Business Technology Made Easy

Annual Report 2019

Contents

Our Vision

We aspire to be the business technology leader that attracts and retains the best customers, talent and partners!

CSG 2021

Our Mission

Helping people do what they love

Defend Print

Expand Technology

Extend through new solutions

Customer 1st

Innovate

All in

Own it

Straight up

Our Culture Champions

CSG's Culture Champions are the selected CSG colleagues that are driving our cultural transformation program; a key element of CSG 2021. The Culture Champions help us all live by and communicate CSG's values and undertake numerous initiatives to help our people do what they love.

"This is a great way to use my experience to allow us to grow and attract incredible new staff and customers."

Scott Lia
Senior Solutions Architect
9 years with CSG

"Being a Champion is wanting people to have a great work environment that makes them excited to come into the office every day."

Kaylee Dao
Resource Co-ordinator
1 year with CSG

"The organisation is improving every day and the feeling that everyone is 'All In' to see the transformation through is evident."

Richard Summerscales
Group Sales Manager
4 years with CSG

"I have been given the opportunity to change the environment in a company I am very passionate about. I want the company to be a healthy, happy, thriving business that everyone wants to be part of."

Linda Brislen
Branch Administrator
32 years with CSG

"The quality of people is what makes this company special and I believe the future of this company is very bright."

Sue-Anne Coelli
Finance Manager
5 years with CSG

"Contributing to something greater than just my role, being an advocate for change and really creating a united team. It's all about being 'All In'."

Wayne Howard
Business Development Manager
1 year with CSG

Customer Story:

Melbourne Football Club

A custom IT solution that's kicking goals

The Melbourne Football Club was founded in 1858 and is widely considered to be the world's oldest sporting club.

Today it also uses some of the latest in Managed IT solutions to help with reviewing game day footage.

Previously the club had challenges storing some 200+ hours per week of high definition video, used for post-game analysis. The video couldn't be compressed and quality compromised which meant MFC essentially had enterprise level storage requirements without enterprise level budgets.

CSG helped to scope, implement and deliver a robust server storage solution that was hardware and cloud platform agnostic. This has dramatically sped up the whole review process, saving time and increasing stakeholder satisfaction around the club.

Coming on board as a Major Partner sponsor of the club in 2017, CSG is involved with Melbourne's AFL and AFLW teams, having seen the club progress to the preliminary final in 2018.

Together with the successful implementation of this solution, CSG also provides a Managed Print solution, including laptops and docking stations for the club.

Customer benefits

Custom IT solution has solved large storage issues, improving efficiency dramatically

MFC IT and coaching have drastically sped up match day review process with stakeholders

CSG also provides Managed Print and IT hardware solutions as part of overall business technology package

Showcasing a sporting icon

Puma, one of the world's most iconic sportswear brands, wanted to enhance the instore customer experience of their flagship Sydney store.

With display hardware already in place, CSG stepped in to help with a content management system that could troubleshoot any compatibility problems and integrate content seamlessly from PUMA's international teams.

CSG's Digital Display Team helped to manually deploy content to the media player for the display screens, while awaiting PUMA's IT department to complete connection to the company servers based in Germany. This gave PUMA the capability to remotely deploy and publish content immediately, meaning they could control and manage the content appearing at all times.

Customer benefits

Capability to remotely deploy and publish content

Manage display screen content at any time

Helps to drive engagement and retail traffic

Customer Story: PUMA

Customer Story:

Help Enterprises

IT strategy to support business goals and mission

HELP Enterprises is a not-for-profit that operates a range of social enterprise businesses throughout Queensland. Through these businesses they're able to provide employment opportunities, support and services for people with disability.

With an ever-growing business, the small IT solution in place wasn't keeping up with HELP's expansion. Their local server model was reliant on head office and their provider was unable to scale to their IT needs – causing delays in issues being resolved and lost productivity due to poor system performance.

HELP reached out to CSG for a solution that could scale with their growing business. By talking through their business objectives and goals, we were able to provide a three-year IT strategy that would provide significant costs and productivity savings. This involved transitioning the organisation to a cloud-based solution, providing IT services support, and ensuring their IT strategy aligned and supported their business objectives over the next three years.

Customer benefits

Reduced costs

Improved IT support response time

Improved disaster recovery capabilities

More efficient IT environment

Project management made easy

SSKB is an Australian body corporate and community management company, providing a wide range of strata related services for lot owners.

With tight timeframes on a number of projects, SSKB needed a provider which was not only an IT expert but could also manage the design and implementation of a number of Managed IT projects. SSKB also needed a solution that could work across numerous technologies, including Citrix Presentation Server/XenApp, Veritas Cluster Server and IBM SAN solutions.

Working directly with the SSKB team, CSG was able to manage the end-to-end delivery of these projects – from scoping and design to implementation – as well as ensuring a handover to the internal IT team upon completion.

Together several new projects were implemented to suit SSKB's business requirements, including a disaster recovery and business continuity solution. CSG was also able to assist in training the internal IT team on these new solutions, ensuring minimal impact to the business during the transition of duties.

Customer benefits

All projects delivered on-time and within budget

True partnership achieved between internal IT and outsourced IT provider

Ability to call upon technical expertise in specific technologies as needed

Flexible working relationship

Customer Story:

SSKB

Making a Statement

Everything you need. One monthly bill.

Managed IT and Cloud and Managed Print

Our partners

Rethink the copier and printer with **Managed Print** solutions precisely engineered for the modern office.

Unlock faster and smarter ways of working with Canon's range of multifunction printers and **Managed Print** solutions.

With our **Video Conferencing** solutions we can simplify video meetings, regardless of the device or technical capabilities.

Providing leading **Print and Software Solutions** to transform business environments.

Improve engagement with your team at every stage of communication with a **Cloud Telephony** solution.

Keep your business at the centre of attention with a **Digital and Interactive Display** solution.

Offering a comprehensive range of **Managed IT and Cloud** computing services.

Message from the Chairman and Managing Director

Bernie Campbell | Chairman

Mark Bayliss | Acting CEO and Managing Director

On behalf of your Board of Directors, we are pleased to present to you the 2019 Annual Report of CSG Limited (CSG).

Dear Shareholders,

FY19 has been a year of transformation for CSG. In response to some challenging periods, the Board and Management acted decisively to reposition the Company, refreshing the culture and operations with new initiatives providing a clear path back towards growth. Our team has worked hard throughout the year to execute on the Company's CSG 2021 strategic transformation program and growth strategy. We are pleased to say that FY19 has delivered a strong improvement in performance.

The transformation program has seen a significant cultural shift in the business, with a wide array of initiatives being rolled out, including:

— A revitalised leadership team, including Mark Bayliss becoming Acting CEO and Managing Director and Ashley Conn as our new CFO;
— A reinvigoration of the Company's overall mission, vision and values;
— A restructure of the business to focus on the SME market and our core segments: Print and Display, Technology and Finance;
— Further investment in our sales capabilities and technology offering;
— Cost improvements and inventory reduction of $7.7 million and $10 million respectively; and
— Full review of the Finance business, which has led to enhanced credit assessment processes and the identification of $2.6 million of one-off bad debts.

Following the leadership appointments made over FY19, we have greatly strengthened the experience and expertise of the business, and this is helping to drive the cultural change and improved financial results.

FY19 financial performance

Our financial performance reflected a return to growth as we implemented the CSG 2021 strategy. The market conditions have been challenging, however the business' performance over the year demonstrates the accomplishments that the strategic initiatives have achieved.

We are pleased to report that we grew our underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) by 71% on prior year to $17.1 million, and in doing so, met our market guidance. There has been a major focus on building sustainable and scalable growth, and this positions us well as we head into FY20.

In terms of CSG's financial position, we successfully completed a capital raising of $18 million in September 2018, which significantly strengthened the balance sheet and allowed the commencement of a number of strategic initiatives that will better support the Company over the medium to long term.

Technology as a subscription continues to gain momentum

The Company's strategic shift to the 'Technology as a Subscription' model is continuing to gain momentum. Subscription revenue grew by 17% in FY19, driven by growth from high value Managed IT seats, and the Company exited FY19 with monthly recurring revenue of $2.5 million, which was up 17% on prior year.

There continues to be ongoing investment in the Australian sales team which is impacting the earnings of the Technology division, but we are projecting improved profitability in FY20 and beyond.

Foundations in place for continued growth in FY20 and beyond

A significant amount of work has been undertaken throughout FY19, which positions CSG well heading into FY20. However, there is more work to do, and FY20 will be about consolidating the achievements of FY19 as well as implementing further initiatives to ensure we achieve our CSG 2021 goals.

On behalf of the Board and management team, we would like to thank our customers and suppliers for their continued support over FY19. In particular, we would like to thank our dedicated executive team and staff who have all made significant contributions to the outcomes achieved in FY19.

We would also like to thank our shareholders for their continuing support throughout this transformation period. We are looking forward to the year ahead as a much stronger business with a new strategy in place, well positioned to create sustainable earnings and growth.

Bernie Campbell
Chairman

Mark Bayliss
Acting CEO and Managing Director

Our Board

During FY2019 the CSG Board has overseen the revitalisation of the company's culture and strategy, positioning the business for sustainable growth.

Bernie Campbell

MAppFin
Non-Executive Director and Chairman

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 Program at INSEAD.

Appointed as Non-Executive Director 13 September 2017
Appointed as Chairman 1 May 2018
Ceased as Chairman 27 June 2018
Re-appointed as Chairman 14 March 2019

Mark Bayliss

BSc (Econ), ACA, MAICD

Acting Chief Executive Officer and Managing Director
Former Executive Director and Chairman

Member, Audit and Risk Committee
Member, Nomination and Remuneration Committee

Mark Bayliss joined CSG in June 2018, initially as Executive Director and Chairman. In March 2019, he stepped aside from the Chairman's role and was appointed Acting CEO and Managing Director.

Prior to joining CSG, Mark was the Chief Executive Officer of Grays eCommerce Group Limited before its acquisition by Eclipx Group Limited in August 2017. Previously, 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 and Wales – ACA

Appointed as Executive Director and Chairman 27 June 2018
Ceased as Chairman 14 March 2019
Appointed as Acting Chief Executive Officer and Managing Director 14 March 2019

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 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 Deputy Chairman of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations, including Public Education Foundation, Primary Ethics and Guide Dogs NSW/ACT.

Robin has a Bachelor of Commerce from The University of New South Wales, is a Fellow of Chartered Accountants Australia and New Zealand, and is a Graduate Member of the Australian Institute of Company Directors.

Appointed as Non-Executive Director 20 August 2014
Appointed as Chairman of Audit and Risk Committee 20 August 2014

Our Executive Team

Our Executive Team brings extensive experience across various industries and businesses both in Australia and internationally. They are united in their commitment to making CSG a values-driven organisation that continues to achieve sustainable growth.

Ashley Conn

Chief Financial Officer

Ashley joined CSG in November 2018 and has extensive experience in accounting and finance across several companies and industries. His prior experience includes Goldman Sachs, Morgan Stanley, ABN AMRO and Arthur Andersen in advisory roles in Australia, US and Asia focused on all financial aspects of company turnarounds, positioning for growth, M&A, capital raising and debt management.

Ashley has a Bachelor of Commerce (University of Melbourne), an MBA (Wharton, University of Pennsylvania) and is a member of Chartered Accountants Australia and New Zealand.

Howard Edelman

Interim General Counsel and Company Secretary

Howard Edelman joined CSG in May 2019 and brings over 25 years' corporate and commercial experience across a variety of industries, including technology and investment banking.

He was previously General Counsel and Company Secretary of AUB Group Limited, iSOFT Group Limited and CIMB Australia, and worked at ASIC in developing company reforms.

