value in use models to perform their annual testing of goodwill and other intangible assets for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Modelling which use forward looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

We focused on the significant forward-looking assumptions the Group applied in their value in use models, in light of the conditions above, including:

- Forecast cash flows – there is a significant level of judgement applied by the Group to forecast cash flows;
- Forecast growth rates and terminal growth rates; and
- Discount rates - these are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time, and the models' approach to incorporating risks into the cash flows or discount rates.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

assessed the impact to cash flow forecasts of the withdrawal from the Enterprise Solutions market sector for its impact and consistency with our knowledge;

- We assessed the historical accuracy of forecasting of the Group by comparing actual past performance against previous forecasts and assumptions. We used this to inform our focus of further testing on forecasts;
- We considered the sensitivity of the models by varying key assumptions such as the discount rate and growth rate assumptions, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. We also performed break-even analysis on these assumptions to inform our procedures to identify bias;
- We assessed the impact of industry-wide disruption and transformation changes, such as technology on the Group's key assumptions, for indicators of bias and inconsistent application, using our industry knowledge;
- We recalculated the impairment charge against the recorded amount disclosed;
- We compared the cumulative carrying value of the Group's CGUs after the impairment charge to the market capitalization of the Group; and
- We assessed the disclosures in the financial report against the requirements of the accounting standards and our knowledge of the Group.

Other Information

Other Information is financial and non-financial information in CSG Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, including the Remuneration Report. The Message from the Chairman, Managing Director's Report, Our Board, Our Executive Team, Corporate Governance Statement, Shareholding Information, Investor Relations and Corporate Directory are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of CSG Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in Sections 6 to 14 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

James Dent

Partner

Melbourne

21 August 2018