Howard is admitted to practice law in NSW and New York, USA, has a Juris Doctorate from Brooklyn Law School, and a Bachelor of Arts from Hamilton College.

Chris Mackay

Executive General Manager, New Zealand

Chris Mackay joined CSG in September 2015 through the acquisition of CodeBlue Limited. Chris had been a shareholder and director of CodeBlue since 2007, becoming CEO in 2014.

Chris has over 35 years' experience in the technology industry, with over 16 of those years as CEO of various companies. Prior to his role at CodeBlue, Chris was CEO of successful software development company, The Optima Corporation (acquired in April 2014 by Intermedix US) and CEO of New Zealand IT services company ComputerLand (acquired by Telecom in 2004).

Gavin Gomes

Executive General Manager, Australia

Gavin joins CSG on 26 August 2019 as Executive General Manager of Australia. Over the last 20+ years Gavin has built highly successful and engaged teams throughout Australia and Asia, focusing on re-imagining the customer experience.

Prior to CSG, Gavin was the Group Executive Director for Canon Australia. He has also held senior executive leadership roles with iconic brands including IBM, Telstra and Australia Post, and founded two start-up companies in the technology space.

Gavin is a graduate of the Australian Institute of Company Directors, holds a Master's degree in Marketing and Finance from UNSW and a Bachelor's degree in Commerce.

Arthur Mitchell

Interim Head of Information Technology

As Interim Head of Information Technology, Arthur oversees the Information Technology/business transformation program and overall IT governance. Prior to joining CSG, in a career spanning over 30 years, Arthur has held various global and Asia Pacific CIO/Head of IT/IT Director roles for international industrial companies including LafargeHolcim, Dana Automotive and Valmont Industries.

Arthur holds a Bachelor of Engineering (Mechanical) from Victoria University in Melbourne.

Steve Rowe

Chief People Officer

Steve is a highly experienced human resources executive who joined CSG in April 2019.

Previously, Steve has led the people and culture function in blue chip companies, both listed and unlisted, across multiple industry sectors, including Perpetual, Pfizer and IAG.

Steve is focused on delivering people and culture strategies that align with CSG's longer-term goals, allowing everyone in the business the opportunity to do their best work.

Steve holds a Bachelor of Arts (Psych/Phil) from the University of Keele in the United Kingdom.

Financial Report

Corporate Governance Statement

How we are protecting the interests and assets of shareholders, ensuring high standards of integrity and governance.

The Board of CSG Limited (CSG, Board or Company) is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the Company. In doing so, it seeks to ensure the future sustainability of the organisation and create long-term value for its shareholders. The Board has established the following processes to protect the interests and assets of shareholders and to ensure high standards of integrity and governance.

In undertaking these responsibilities, the Board has adopted a formal:

— Board Charter
— Audit and Risk Management Committee Charter
— Nomination and Remuneration Committee Charter
— Code of Conduct for Directors and Officers

Further, the Board has also adopted or issued revised policies with respect to, among others:

— Independence and Conflicts of Interest
— Risk Management
— Continuous Disclosure and External Communications
— Share Trading
— Remuneration
— Diversity

Copies of these charters and policies are available on the Company's website (www.csg.com.au/investors/board-governance) or on request. These documents are not intended to be an exhaustive list of all corporate governance practices in place at CSG.

This Corporate Governance Statement outlines the Company's practices for the year-ended 30 June 2019 and as at the date of this Annual Report. It is referenced against the latest Corporate Governance Principles and Recommendations (3rd Edition) issued by the ASX Corporate Governance Council, which took effect from 1 July 2014 (Principles and Recommendations). There are eight principles prescribed by the Council and these are reported against below.

Principle 1 - Lay solid foundations for management and oversight

1.1 The Board

The Directors of the Company are accountable to shareholders and other stakeholders for the proper management of the business and affairs of the Company. The Board fulfils these obligations by delegating certain business development responsibilities to the Chief Executive Officer (CEO), but retains the following responsibilities as set out in the Board Charter:

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

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

The Board delegates responsibility for day-to-day management of the Company to the CEO. The Company has adopted a Delegated Authorities Policy which establishes delegations and approval levels throughout the business. The CEO is responsible for executing the delegations contained in the policy but must consult the Board on matters that are noted as requiring specific Board approval or are of a sensitive, extraordinary or strategic nature.

The Board has also adopted a CEO Evaluation Policy and a Remuneration Policy to govern the process for evaluating the employees of the Company, including the performance of the CEO and the Executive Team.

For the 2019 financial year, the Board measured the CEO and management team against an approved corporate scorecard and, where applicable, divisional scorecards. The outcomes of this process are set out in the Remuneration Report.

1.2 Appointment of Directors

In accordance with recommended practice, the Company undertakes a series of character, security and financial checks prior to appointing a candidate to the Board.

The Company also ensures shareholders are provided with all material information in its possession relevant to a decision on whether to elect or re-elect a Director. This is provided by a variety of means, including Director information contained in this Annual Report, the Company website and in the Notice of Meeting relating to the election or re-election of a Director.

During the financial year there were several changes in the roles of directors, but no new directors were appointed to the Board. These changes are detailed in the Directors' Report.

1.3 Appointment terms

Each Director and all members of the management team have in place written agreements specifying the terms of their engagement, including their roles and responsibilities. Any variations to their initial agreements are appropriately documented.

Employment and contractor agreements are in place for the CEO and Executive Team, as applicable, but may be terminated by written notice by either party. Details of notice periods relating to Key Management Personnel agreements are outlined in the Remuneration Report.

A procedure is also in place for each Director to have the right to seek independent professional advice, at the Company's expense, subject to prior approval from the Chairman.

1.4 Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board and its Committees. The qualifications and experience of the Company Secretary are set out in the Directors' Report.

1.5 Diversity

The Company embraces a Diversity Policy which, consistent with its organisational values and strategic goals, focuses upon gender, ethnicity/culture, disability and flexibility as key levers linked to building a high performing and sustainable organisation. Key principles include:

- facilitating equal employment opportunities based on relative ability, performance and potential;
- building and maintaining an inclusive work environment by taking action against inappropriate workplace and business behaviour (including discrimination, harassment, bullying, victimisation and vilification);
- fostering a diverse workforce by developing an environment of mutual respect, dignity and openness to others;
- seeking to ensure that the Company's business practices, systems and processes do not prevent people from diverse backgrounds having equality of opportunity within the Company;
- developing flexible work practices to meet the differing needs of our employees at different stages of their life cycle in the context of business requirements;
- attracting and retaining a skilled and diverse workforce;
- attracting and retaining a Board whose composition reflects a diversity of backgrounds, knowledge, experience and abilities; and
- improving the quality of decision-making, productivity and teamwork to meet the relevant requirements of local legislation and the Board and shareholders.

The Company captures a range of indicators for purposes of assessing progress against its policy and for government reporting purposes. At a high level these include:

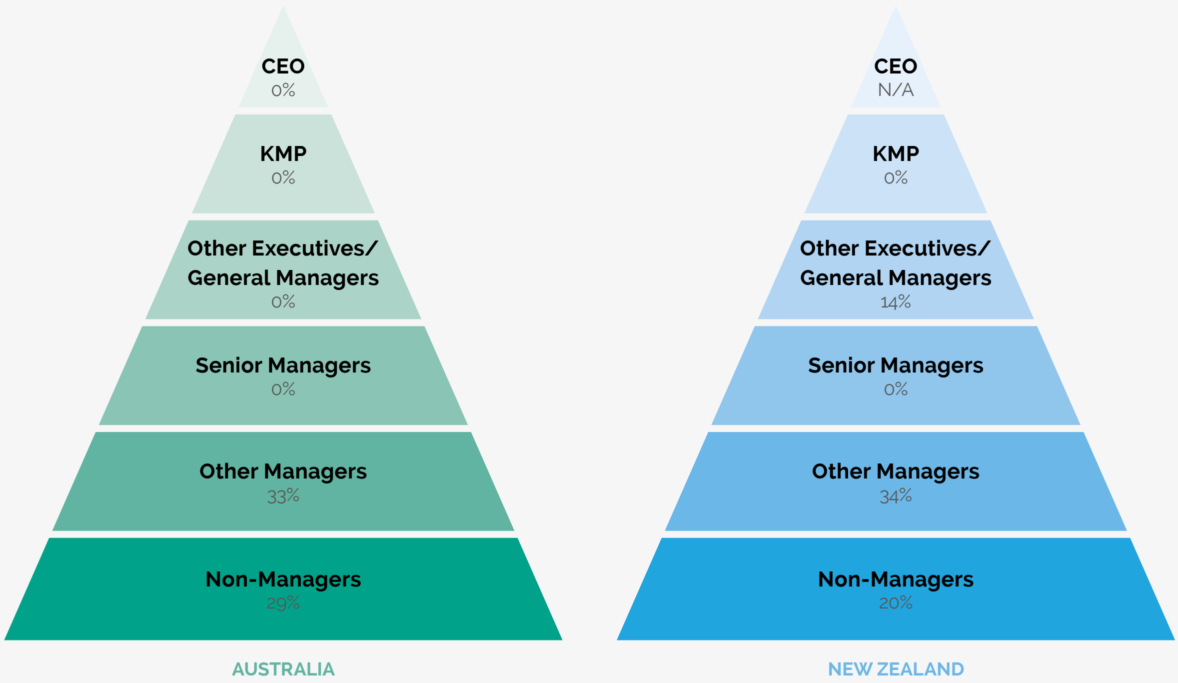
- composition of the Board by gender (at 30 June 2019 33% of directors were female);
- composition of the workforce between full time and part time;
- salary comparisons based on gender; and
- policy development and implementation.

The Company's performance of gender diversity objectives under the policy is reviewed annually. Below is a summary of the Company's key diversity indicators and gender composition as at 30 June 2019:

Key indicators	Outcome 2019
Percentage of women on the Board	33%
Percentage of women at management level and above(i) (including Executive Team)	22%
Percentage of women employed by CSG	23%
Complete a diversity audit by 30 June each year	Completed

(i) Definitions of 'Executive Team' and 'management level and above' coincide with WGEA occupational categories.

Gender composition of the workforce at 30 June 2019 (Women):



Gender composition of manager level and above in Australia:
16% female and 84% male.
Gender composition of Australian workforce:
26% female and 74% male.

Gender composition of manager level and above in New Zealand:
28% female and 72% male.
Gender composition of New Zealand workforce:
22% female and 78 % male.

Compliance

The Company is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 (Cth). Our latest report was lodged in June 2019 with the Workplace Gender Equality Agency and can be viewed on their website at www.wgea.gov.au. This Agency compiles industry-based data for comparison purposes in the form of Gender Equality Indicators.

The Company's Diversity Policy and Code of Conduct can be found at www.csg.com.au/investors/board-governance.

1.6 Non-Executive Director evaluation

The Board has adopted a policy in relation to its performance evaluation. A performance evaluation was carried out during the 2019 financial year. Directors are also encouraged to provide regular feedback on the conduct of Board meetings or any other Board business to assist in the continual improvement of Board processes.

The evaluation consisted of interviews of board members and certain shareholders and focused on areas such as:

— the role of the Board within the business and strategy;
— Board composition, skills and application;
— Board procedures and practices;
— Effectiveness of Board; and
— Board culture and behaviour.

The report contained certain recommendations including the further development of industry knowledge, composition of the Board following departure of Mr Thomas Cowan, and talent management of executives.

1.7 CEO and Executive Management Team evaluations

The Remuneration and Nomination Committee undertakes the process of performance reviews for the CEO and sets the process for the review of the Executive Team as provided under the Remuneration Policy. These reviews are assessed against KPIs set at the start of the financial year and which are both financial and non-financial in nature. Further details of these assessments, including outcomes, can be found in the Remuneration Report.

Principle 2 - Structure the Board to add value

2.1 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is chaired by Non-Executive Director, Mr Bernie Campbell.

The Nomination and Remuneration Committee operates under a formal charter that clearly sets out its role, responsibilities, composition, structure, membership requirements and the procedures for inviting non-Committee members to attend meetings.

The names of the members of the Nomination and Remuneration Committee and their attendance at Committee meetings during the financial year are set out in the Directors' Report.

The role of this Committee is to support the Board in fulfilling its statutory and fiduciary responsibilities, including ensuring that there are appropriate processes for items such as:

- Board renewal and succession;
- Assessment of performance and new Director induction; and
- Identifying appropriate industry and education programs.

The Nomination and Remuneration Committee Charter is available at www.csg.com.au/investors/board-governance.

2.2 Board skills matrix

The Board has ultimate responsibility for the oversight and review of the management, administration and governance of the Company. Accordingly, the Board has identified the following matrix which it believes captures the key skills and diversity attributes which the Board, as a whole, requires to deliver against its objectives. The Board regularly reviews these attributes and believes it presently possesses this blend of skills and diversity attributes:

- Governance
- Strategy
- Mergers and acquisitions
- Accounting and financial
- Banking and finance leasing
- Technology industry experience and expertise
- Customer service and delivery
- Risk management
- Capital management and investor relations

The Directors believe the Board collectively has the necessary skill set to ensure an appropriate and diverse mix of backgrounds, expertise, experience and qualifications to effectively advise and set the Company's strategic direction and govern on behalf of shareholders.

2.3 Composition of the Board

At the commencement of the 2019 financial year, the Board consisted of five Directors. The changes to the Board are detailed in the Directors' Report.

At 30 June 2019, the Board consisted of three Directors, including two independent Non-Executive Directors (Chairman, Mr Bernie Campbell and Ms Robin Low), and one Executive Director (Acting Chief Executive Officer and Managing Director, Mr Mark Bayliss).

The skills, experience and appointment date of each Director are set out in the Directors' Report.

2.4 Director independence

Based on the applicable Principles and Recommendations guidelines, to be independent a Director should be a non-executive and:

- not be a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial security holder of the Company;
- not have, within the last three years, been employed in an Executive capacity by the Company or another company within the Group, or been a Director after ceasing to hold any such employment;
- not be a partner, principal or senior employee of a provider of material professional services to a company in the Group;
- not have been within the last three years, in a material business relationship (e.g. as a supplier or customer) with a company within the Group, or an officer of, or otherwise associated with, someone with such a relationship;
- not have a material contractual relationship with the Company or another Group company other than as a Director;
- not have close family ties with any person who falls within any of the categories described above; or
- not have been a Director of the Company for such period that his or her independence may have been compromised.

During the 2019 financial year, Mr Bernie Campbell and Ms Robin Low were each considered by the Board to be independent Non-Executive Directors. Mr Thomas Cowan was not considered to be independent. Mr Mark Bayliss and Ms Julie-Ann Kerin were Executive Directors.

At the end of the 2019 financial year the Board consisted of a majority of independent Directors, as recommended by Recommendation 2.4 of the Principles and Recommendations. All Directors are required to, and do, bring an independent judgement to bear on Board decisions and act in accordance with the statutory duties of good faith and for proposer purpose, and in the interests of all shareholders.

2.5 Chairman independence

The current Chairman, Mr Bernie Campbell, is a Non-Executive Director, in compliance with Recommendation 2.5 of the Principles and Recommendations.

2.6 Director induction and professional development

The Nomination and Remuneration Committee has responsibility under its charter for the oversight of the induction of new Directors and on-going professional development. The Committee works with management to introduce new Directors to CSG, including familiarisation with its policies and procedures. A program is specifically developed based on the individual Non-Executive Director's role within the Board. The Director's skills and previous experiences are considered in developing an appropriate induction program.

Board members are encouraged and assisted to visit CSG work sites, and Board meetings are rotated to various locations as part of this program. Where appropriate, expert advisers, in conjunction with internal expertise, undertake presentations at Board meetings addressing specific elements of the Company's business.

Principle 3 – Act ethically and responsibly

The Company has developed a Code of Conduct to guide the Directors and all employees, including the Executive Team, in respect of ethical behaviour. The Code of Conduct is designed to maintain confidence in the Company's integrity and the responsibility and accountability of all individuals within the Company for reporting unlawful and unethical practices.

The Code of Conduct addresses such areas as:

— standards of behaviour
— interests of legitimate stakeholders
— conflicts of interest
— use of information or position
— use of Company property
— confidentiality
— fair trading
— compliance with the law
— whistleblowing
— political contributions and activities

The Company's Code of Conduct can be found at www.csg.com.au/investors/board-governance.

Principle 4 – Safeguard integrity in corporate reporting

4.1 Board Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee which is chaired by independent Non-Executive Director, Ms Robin Low. The Committee operates under a formal charter that clearly sets out the Committee's roles, responsibilities, composition, structure, membership requirements and the procedures for inviting non-Committee members to attend meetings. The Board has not established a separate risk management committee, as it has determined that these matters are appropriately addressed by the Audit and Risk Management Committee or the full Board.

The names of the members of the Audit and Risk Management Committee and their attendance at Committee meetings during the financial year are set out in the Directors' Report.

During the 2019 financial year, the Audit and Risk Management Committee:

— had a majority of independent Directors;
— was chaired by an independent Non-Executive Director; and
— had three members for the majority of meetings and as at 30 June 2019.

The Audit and Risk Management Committee provides an independent review of:

— the effectiveness of the accounting and internal control systems and management reporting which are designed to safeguard Company assets;
— the integrity and reliability of information prepared for use by the Board, including financial information;
— the accounting policies adopted by the Company;
— the quality of the external audit function;
— the external auditor's performance and independence as well as considering such matters as replacing the external auditor where and when necessary;

- risk profile and mitigation plans;
- the Company's exposure to significant risks, strategic and operational improvements in risk management planning and implementation; and
- the insurance renewal process, including the appointment of an insurance broker and review of policies.

The charter for the Audit and Risk Management Committee can be found at www.csg.com.au/investors/board-governance.

4.2 Assurances

The Board receives assurances from the CEO and Chief Financial Officer that the annual declaration provided in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received these assurances for the 2019 financial year.

4.3 External Auditor

The external Auditor attends the Annual General Meeting and is available to answer shareholders' questions concerning the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted, and auditor independence.

Principle 5 - Make timely and balanced disclosure

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

The Company has adopted a formal Continuous Disclosure and External Communications Policy to ensure compliance with its continuous disclosure requirements and to allow the market to be appropriately informed of the Company's strategy and performance.

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

A copy of the policy can be found at www.csg.com.au/investors/board-governance.

Principle 6 - Respect the rights of shareholders

6.1 Communication with Shareholders

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

In accordance with its communication strategy, the Company's website (www.csg.com.au) is considered to be the primary means to provide information to all stakeholders. The website enables information regarding CSG to be accessed in a clear and readable manner, including under the Investors tab:

- biographies of Directors and the Executive Management Team;
- corporate governance charters and policies;
- all announcements and releases to the ASX;
- copies of presentations to shareholders, institutional investors, brokers and analysts;
- any media or other releases;
- all notices of meetings and explanatory material;
- current and prior Annual Reports and similar documents; and
- any other relevant information concerning non-confidential activities of the Company including new business developments.

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

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

All shareholders are entitled to receive a hard copy of the Company's annual report upon request. All relevant announcements made to the market are made available on the Company's website after they have been released to the ASX.

6.2 Investor relations program

In addition to the Company website, there is a dedicated investor relations page contained within the Annual Report which provides shareholders with Company contact details and key dates.

Shareholders can contact the Company by mail at:

Level 1, 357 Collins Street
Melbourne Victoria 3000

or by email at investor@csg.com.au.

6.3 Participation in meetings

The Board is committed to assisting shareholders' participation in meetings. In particular, the Company requests that a representative of the Company's external Auditor be present at all Annual General Meetings and that shareholders have adequate opportunity to ask questions of the Auditor at that meeting concerning the audit, preparation and content of the Auditor's report.

The next Annual General Meeting of the Company is scheduled for 22 November 2019 in Melbourne.

Results of the meeting and any presentations given will be released to the ASX and subsequently available on the Company's website.

6.4 Electronic communications

The Company has a dedicated investor enquiry email address (investor@csg.com.au). This provides a means by which shareholders and other interested parties can contact the Company and seek information or raise specific questions.

The Company also encourages shareholders to register their email addresses at any time with its share registry, Computershare Investor Services Pty Limited, to benefit from the range of communications and services they can provide electronically.

In addition, as a listed company, shareholders can also visit the ASX website (www.asx.com.au) and obtain information, including the current share price, under the ASX code "CSV".

Principle 7 - Recognise and manage risk

7.1 Responsibility for risk

The Company is committed to managing its risks in a consistent and practical manner. Effective risk management is directly focussed on the achievement of organisational objectives and helps ensure the business delivers on its strategic goals in alliance with its vision and values.

The Board oversees the identification, assessment, management and monitoring of the risks faced by the Company and is assisted in this process by the Audit and Risk Management Committee. Details of the composition and function of the Audit and Risk Management Committee are set out in section 4.1. The attendance of committee members at meetings during the financial year are set out in the Directors' Report.

7.2 Review Risk Management Framework

The Company has adopted a formal Risk Management Policy which aims to ensure that the Board implements appropriate risk management policies and procedures in order to protect the assets and undertakings of the Company. The approach to risk management and the effectiveness of its implementation is based on, as a minimum, the Australian and New Zealand Standards AS/NZS 31000:2009.

The Board has previously adopted a risk management guideline which is designed to provide a high-level overview of key steps within the Company's risk management process and to provide the tools to facilitate risk management across the organisation. The framework enables the identification and documentation of risk across the business by requiring management to:

- identify the risk;
- assign the risk to a category;
- assess the likelihood of a risk;
- assess the consequences of a risk;
- apply the risk to the risk matrix; and
- monitor, review, communicate and consult on the risk.

The Company's risk management process was last reviewed in March 2017. However, during a period of considerable change for the business, there has been a strong focus on risk. A review is scheduled to occur in the 2020 financial year.

7.3 Internal audit function

The Company has not formally adopted an internal audit function at this time. Processes as identified under the Risk Management Policy are undertaken by management and the outcomes of these processes are reported to the Audit and Risk Management Committee, capturing key changes, movements and trends since the last report.

7.4 Economic, environmental and social sustainability risk

The Board, in the Directors' Report, has identified key risks that require management and adoption of mitigation strategies, where it assesses the inherent risks to be unacceptable.

From an environmental perspective, the Company does not require any specific licences to operate the business. Nevertheless, the Company takes a proactive approach in minimising its environmental footprint and seeks to operate its businesses in a sustainable way.

In terms of its social obligations, CSG employed approximately 670 people across its operations in Australia and New Zealand as at 30 June 2019. It monitors the health and well-being of its employees and reports to the Board any serious matters of concern. Under the direction of its People and Culture team, the Company has conducted staff surveys and seeks opportunities to support and assist its employees. An employee assistance program is available to all employees which provides a means by which employees can obtain confidential and independent advice through access to qualified counsellors on a range of work-related or personal issues.

Principal 8 - Remunerate fairly and responsibly

8.1 Nomination and Remuneration Committee

The Board's primary remuneration objectives are to motivate management to pursue the long-term growth and success of the Company within an appropriate control framework, and to demonstrate a clear relationship between Executive performance and remuneration. The Board believes that it is in the interests of all stakeholders in the Company for a Remuneration Policy to be in place that attracts and retains talented and motivated executives, managers and employees so as to encourage enhanced performance of the Company.

The Board has an established Nomination and Remuneration Committee that as at 30 June 2019:

- consists of a majority of independent Directors; and
- has three members.

The names of the members of the Nomination and Remuneration Committee and their attendance at Committee meetings during the financial year are set out in the Directors' Report.

The Committee is responsible for the following, amongst other matters:

- nominating, as required, candidates for the Board to consider for Board membership;
- nominating, as required, candidates for the role of CEO and setting criteria for their appointment and termination;
- setting criteria for Board membership, skill requirements and, subject to the Company's constitution, number of Directors comprising the Board;
- the provision of a Directors' induction and education program;
- reviewing and making recommendations to the Board on appropriate remuneration for the Directors, the CEO and the Executive Management Team;
- ensuring that remuneration levels take into account risks involved, demands and time requirements of each role and relevant industry and related benchmarks;
- developing and recommending to the Board remuneration incentive programs such as bonus schemes and Company share schemes; and
- developing, maintaining and monitoring appropriate remuneration policies and procedures.

8.2 Remuneration Policy

The Company has adopted a Remuneration Policy, the objective of which 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 senior executives, including Non-Executive Directors. The Nomination and Remuneration Committee is responsible for developing, maintaining and monitoring the policy.

A copy of the policy is available at www.csg.com.au/investors/board-governance.

Remuneration paid to Non-Executive Directors is clearly distinguished from that of Executive Directors and senior executives. Please refer to the Remuneration Report for details of remuneration for the Company's Key Management Personnel.

Whilst it is not mandatory for Non-Executive Directors to hold CSG shares, Directors are encouraged to do so and their shareholdings are disclosed via the ASX and the Remuneration Report.

8.3 Equity-based remuneration

As detailed in the Remuneration Policy, the Company believes equity-based remuneration is a critical component in achieving the long-term objectives of the Company. Details of this LTIP are provided in the Remuneration Report.

The Company has a Share Trading Policy which contains processes to be followed and guides Directors, the Executive Management Team and employees on any equities they hold or wish to hold in the Company. A summary of the Share Trading Policy is below.

Share Trading Policy

The Company has adopted a formal Share Trading Policy, which applies to Directors, the Executive Team and senior managers of the Company and their associates.

An Officer may not deal in any of the Company's securities at any time if he or she has Inside Information.[1]

Subject to this restriction, an Officer may trade in securities at any time apart from certain blackout periods, namely:

- in the period between the close of a financial period and the business day after the announcement of results for that period;
- in the five business days prior to and the business day following the Annual General Meeting;
- throughout any price setting period for the dividend reinvestment plan if operable; or
- at any other time the Company nominates.

If a person to whom the Share Trading Policy applies wishes to trade, he or she must obtain clearance from the Chairman of the Board under the policy prior to trading.

All Officers must advise the Company Secretary in writing of the details of completed transactions within specified timeframes following each transaction. Under the Share Trading Policy, participants in equity-based plans offered by the Company are not permitted to utilise mechanisms to limit the risk associated with that plan.

The Company Secretary must maintain a register of securities transactions.

The Company must comply with its obligations to notify the ASX in writing of any changes in the holdings of securities or interest in securities by Directors.

A copy of the Share Trading Policy is available at www.csg.com.au/investors/board-governance.

1 Inside Information is information which is not generally available to the market and, if it were generally available to the market, would be likely to (1) have a material effect on the price or value of any company's securities (not just the Company's securities) or (2) influence persons who commonly invest in securities in deciding whether or not to buy or sell the Company's securities.

Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of CSG Limited (the Company) and its subsidiaries (the Group), for the financial year ended 30 June 2019 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.

Bernie Campbell

MAppFin

Non-Executive Director and Chairman
Former Non-Executive Director
Member, Audit and Risk Committee
Chairman, 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 Program at INSEAD.

Appointed as Non-Executive Director 13 September 2017
Appointed as Chairman 1 May 2018
Ceased as Chairman 27 June 2018
Re-appointed as Chairman 14 March 2019

Mark Bayliss

BSc (Econ), ACA, MAICD

Acting Chief Executive Officer and Managing Director
Former Executive Director and Chairman
Member, Audit and Risk Committee
Member, Nomination and Remuneration Committee

Mark Bayliss joined CSG in June 2018, initially as Executive Director and Chairman. In March 2019 he stepped aside from the Chairman's role and was appointed Acting Chief Executive Officer and Managing Director.

Prior to joining CSG Mark was the Chief Executive Officer of Grays eCommerce Group Limited before its acquisition by Eclipx Group Limited in August 2017. Previously 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 and Wales – ACA.

Appointed as Executive Director and Chairman 27 June 2018
Ceased as Chairman 14 March 2019
Appointed as Acting Chief Executive Officer and Managing Director 14 March 2019

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 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 Deputy Chairman of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations including Public Education Foundation, Primary Ethics and Guide Dogs NSW/ACT.

Robin has a Bachelor of Commerce from The University of New South Wales, is a Fellow Chartered Accountants Australia and New Zealand, and is a Graduate Member of the Australian Institute of Company Directors.

Appointed as Non-Executive Director 20 August 2014

Julie-Ann Kerin

Former Chief Executive Officer and Managing Director

Julie-Ann Kerin was appointed as Chief Executive Officer and Managing Director of CSG in 2012 and stepped down from the position 14 March 2019.

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 as Chief Executive Officer and Managing Director
1 February 2012
Stepped down as Chief Executive Officer and Managing Director
14 March 2019

Thomas Cowan

B.Com (Hons)

Former Non-Executive Director
Former Member, Audit and Risk Committee
Former 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 as Non-Executive Director 8 February 2012
Appointed as Chairman 15 August 2012
Ceased as Chairman 15 February 2016
Resigned 20 November 2018

2. Company Secretary

Howard Edelman

JD, BA

Interim General Counsel and Company Secretary

Howard Edelman joined CSG in May 2019 and brings over 25 years' corporate and commercial experience across a variety of industries including healthcare, technology and investment banking.

He was previously General Counsel and Company Secretary of AUB Group Limited, iSOFT Group Limited and CIMB Australia and worked at ASIC in developing company reforms. Howard was also in private practice with Allens Arthur Robinson, New York-based Skadden Arps, and was partner at the US firm Pillsbury Winthrop.

Howard is admitted to practice law in NSW and New York, USA and has a Juris Doctorate from Brooklyn Law School and Bachelor of Arts from Hamilton College.

Appointed as Interim General Counsel and Company Secretary
24 May 2019

3. Directors' meetings

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

	Board Meeting		Audit and Risk Committee		Nomination and Remuneration Committee	
Director name	Meetings held(i)	Meetings attended	Meetings held(i)	Meetings attended	Meetings held(i)	Meetings attended
Current						
Mark Bayliss	14	14	1	1	2	2
Bernie Campbell	14	10	4	4	3	3
Robin Low	14	14	4	4	3	3
Former						
Julie-Ann Kerin (ii)	9	9	-	-	-	-
Thomas Cowan (iii)	7	7	2	2	1	1

(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) Julie-Ann Kerin stepped down as a Director 14 March 2019

(iii) Thomas Cowan resigned as a Director 20 November 2018

In addition to the above meetings, a committee comprising of Mark Bayliss, Robin Low and Julie-Ann Kerin met for the purposes of approving the 2019 Half Year Financial Statements.

4. Principal activities

The principal activities of the 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 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 Group 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 technology 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 Group'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.

The Group currently employs approximately 670 staff in 27 locations across Australia and New Zealand. The Group 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 FY2019 Group financial performance[2]

The financial results for FY2019 were as follows:

- Total revenue and other income declined by 3% to $217.6m;
- Underlying EBITDA of $17.1m, excluding the one-off impact of non-core bad debts of $2.4m, non-cash LTIP and share related costs of $2.5m and non-recurring items of ($0.5m); and
- Statutory Net Loss After Tax of $1.8m.

The Board measures a number of items to assess the performance of the business, one of which is underlying EBITDA after taking into account 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:

	FY2019 $m
Revenue and other income	217.6
NPAT	(1.8)
Add tax	2.0
Add depreciation and amortisation	9.6
Add interest expense/(income)	2.9
EBITDA	**12.7**
Add non-recurring items	**4.4**
LTIP/Employee Share Plan	2.5
One-off non-core bad debts	2.4
Other	(0.5)
Underlying EBITDA	**17.1**

a. Revenue and other income

Group revenue and other income declined by 3% to $217.6m in FY2019 due to:

- Lower than expected print equipment sales in New Zealand (NZ) which was offset by increased print equipment and display equipment sales in Australia;
- Decline in print service revenue of 6.3%, broadly in line with industry trends; and
- Decline in finance revenue, reflecting reduced equipment origination through the CSG Finance lease book in recent years and lower pricing on new deals.

While Print and Finance Solutions (Finance) revenue reduced, we continued to see strong growth in the Technology division, with technology-managed service revenue up 17% relative to FY2018, driven by growth in Technology subscription seats and average monthly revenue.

b. Expenses

Expenses decreased year-on-year by $6.4m with underlying EBITDA margin (pre-significant items) increasing from 4.5% in FY2018 to 7.9% in FY2019. A key driver for the reduced expenses was the successful execution of the Group's $7.7m cost out program, which was offset by one-off and transitional expenses arising from the CSG 2021 strategy.

Borrowing costs in Finance continue to benefit from the low-interest rate environment. Finance also successfully introduced a mezzanine investor in NZ in June 2019, in compliance with APS 120.

Customer contract amortisation of $3.1m reduced by 19.1% from FY2018.

3. Review of FY2019 Group operations

FY2019 was a transition year where the Group initiated its CSG 2021 strategic transformation program and growth strategy. The three pillars of the strategy are to:

1. Defend Print
2. Expand Technology
3. Extend through new solutions

The Group ceased further investment in the Enterprise technology segment (which impacted FY2018 Group earnings by approximately $6.0m, and had consumed considerable management time and focus) and also simplified and re-aligned the SME business to a product-led, go-to-market model with three distinct operating businesses – Technology, Print and Display, and Finance.

During FY2019, the Group continued to successfully execute its Technology as a Subscription strategy in Australia and New Zealand with total technology revenue up $2.6m to $46.6m. High-value technology subscription revenue grew by 17%, with technology subscription seats growing by approximately 18%[3] in FY2019 to 24,180 subscription seats, with an average monthly recurring revenue of approximately $102 per seat. The growth in Technology subscription revenue can be attributed to an increased focus on the Group's core Managed IT offering to the SME sector, including an increased penetration of its Cloud subscription offering in Australia. As part of this focus, on 31 December 2018, the Group divested its pcMedia Education subscription business in NZ and also transitioned 753 Communication as a Subscription seats in NZ to third party support through the second half of FY2019.

In Print and Display, display equipment sales continued to grow, with revenue up 30% in FY2019. Despite under performance in print equipment sales in CSG's New Zealand print business and on-trend decline in print service revenue, gross margins remained strong in both Australia and New Zealand at above 50%.

The Group also continued to deliver high-quality customer service, evidenced by a strong in-field NPS[4] score of 74 across the SME business.

The Group also successfully executed its cost out program, achieving savings of $7.7m in FY2019 and annualised cost savings of approximately $10.0m from FY20 onwards. However one-off strategy execution and transition costs offset some of these savings.

In FY2019, the Group undertook a number of initiatives to reposition the business for sustainable long-term growth:

— Appointed Mark Bayliss as Acting CEO and Managing Director in March 2019, replacing Julie-Ann Kerin. Mark was appointed Executive Director and Chairman in June 2018 and has been a key driver of the CSG 2021 Strategy;
— Appointed Ashley Conn as Chief Financial Officer in November 2018;
— Appointed Gavin Gomes as Executive General Manager, Australia, commencing in August 2019. Gavin was previously the Director for Canon Business Services;
— Appointed Chris Mackay as Executive General Manager, New Zealand in July 2018;
— Appointed Craig Bowring as the Head of Treasury and Leasing in October 2018;
— Appointed Steve Rowe as Chief People Officer in May 2019;
— Continued the refresh of CSG's Executive Team, with new and interim appointments in People and Capital, Information Technology, Marketing and Legal; and
— Continued the development and rollout of next generation salesforce.com platform which automates the sales lead to delivery process.

4. Review of Group financial position

The Group has a closing cash balance of $26.6m, including an amount of $10.4m held in restricted cash accounts under the terms of the Finance debt facilities (refer Note 6). The Group had 80% cash conversion in FY2019 after excluding the impact of non-recurring items and cash released from lease receivables.

($m)	1HFY2018	2H FY2018	FY2018	1H FY2019	2H FY2019	FY2019
EBITDA (underlying)	**4.6**	**5.4**	**10.0**	**8.1**	**9.0**	**17.1**
Operating cash flow (reported)	**3.1**	**4.2**	**7.3**	**9.0**	**25.6**	**34.6**
add tax paid	0.1	2.3	2.4	0.2	0.8	1.0
add net interest paid	1.4	1.5	2.9	1.4	1.3	2.7
add non-recurring cash items	2.5	4.9	7.4	0.2	2.2	2.4
add change in lease receivables	(5.9)	(14.1)	(20.0)	(6.4)	(20.7)	(27.1)
ungeared pre-tax cash flow	1.2	(1.2)	0.0	4.4	9.2	13.6
Profit to cash conversion	**27%**	**(22%)**	**0%**	**54%**	**102%**	**80%**

Lease receivables in Finance have declined to $217.9 ($242.2m in FY2018) with $192.0m funded by associated debt ($213.0m in FY2018). The decline in the book is driven by lower print equipment sales in recent years.

2 Figures contained in the "Review of Group Financial Performance" are unaudited.

3 Excluding 1,225 high value pcMedia seats

4 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.

In August and September 2018, the Company executed a fully underwritten equity raising of $18.0m through a 1 for 3.52 pro rata non-renounceable entitlement offer. Net proceeds of $17.1m were used to repay corporate debt ($10.0m), pay acquisition earn-outs ($2.0m), pay restructuring costs in relation to Enterprise Solutions business ($2.0m) and provide for working capital ($3.0m). The Corporate debt balance as at 30 June 2019 is $40.0m, with CSG's corporate debt facility reducing from $56.0m to $42.5m in FY2019.

5. Divisional review

In FY2019, CSG re-aligned its business to focus on the SME sector with a product-led, go-to-market model resulting in three clear operating divisions across Australia and New Zealand – Technology, Print and Display and Finance.

a. Technology

The Group'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.

Technology solution comprises of the following offerings:

— Managed IT services, including service desk, infrastructure management, 24 x 7 x 365 monitoring and onsite/remote support;
— Cloud Services, with flexible, scalable and secure cloud solutions optimised for mid-sized business;
— Cloud Telephony and contact centre solutions;
— Professional services, including IT strategy, Project and CIO Services; and
— Procurement, allowing single source procurement and purchasing backed by flexible finance options.

b. Print and Display

The Group's Print and 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 and 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.

c. Finance

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.

Finance is a critical enabler to the print and technology businesses. 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 business.

6. Risk management

Corporate governance

The Board 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.

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 may have an impact on earnings.
Interest rate	The 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 various 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 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.	Credit indicators and market conditions are monitored on a regular basis by Management.
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 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 proactively review these to support the business.
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, diverse 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 2019 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 670 employees across Australia and New Zealand. CSG's remuneration strategy aims to appropriately reward, incentivise 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 Group 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 FY2019 and consequently no STIP payments have been made to Group Executives and senior management with the exception of a payment to Chris Mackay, Executive General Manager, New Zealand, as required under the terms of his employment contract.

We have continued to use our equity based LTIP as a mechanism to incentivise and focus Senior Executives on delivering increased shareholder value.

Significantly, in March 2019, Mark Bayliss became Acting CEO and Managing Director and I resumed the role of Chairman. Mark's focus on developing clarity around the strategy and driving a cultural transformation has already had a significantly 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 2019 Remuneration Report. While the financial results of the Group have been at the lower end of expectations, 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. An improved level of performance in executing our business strategy will result in increased returns for shareholders and increased rewards for both Executives and employees.

Yours sincerely

Bernie Campbell
Chairman, Nomination and Remuneration Committee

This report covers the Key Management Personnel (KMP) of the Group. KMP are employees with authority and responsibility for planning, directing and controlling the activities of the Group that can materially affect its performance. As such, the KMP for the year ended 30 June 2019 are:

- all persons who have held the position of Director of CSG Limited during the financial year, including Mark Bayliss, Acting CEO and Managing Director, and Julie-Ann Kerin, former CEO and Managing Director;
- Ashley Conn, Chief Financial Officer (CFO);
- Gary Brown, former Chief Financial Officer and
- Chris Mackay, Executive General Manager, New Zealand.

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 Group's annual report regarding the Nomination and Remuneration Committee, its activities and performance.

The Board obtains professional advice where necessary to ensure that the Group attracts and retains talented and motivated employees and Non-Executive Directors who can enhance the Group's 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 the Group'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 Group, 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 sacrificed 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.

Short-term incentives

Short-term incentives are assessed against a mix of Group 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 2019, the Corporate Scorecard was based on the targets overleaf.

Category	Target	Weighting
Financial (70%)	Achieve underlying EBITDA target	25%
	Achieve revenue target	25%
	Achieve cash conversion target	20%
Non-financial (30%)	Achieve customer NPS score of 62	10%
	Complete customer hub implementation	10%
	Achieve an increase in employee NPS score	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	70% Corporate Scorecard / 30% Divisional Scorecard
Senior Managers	30% Corporate Scorecard / 70% Divisional Scorecard

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 for FY19 other than a payment to Chris Mackay, Executive General Manager, New Zealand under the terms of his employment contract.

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 Group performance and value creation for shareholders.

In 2017 the Board approved the allocation of performance rights under the executive long-term incentive plan (2017 LTIP). The 2017 LTIP was to be allocated to eligible executives over a period of three years (2017 Allocation). During FY2019, the LTIP Program was re-approved by shareholders at the Annual General Meeting held on 20 November 2018. 2017 Allocations were forfeited or cancelled with the exception of 1,050,489 2017 LTIP Allocations which continue as detailed under Issue 10 below.

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 10	7,886,442	-	(2,776,971)	-	(4,058,982)	1,050,489
Issue 11	5,000,000	-	-	-	-	5,000,000
Issue 12	-	10,890,624	-	-	-	10,890,624
Total	**12,886,442**	**10,890,624**	**(2,776,971)**	**-**	**(4,058,982)**	**16,941,113**

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

The total shareholder return (TSR) growth performance is a measure of the compound annual growth rate (CAGR) of the Company's TSR over the relevant performance period. Broadly, TSR is a measure of the increase in the price of a Share (assuming dividends are reinvested) as determined by the Company. The base price of $1.59 will be used when calculating the TSR CAGR for a performance period.

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 3 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 4,493,459 rights left the Group and these rights have lapsed, and 4,058,982 performance rights have been cancelled.

Plan	Detail
LTIP 11	The Executive Chairman (now Acting CEO and Managing Director) 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. 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.

Plan	Detail
LTIP 12	Executive and senior management were granted 10,890,624 performance rights in FY2019 under LTIP 12. 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 12 range from 1 March 2019, 1 April 2019 or 23 May 2019 to 30 June 2023. 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, 14 October 19 or 12 November 19. 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.

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 is currently paid a base fee plus additional fees for each Committee Chair (see table below for fee structure);
— 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 (9.5% for the 2019 financial year).

Non-Executive Directors remuneration fees effective for the FY2019 are set out below:

FY2019	Board*	Audit and Risk Committee*	Nomination and Remuneration Committee*
Non-Executive Chairman	140,000	19,163	19,163
Member	71,175		

*Fees are inclusive of superannuation

10. Link to FY2019 performance

10.1 Group performance

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

	2019	2018	2017	2016	2015
Revenue and income ($m)	217.6	225.7	244.5	246.6	224.3
Net (loss)/profit after tax ($m)	(1.8)	(150.1)	(43.7)	18.2	14.3
Share price ($)	0.18	0.23	0.75	1.49	1.60
Change in share price	(0.05)	(0.52)	(0.74)	(0.11)	0.57
Dividends paid ($)	-	-	0.05	0.09	0.09
Total Shareholder Return (TSR)	(22%)	(69%)	(46%)	(1%)	64%
Earnings per share (cents)	(0.4)	(45.5)	(13.7)	5.8	5.1

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 for FY19 other than a payment to Chris Mackay, Executive General Manager, New Zealand, under the terms of his employment contract.

10.3 LTIP outcomes

The movement in performance rights under previous LTIP during the year ended 30 June 2019 is summarised below:

LTIP	Opening	Issued	Lapsed	Exercised	Cancelled	Closing
Issue 10	7,886,442	-	(2,776,971)	-	(4,058,982)	1,050,489
Issue 11	5,000,000	-	-	-	-	5,000,000
Issue 12	-	10,890,624	-	-	-	10,890,624
Total	**12,886,442**	**10,890,624**	**(2,776,971)**	**-**	**(4,058,982)**	**16,941,113**

11. Remuneration tables and disclosures

11.1 Directors' remuneration

	Cash salary and fees[v]	STI and other fees	Termination payments[vi]	Post-employment super	LTIP	Total	Performance related %
2019							
Non-Executive Directors							
Thomas Cowan[iii]	35,131	-	-	-	-	35,131	-
Bernie Campbell[iv]	101,571	-	-	9,420	-	110,991	-
Robin Low	82,500	-	-	7,837	-	90,337	-
Total	**219,202**	**-**	**-**	**17,257**	**-**	**236,459**	**-**
Executive Directors							
Julie-Ann Kerin[ii]	525,425	-	326,516	27,083	412,166	1,291,190	32%
Mark Bayliss[i]	366,796	346,667	-	20,531	632,284	1,366,278	72%
Total	892,221	346,667	326,516	47,615	1,044,450	2,657,467	52%
Total	**1,111,423**	**346,667**	**326,516**	**64,872**	**1,044,450**	**2,893,927**	**48%**

(i) Ceased as Chairman 14 March 2019. Appointed as Acting CEO and Managing Director 14 March 2019. Upon initial appointment, Mark was issued 4,000,000 ordinary shares which were placed in escrow. As at 31 December 2018, 1,333,333 ordinary shares ($346,667) were released from escrow

(ii) Stepped down as CEO and Managing Director 14 March 2019. The LTIP disclosure relates to the cancellation in November 2018 of performance rights issued under LTIP 10 issued in August 2017

(iii) Resigned 20 November 2018

(iv) Ceased as Non-Executive Director 14 March 2019. Appointed as Chairman 14 March 2019

(v) Note: salary is inclusive of all entitlements

(vi) Termination payments include all payments made to associated KMP after resignation or cessation as a KMP until employment ceased

	Cash salary and fees[iv]	STI and other fees	Termination payments	Post-employment super	LTIP	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 2018, ceased as Acting Chairman 27 June 2018, recommenced as Non-Executive Director 27 June 2018

(ii) Resigned 1 May 2018

(iii) Appointed 27 June 2018

(iv) Note: salary is inclusive of all entitlements

11. Remuneration tables and disclosures (cont)

11.2 Group Executive remuneration

	Cash salary and fees	STI and other fees	Termination payments[iv]	Post-employment super	LTIP	Total	Performance related %
2019							
Ashley Conn[i]	234,715	-	-	15,125	85,592	332,432	25%
Chris Mackay[iii]	421,907	140,636	-	16,876	110,033	689,451	36%
Gary Brown[ii]	136,061	-	110,590	9,988	(37,291)	217,347	(17%)
Total	**792,683**	**140,636**	**110,590**	**41,989**	**155,334**	**1,241,230**	**24%**

(i) Appointed as Chief Financial Officer 12 November 2018

(ii) Resigned as Chief Financial Officer 7 November 2018

(iii) Commenced as KMP 1 July 2018

(iv) Termination payments include all payments made to associated KMP after resignation or cessation as a KMP until employment ceased

	Cash salary and fees	STI and other fees	Termination payments	Post-employment super	LTIP	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%**

11.3 LTIP Issue 9, 10, 11 and 12 – Options and 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 beginning of year	Granted in year	Vested	Forfeited/ cancelled in year	Balance at end of year
2019							
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
Ashley Conn	12	01/04/2019	-	2,224,999	-	-	2,224,999
Chris Mackay	12	01/03/2019	-	1,800,000	-	-	1,800,000
Total			**8,712,488**	**4,024,999**	**-**	**3,712,488**	**9,024,999**

	LTIP	Date granted	Balance at 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
Total			**4,189,000**	**8,712,488**	**-**	**(4,189,000)**	**8,712,488**

	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 (c) $	Value of rights lapsed / cancelled in year (c) $	Financial years in which grant vest $	Expiry date $
2019										
Julie-Ann Kerin	0.2200	-	-	100%	-	-	-	181,500	2021	18/08/2020
	0.2100	-	-	100%	-	-	-	86,625	2022	18/08/2021
	0.1800	-	-	100%	-	-	-	74,250	2022	18/08/2021
	0.1800	-	-	100%	-	-	-	111,375	2023	18/08/2022
	0.1600	-	-	100%	-	-	-	33,000	2023	18/08/2022
Gary Brown	0.2200	-	-	100%	-	-	-	90,749	2021	18/08/2020
	0.2100	-	-	100%	-	-	-	43,312	2022	18/08/2021
	0.1800	-	-	100%	-	-	-	37,125	2022	18/08/2021
	0.1800	-	-	100%	-	-	-	55,687	2023	18/08/2022
	0.1600	-	-	100%	-	-	-	16,500	2023	18/08/2022
Mark Bayliss	0.2141	-	-	-	-	356,900	-	-	2019	30/06/2023
	0.2063	-	-	-	-	343,800	-	-	2020	30/06/2023
	0.1939	-	-	-	-	323,167	-	-	2021	30/06/2023
Ashley Conn	0.1660	-	-	-	123,146	-	-	-	2019	30/06/2023
	0.1527	-	-	-	113,223	-	-	-	2020	30/06/2023
	0.1351	-	-	-	100,221	-	-	-	2021	30/06/2023
Chris Mackay	0.1366	-	-	-	81,960	-	-	-	2019	30/06/2023
	0.1230	-	-	-	73,794	-	-	-	2020	30/06/2023
	0.1143	-	-	-	68,568	-	-	-	2021	30/06/2023

11. Remuneration tables and disclosures (cont)

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 performance rights available to vest due to the performance or conditions not being achieved or performance rights being cancelled.

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

12. Service agreements

	Expiry	Termination notice	Termination payment
Executive Director			
Mark Bayliss	N/A	6 Months	6 Months
Julie-Ann Kerin	N/A	6 Months	6 Months
Group Executive			
Ashley Conn	N/A	6 Months	6 Months
Chris Mackay	N/A	6 Months	6 Months
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	24,990,579	6,510,431	-	-	-	(31,501,010)	-
Robin Low	157,100	139,869	-	-	-	-	296,969
Julie-Ann Kerin	2,333,333	162,162	-	-	-	(2,495,495)	-
Bernie Campbell	-	250,000	-	-	-	-	250,000
Mark Bayliss	4,000,000	1,136,364	-	-	-	-	5,136,364
Chris Mackay(i)	-	-	-	5,167,350	-	-	5,167,350
	31,481,012	8,198,826	-	5,167,350	-	(33,996,505)	10,968,330

(i) Shares issued by the Company as part of the post-completion consideration payable for the acquisition of CodeBlue Limited (a subsidiary 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.

15. Environmental regulation

The 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 Group's state of affairs during the financial year.

18. Dividends

No dividends have been paid or declared in regard to the FY2019 or FY2018 year.

19. Directors' interests in contracts

Directors' interests in contracts are disclosed in Note 28 to the financial statements.

20. Indemnification and insurance of Directors and Officers

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and Officers against all liabilities to another person that may arise from their position as Directors or Officers of the Company and its subsidiaries, except if, in the Board's reasonable opinion, the liability arises out of conduct which is fraudulent, criminal, dishonest or a wilful default of the Director's or Officers' duties.

In accordance with the provisions of the Corporations Act 2001, the Company has insured the Directors and Officers against liabilities incurred in their role as Directors and Officers of the Company. The terms of the insurance policy, including the premium, are subject to confidentiality clauses and therefore the Company is prohibited from disclosing the nature of the liabilities covered and the premium paid.

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. During the year, there have been no non-audit services provided by the auditors of the Group, KPMG.

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 51 of this report.

23. Events subsequent to reporting date

On 19 August 2019, the Group executed an in-principle agreement with the Commonwealth Bank of Australia to extend the maturity date of all debt facilities until 21 August 2020.

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 effect on the operation of the Group.

24. Likely developments

The 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 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.

Mark Bayliss

Director
20 August 2019

Auditor's Independence Statement

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 2019 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
20 August 2019

Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Note	Consolidated entity 2019 $'000	2018 $'000
Sales revenue	7	192,689	194,590
Finance lease interest income		23,457	26,389
Interest income		74	99
Other income	7	1,336	2,380
		217,556	**223,458**
Cost of sales	8	112,873	136,477
Finance lease interest expense		11,186	13,619
Marketing expenses		2,170	2,728
Occupancy expenses		7,508	7,405
Administration expenses		26,836	27,959
Employee benefits expenses		39,384	46,423
Share based transactions		1,759	378
Acquisition and integration related expenses	8	(1,109)	2,507
Impairment of intangible assets	16	-	116,100
Other expenses	8	4,252	20,857
Depreciation and amortisation	8	9,588	6,703
Finance costs	8	2,893	3,826
		217,340	**384,982**
Profit/(loss) before income tax		**216**	**(161,524)**
Income tax (expense)/benefit	9	(2,032)	11,395
Loss from continuing operations		**(1,816)**	**(150,129)**
Profit/(loss) is attributable to:			
Members of the parent		(2,828)	(150,282)
Non-controlling interest		1,012	153
		(1,816)	(150,129)
Loss after income tax expense		**(1,816)**	**(150,129)**
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations, net of tax	24	1,588	(1,957)
Cash flow hedges:			
Reclassified to profit or loss, net of tax	24	280	420
Net losses taken to equity, net of tax	24	(2,099)	(406)
Other comprehensive losses for the year		**(231)**	**(1,943)**
Total comprehensive losses for the year		**(2,047)**	**(152,072)**
Total profit and loss and other comprehensive income is attributable to:			
Members of the parent		(3,059)	(152,225)
Non-controlling interest		1,012	153
		(2,047)	**(152,072)**
Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:			
Basic earnings per share (cents)	30	(0.4)	(45.5)
Diluted earnings per share (cents)	30	(0.4)	(45.5)

The Group adopted AASB 9 Financial Instruments and AASB 15 Revenue from Customer Contracts as at 1 July 2018. Under the transition methods chosen, comparative information has not been restated; see Note 4.

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

as at 30 June 2019

	Note	Consolidated entity 2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	11	26,555	14,194
Receivables	12	27,242	38,076
Contract assets	7	6,482	-
Lease receivables	12	95,661	81,029
Inventories	13	39,124	48,711
Other	14	6,660	3,741
Total current assets		**201,724**	**185,751**
Non-current assets			
Receivables	12	615	-
Lease receivables	12	122,272	161,215
Contract assets	7	268	-
Property, plant and equipment	15	2,453	3,158
Intangible assets	16	56,050	58,156
Deferred tax asset	9	5,896	6,298
Total non-current assets		**187,554**	**228,827**
Total assets		**389,278**	**414,578**
Current liabilities			
Payables	17	43,476	53,399
Deferred income		87	642
Contract liabilities	7	278	-
Deferred consideration	18	1,236	5,141
Short term borrowings	19	41,045	2,421
Current tax payable		1,357	991
Provisions	22	4,698	8,728
Total current liabilities		**92,177**	**71,322**
Non-current liabilities			
Provisions	22	396	448
Deferred consideration	18	-	214
Long-term borrowings	19	-	45,881
Derivatives	21	3,881	1,307
Debt associated with lease receivables	20	192,027	212,998
Total non-current liabilities		**196,304**	**260,848**
Total liabilities		**288,481**	**332,170**
Net assets		**100,797**	**82,408**
Equity			
Contributed equity	23	232,344	213,425
Reserves	24	5,032	3,504
Accumulated losses	24	(152,450)	(149,380)
Equity attributable to owners of CSG Limited		**84,926**	**67,549**
Non-controlling interest		15,871	14,859
Total Equity		**100,797**	**82,408**

The Group adopted AASB 9 Financial Instruments and AASB 15 Revenue from Customer Contracts as at 1 July 2018. Under the transition methods chosen, comparative information has not been restated; see Note 4.

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Contributed equity $'000	Reserves $'000	Cashflow hedge reserve $'000	Retained earnings/ accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 July 2017	**205,727**	**8,334**	**(1,352)**	**902**	**14,706**	**228,319**
(Loss)/profit 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 losses taken to equity	-	-	(406)	-	-	(406)
Net gains 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**

	Contributed equity $'000	Reserves $'000	Cashflow hedge reserve $'000	Retained earnings/ accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 July 2018, as previously reported	**213,425**	**4,842**	**(1,338)**	**(149,380)**	**14,859**	**82,408**
Impact of restatement*	-	-	-	(242)	-	(242)
Restated balance as at 1 July 2018*	**213,425**	**4,842**	**(1,338)**	**(149,622)**	**14,859**	**82,166**
(Loss)/profit for the year	-	-	-	(2,828)	1,012	(1,816)
Exchange differences on translation of foreign operations, net of tax	-	1,588	-	-	-	1,588
Cash flow hedges:						
Net losses taken to equity	-	-	(2,099)	-	-	(2,099)
Net gains taken to profit and loss	-	-	280	-	-	280
Total comprehensive income for the year	**-**	**1,588**	**(1,819)**	**(2,828)**	**1,012**	**(2,047)**
Transactions with owners in their capacity as owners:						
Equity settled transactions	1,787	1,759	-	-	-	3,546
Capital raising	17,132	-	-	-	-	17,132
Balance as at 30 June 2019	**232,344**	**8,189**	**(3,157)**	**(152,450)**	**15,871**	**100,797**

* The Group adopted AASB 9 Financial Instruments and AASB 15 Revenue from Customer Contracts as at 1 July 2018. Under the transition methods chosen, comparative information has not been restated; see Note 4.

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Note	Consolidated entity 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		243,111	239,590
Payments to suppliers, employees and others		(231,994)	(246,981)
Movement in lease receivables		27,115	20,005
Interest income		74	98
Interest expense		(2,689)	(3,028)
Income tax paid		(1,032)	(2,404)
Net cash provided by operating activities	25(a)	**34,585**	**7,280**
Cash flows from investing activities			
Payment for intangibles		(5,207)	(4,328)
Payments for property, plant and equipment		(916)	(1,093)
Proceeds from disposal of business		311	-
Payments of deferred consideration		(1,978)	(3,656)
Net cash used in investing activities		**(7,790)**	**(9,077)**
Cash flows from financing activities			
Borrowings associated with lease receivables		(24,644)	(8,907)
Proceeds from borrowings		15,784	59,606
Payments for borrowings		(23,208)	(54,310)
Purchase of hedge instruments		-	(264)
Proceeds from capital raising, net of transactions costs		17,132	-
Net cash flows used in financing activities		**(14,936)**	**(3,875)**
Net increase/(decrease) in cash held		11,859	(5,672)
Cash and cash equivalents at beginning of the financial year[1]		14,194	20,338
Foreign exchange difference on cash holdings		502	(472)
Cash and cash equivalents at end of the financial year	25(b)	**26,555**	**14,194**

1 Includes restricted cash of $10.4m (2018: $8.0m). Restricted cash relates to cash the Group is required to have on hand under various financing arrangements.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

30 June 2019

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 2019 comprise the Company and its controlled entities (together referred to as the Group). 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 20 August 2019.

This is the first set of the Group's annual financial statements in which AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 4.

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 2019 have been prepared on a going concern basis which assumes the Group will be able to realise its assets in the normal course of business and pay its debts as and when they fall due. The Company's corporate debt facility matures on 28 February 2020 and is therefore presented as current in the statement of financial position. On 19 August 2019, the Group executed an in-principle agreement with the Commonwealth Bank of Australia to extend the maturity date of all debt facilities until 21 August 2020.

Functional and presentation currency

The financial report is presented in Australian 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 is 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) Share-based payments

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

(iv) 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.

(v) 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.

(vi) Revenue and income recognition

Revenue from the sale of goods and disposal of other assets is recognised when control of goods or services have passed. Revenue from a contract to provide services is recognised as the service is performed by reference to the performance obligation (PO) that has been completed and control of the goods or service have been transferred to the customer. Where two or more PO's are sold under a single arrangement, each PO that is considered to be a separate and distinct is accounted for separately. When the deliverables in a multiple element arrangement are not considered to be separable or distinct PO, the arrangement is accounted for as a single unit.

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.

(vii) 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. The Group makes estimates regarding receivables in accordance with Note 4(a)(i).

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, except for as described in Note 4.

(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 restatement 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

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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.

(i) Financial assets

The Group has the following financial assets: financial assets measured at amortised cost and FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management.

Financial assets at amortised cost

A financial asset is measured at amortised cost when it is held to collect contractual cash flows and the contractual terms specify dates on which cash flows solely of principal and interest on the principal amount outstanding arise.

The Group considers the contractual terms of the financial asset to determine if cash flows are solely payments of principal and interest; including assessing a change in timing or amount that would mean it would not meet this condition.

They are initially 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. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets at amortised cost comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents include cash on hand and at banks, including restricted cash and a group multi-function bank overdraft facility.

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 FVTPL 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.

(ii) Financial liabilities

Financial liabilities (including liabilities designated at FVTPL) 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 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 during the period for which the hedge is designated. 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.

(d) 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.

(e) Revenue recognition

(i) Revenue from contracts with customers

The Group has initially applied AASB 15 from 1 July 2018. Information about the Group's accounting policies relating to contracts with customers is provided in Note 7. The effect of initially applying AASB 15 is described in Note 4.

(ii) Other income

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

(iii) Interest income

Interest on loans and receivable 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.

(f) 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.

(g) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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.

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

(h) Intangible assets

(i) 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.

(ii) 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 and 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.

(i) Impairment

(i) Non-derivative financial assets

The group initially applied AASB 9 from 1 July 2018. Impairment of financials assets are now subject to AASB 9's expected credit loss model, outlined in Note 4(a)(i).

(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.

(j) 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.

(k) 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.

(i) 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.

(l) 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.

(m) 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.

(i) 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.

(ii) 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.

(n) 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.

(o) 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.

(i) 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.

(p) Research and 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.

(q) 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.

(r) 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

The Group has initially applied AASB 9 (see (i)) and AASB 15 (see (ii)) from 1 July 2018. A number of other new standards are also effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to the following:

— an increase in impairment losses recognised on financial assets (see (i));
— recognition of a contract asset in relation to commission payments that were previously expensed (see (ii)).

(i) AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

AASB 9 addresses the classification, measurement, and derecognition 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.

Financial assets within AASB 9 have been updated for classification and determination. This method categorises the asset into three principal classifications; measured at amortised cost, fair value through profit or loss, and fair value through other comprehensive income. This terminology replaces the previously used held to maturity, loans and receivables, and available for sale.

Impairment of financial assets uses a forward-looking model identified as the Expected Credit Loss (ECL) model. This requires considerable management judgement in determining which economic factors affect the Group's financial assets and quantification of these. Under the ECL model, management determines the possibility and quantum of a current default event (less than 12 months) and a lifetime loss based on likely losses from credit risk. The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. On a probability-weighted estimate of future losses, consideration is given to the types of lending product, method of payment, credit rating, underlying asset, customer region and industry as well as other macro-economic factors to determine an ECL based on delinquency status and actual credit loss experience over the past seven years. The tables below provide information about the exposure to credit risk and ECLs for trade and lease receivables:

Grade risk	Gross carrying amount $'000	Impairment $'000	Australia loss rate	New Zealand loss rate
Grades 1-6: Low risk	182,338	459	0.2841%	0.2748%
Grades 7-9: Fair risk	51,206	327	0.3138%	0.9719%
Grade 10: Substandard	645	266	40.8638%	42.6300%
Grade 11: Doubtful	292	185	63.3445%	69.9111%
Grade 12: Loss	2	1	78.8021%	55.5442%
Specific provision	10,178	4,761	-	-
Total	244,661	5,999		

This model has been applied to the lease and trade receivable balance. The Group has elected to measure loss allowances for lease and trade receivables and contract assets at an amount equal to lifetime ECLs. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realising security or the financial asset is more than 90 days past due. The movement in the allowance for impairment in respect of trade and lease receivables during the reporting period is as follows:

($'000)	Lease receivables	Trade receivables
Balance at 30 June 2018	**($3,699)**	**($5,319)**
Restatement – ECL provision	($1,168)	($177)
Balance at 1 July 2018[1]	**($4,867)**	**($5,496)**
Amounts written off	$2,245	$4,461
Net remeasurement of loss allowance	($1,281)	($1,061)
Balance at 30 June 2019	**($3,903)**	**($2,096)**

1 The Group has initially applied AASB 9 at 1 July 2018. Under the transition method chosen, comparative information is not restated, except for certain hedging requirements. The expected credit loss allowance recognised is incremental to the loss allowance recognised under AASB 139.

The movement in loss allowance excluding the impact of initial application of AASB 9 was mainly attributable to writing off amounts provided for at 30 June 2018 in relation to the withdrawal from the Enterprise Solutions business for transition out costs for contracts not expected to be renewed.

Hedge accounting under AASB 9 aligns with the Group's risk management strategy in assessing hedge effectiveness. The Group currently uses Forward 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. The Group also has interest rate swaps to hedge interest rate variability on its debt facilities. After application of the new standard, Management concluded there was no material change to the financial statements.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement requirement in transitioning to AASB 9.

(ii) AASB 15 Revenue from customer contracts

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. For the sales of print and technology products, revenue was previously recognised when the significant risk and rewards of ownership of the goods have passed to the customer and the costs incurred or to be incurred could be reliably measured. Under AASB 15, revenue is recognised when a customer obtains control of the goods. The Group has assessed there will be no change regarding the timing of revenue recognition for the sale of goods during the period after application of AASB 15.

Revenue from a contract to provide services was previously recognised as the service is provided to the customer. For large projects, where satisfaction of a performance obligation is achieved by transferring control of a good or service over time to the customer, revenue is recognised by reference to the stage of completion of the contract and the right to invoice the customer. The Group 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 the new standard. During the year ended 30 June 2019, there has been no material difference in the timing of revenue recognition for these services.

Commissions to sales agents had previously been expensed once the risk and rewards of the asset has been transferred to the customer. 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. The Group has assessed that the vast majority of sales commissions paid relate to the consideration received from the sale of equipment, and the costs are recovered up-front when the performance obligations relating to the sale are satisfied. Upon transition, the Group has identified commission payments that were previously expensed that are attributable to services and financing arrangements that are ongoing. Accordingly, an asset in the amount of $1.7m has been recognised and will be amortised over the remainder of the service periods, which are up to approximately three years. An amortisation charge of $1.0m has been recorded in the current period in respect of these commission payments. The commission scheme has been revised during the period such that, the vast majority of commissions relate to equipment sales and therefore it is expected that any commissions requiring deferral in the future will not be material.

Bid costs are expensed as incurred and have not been capitalised. Upon transition, the Group has restated retained earnings by $0.1m, net of tax in relation to bid costs.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2018 financial year has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

(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 16 Leases

AASB 16 comes into effect for annual periods beginning on or after 1 January 2019. The Group has not applied this standard in preparing these consolidated financial statements.

AASB 16 replaces existing leases guidance, including AASB 117 *Leases*, Australian Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

This standard will become effective for the Group for the annual period beginning on 1 July 2019 (the Group's 2020 consolidated financial statements).

AASB 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This new treatment will result in both a depreciation and interest charge in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. There are recognition exemptions for short-term leases and leases of low-value items. In contrast, lessor accounting will remain similar to current practice – i.e. lessors continue to classify leases as finance or operating leases.

The Group has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 July 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application

(i) Leases in which the Group is a lessee

The group will recognise new assets and liabilities for its operating leases of office premises, warehouses, motor vehicles and other equipment. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. The impact on the Group's profit and loss statement will not be material.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

The Group acquired software to track and report its lease contracts in accordance with the new standard. Based on the information currently available, the Group expects to recognise the following amendments at 1 July 2019 from adopting AASB 16:

($'000)	Estimated amendments
Right-of-use asset	$18.0 - 20.0m
Lease liabilities	$18.0 - 20.0m

The Group does not expect the adoption of AASB 16 to impact its ability to comply with the revised maximum leverage threshold loan covenants.

No significant impact is expected in relation to the Group's finance leases.

(ii) Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

(iii) Transition

The Group plans to adopt AASB 16 using the modified retrospective method and will record any impact of first-time application of the standard in retained earnings at 1 July 2019, with no restatement of comparatives. On transition, the majority of leases will be recognised using the modified retrospective B option, whereby the right-of-use assets relating to property, equipment and vehicles will be measured at the same amount as the liability at 1 July 2019, being the present value of the remaining future minimum lease payments at the date of initial application, adjusted for lease payments made in advance or due.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117 *Leases* and AASB Interpretation 4 Determining whether an Arrangement contains a Lease.

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 (2018: 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. 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 and 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

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

Corporate debt facility

As at 30 June 2019, the Senior Debt Facility Agreement with the Commonwealth Bank of Australia (CBA) has a total limit of $42.5m. At reporting date, the maturity date of this facility is 28 February 2020 (refer Note 25). Subsequent to reporting date, an in-principle agreement was executed with CBA to extend the maturity date of this facility to 21 August 2020. 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 Group. The Group also issued a $1.5m bank guarantee to a third party inventory and logistics partner, fully secured by cash deposit.

Interest on each of these facilities is charged at a floating rate plus margin.

Lease financing facilities – New Zealand

On 26 June 2019, the Group completed a restructure of the New Zealand lease financing facilities, with the introduction of a mezzanine investor into the CSG Finance New Zealand Trust. Existing notes in the securitisation funding facility were redesignated, resulting in Westpac's Class A facility limit being reduced to NZD$90.0m and the introduction of Class AB facility limits of NZD$12.0m. The availability period for writing new business was extended until 14 April 2020, with a final maturity date of 14 April 2022. Interest on the CSG Finance New Zealand 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

On 24 April 2019, the Group agreed terms with the existing financiers to extend the availability period for writing new business until 20 April 2020, with a final maturity date of 20 April 2022. It was agreed with Westpac for the facility limit under the Class A facility to be re-aligned relative to the size of the portfolio, and was reduced from $135.0m to $120.0m. 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 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.

(a) Interest rate risk exposure

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.

	2019 $'000		2018 $'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	234	234	229	229
Impact on interest expense on loans	(2,462)	(2,462)	(2,724)	(2,724)
Impact on cash flows from derivative	1,973	1,973	2,134	2,134
Fair value sensitivity:				
Impact on derivative fair value at balance date	2,791	2,791	2,558	2,494
Total impact	**2,536**	**2,536**	**2,197**	**2,133**
Interest rates:				
100 bps decrease:				
Cash flow sensitivity:				
Impact on interest income on cash	(234)	(234)	(229)	(229)
Impact on interest expense on loans	2,462	2,462	2,724	2,724
Impact on cash flows from derivative	(1,973)	(1,973)	(2,134)	(2,134)
Fair value sensitivity:				
Impact on derivative fair value at balance date	(2,791)	(2,791)	(2,558)	(2,494)
Total impact	**(2,536)**	**(2,536)**	**(2,197)**	**(2,133)**

The Group's derivative contracts that are exposed to changes in interest rates at 30 June 2019 are detailed in the table below.

Interest rate swaps	Avg pay fixed rate	Notional amounts $'000	Duration (years)
2019			
Less than 1 year	4.66%	2,382	0.9
1 to 5 years	2.35%	14,698	4
1 to 5 years	2.30%	54,499	5
1 to 5 years	2.16%	44,168	5
Later than 5 years	2.57%	69,784	5.2
2018			
1 to 5 years	4.66%	9,823	1
1 to 5 years	2.35%	15,842	5
1 to 5 years	2.32%	59,375	5
1 to 5 years	2.31%	46,912	5
Later than 5 years	2.71%	77,309	5.2

(b) Credit risk exposures

Credit risk is the risk that a loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations. Management is responsible for sanctioning large credit exposures to all customers arising from lending activities. Financial instruments that potentially subject the 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

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

	2019 $'000	2018 $'000
Impairment loss on trade receivables and contract assets arising from contracts with customers	2,669	1,797
Impairment loss on lease receivables	1,611	787
	4,280	2,584

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 30 June 2018 is as follows.

	2018 $'000
Neither past due nor impaired	264,633
Past due 1 - 30 days	8,308
Past due not impaired 31 - 90 days	3,388
Past due not impaired 91+ days	3,991
	280,320

(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 2019, this comprised 4.7% of the net pool balance of securitised leases for the New Zealand facility ($3.4m (NZ$3.5m)) and 7.5% 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.

CSG Finance NZ is exposed to potential foreign currency movements related to the mezzanine investment in the CSG Finance New Zealand Trust. All committed requirements are fully hedged using forward contracts.

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 2019, a total of US$0.110m (2018: US$1.6m) of forward cover was in place with an average NZ$/US$ rate of 0.6621 (2018: 0.6742).

The Group usually hedges its exposure to income generated by the New Zealand businesses using collar options.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 %	2018 %
(i) Financial assets														
Cash and cash equivalents	26,553	14,192							2	2	26,555	14,194	1.01%	1.39%
Trade receivables									22,825	36,828	22,825	36,828		
Finance lease receivables					95,661	81,029	122,272	161,215			217,933	242,244	10.38%	9.82%
Derivatives														
Sundry debtors									6,513	6,569	6,513	6,569		
Total financial assets	**26,553**	**14,192**			**95,661**	**81,029**	**122,272**	**161,215**	**29,340**	**43,399**	**273,826**	**295,835**		
(ii) Financial liabilities														
Trade payables									19,162	23,602	19,162	23,602		
Other payables and deferred income									24,314	29,797	24,314	29,797		
Debt associated with finance leases							192,027	212,998			192,027	212,998	3.45%	4.09%
Derivatives - interest rate swaps							3,639	1,295			3,639	1,295	2.40%	2.57%
Derivatives - foreign currency options									242	12	242	12		
Current tax liability									1,357	991	1,357	991		
Term debt/bills payable	40,010			45,881	1,035	2,421					41,045	48,302	4.42%	3.75%
Total financial liabilities	**40,010**			**45,881**	**1,035**	**2,421**	**195,666**	**214,293**	**45,075**	**54,402**	**281,786**	**316,997**		

Note 7: Revenue and other income

The Group generates revenue primarily from the equipment sale, service and maintenance and provision of IT services and projects to its customers, as well as finance income (refer to Note 32). Other sources of revenue include sub-lease rental income from property.

	Consolidated entity	
	2019 $'000	2018 $'000
Revenue from contracts with customers	**192,689**	**194,590**
Other income		
Sundry	1,579	2,019
Interest rate swap income	43	53
(Loss)/gain on foreign exchange	(286)	308
	1,336	**2,380**
Total revenue and other income	**194,025**	**196,970**

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

		Consolidated entity	
	Note	2019 $'000	2018 $'000
Receivables, which are included in 'Trade and other receivables'	12	22,825	36,828
Contract assets		6,750	-
Contract liabilities		(278)	-

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on equipment, service and project revenue products. The contract assets are transferred to receivables when amounts are billed. The balance of contract assets at the beginning of the period was $3.7m, of which all was billed during the year ended 30 June 2019.

The contract liabilities primarily relate to the advance consideration received from customers for provision of IT services, for which revenue is recognised over time. As at 30 June 2019, the amount of deferred revenue is $0.3m. This will be recognised as revenue when the IT services are provided, which is expected to occur over the next year.

The balance of contract liabilities at the beginning of the period was $0.3m, of which $0.2m has been recognised as revenue for the year ended 30 June 2019.

Contract costs

Management expects sales commissions paid to agents as a result of obtaining equipment sales and service contracts are recoverable.

Upon transition to AASB 15 *Revenue from Customer Contracts*, the Group has identified commission payments that were previously expensed that are attributable to services and financing arrangements that are ongoing. Accordingly, an asset in the amount of $1.7m has been recognised and will be amortised over the remainder of the service periods, which are up to approximately three years. An amortisation charge of $1.0m has been recorded in the current period in respect of these commission payments. The Group notes that it has revised its commission scheme during the period such that, the vast majority of commissions relate to equipment sales and therefore expects any commissions requiring deferral in the future will not be material.

During the year there was no impairment loss in relation to the costs capitalised.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when the Group satisfies the performance obligation. When the Group has a right to consideration from a customer at the amount corresponding directly to the customer's value of the performance completed to date, revenue is recognised in the amount to which the Group has a right to invoice.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 (applicable from 1 July 2018)	Revenue recognition under AASB 118 (applicable before 1 July 2018)
Equipment sales and IT products	Customers obtain control of equipment when the goods are delivered to and have been installed at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided for standard equipment.	Revenue is recognised when the goods are delivered and have been installed.	Revenue was recognised when the goods were delivered to the customers' premises and installed, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.
Equipment service and maintenance, IT services	Invoices for equipment maintenance and services and IT services are issued on a monthly basis and are usually payable within 30 days. There is a monthly charge and in some instances a charge for excess clicks or a price per click/per device.	Revenue is recognised over time as the services are provided. Revenue is recognised every month when service has been provided as benefits are consumed by customer as service is being provided. The stage of completion for determining the amount of revenue to recognise where it is not a pre-agreed monthly charge is assessed based on the number of clicks where applicable. Additional services are charged per hourly rates. Advances received are included in contract liabilities.	Revenue was recognised in proportion to the stage of completion of the transaction at the reporting date. CSG was tracking project milestones promised in customer contracts, and when achieved, recognised the revenue. The stage of completion was assessed based on surveys of work performed. If the services under a single arrangement were rendered in different reporting periods, then the consideration was allocated on a relative fair value basis between the different services.
Finance income	Finance income is earned during the life of the lease contract. In case of early termination, no future interest is earned.	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.	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 was used to record interest income.
IT services and equipment installation – large projects	For large projects, where satisfaction of a performance obligation is achieved by transferring control of a good or service over time to the customer, revenue is recognised by reference to the stage of completion of the contract and the right to invoice the customer. The Group tracks project milestones promised in customer contracts, and when achieved, recognises the revenue.	The output method of tracking progress towards milestones reached continues to be appropriate and in compliance with the new standard. Advances received are included in contract liabilities.	Revenue from a contract to provide services was recognised by reference to the stage of completion of the contract. The revenue recognised from rendering of services combined: — 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, did not become payable until future years. The long-term service contracts specifically detailed both services to be performed and the invoicing components for each year of the contracts. The Group's contract administration system enabled the stage of completion of each contract to be reliably determined.

Note 8: Expenses

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

	Consolidated entity	
	2019 $'000	2018 $'000
Cost of sales		
Cost of goods	50,675	54,305
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	43,313	46,973
Cost of sales service (employee benefits)	18,885	18,939
Total cost of sales	**112,873**	**136,477**
Acquisition and integration related expenses		
Reversal of contingent consideration	(1,507)	-
Other acquisition and integration related expenses	398	2,507
Total acquisition and integration related expenses	**(1,109)**	**2,507**
Other expenses		
Bad debts expense(i)	4,280	2,584
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	(28)	68
Total other expenses	**4,252**	**20,857**
Depreciation and amortisation		
Plant and equipment	1,012	1,027
Leasehold improvements	508	148
Amortisation of customer contracts/relationships	3,106	3,836
Amortisation of contracts	1,079	-
Amortisation of intangible assets	3,883	1,692
Total depreciation and amortisation	**9,588**	**6,703**
Finance costs		
Interest	2,565	3,345
Bank fees	186	218
Amortisation of borrowing costs	142	264
Total finance costs	**2,893**	**3,826**

(i) Bad debt expense in FY2019 includes Finance segment $2,669,000 (FY2018: $4,385,000) and Business Solutions $1,687,000 (FY2018: $947,000).

(ii) Relates to the Business Solutions segment

(iii) Due to the withdrawal from the Enterprise Solutions business in the prior year, 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 2019 $'000	Consolidated entity 2018 $'000
(a) Components of tax expense/(benefit)		
Current tax expense/(benefit) in respect of the current year	1,254	(7,380)
Deferred tax expense/(benefit) recognised in the current year(i)	1,679	(5,699)
Adjustments recognised in the current year in relation to the prior year	(901)	1,684
Total tax expense/(benefit)	**2,032**	**(11,395)**
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit/(loss) before tax from continuing operations	216	(161,524)
Prima facie income tax payable/benefit on profit before income tax at 30% (2018: 30%)	**65**	**(48,457)**
Add tax effect of:		
- other non-allowable items	2,598	2,871
- Impairment	-	34,265
- effect of different tax rates in other jurisdictions(ii)	(213)	380
- share-based payments	528	(199)
- (over)/under provision for income tax in prior years	(901)	101
	2,012	**37,418**
Less tax effect of:		
- other non-assessable items	(45)	(356)
	(45)	**(356)**
Income tax expense/(benefit) attributable to profit	**2,032**	**(11,395)**
(c) Deferred tax		
Deferred tax assets		
The balance comprises:		
Inventories	755	2,459
Doubtful debts	1,768	2,668
Property, plant and equipment	218	183
Accrued expenses	2,296	2,056
Employee entitlements	1,454	1,627
Other provisions	61	730
Research and development tax offsets	6,334	6,603
Tax losses carried forward	17,538	17,665
Share issue costs	279	137
Other	329	301
Total deferred tax assets	**31,032**	**34,429**

(i) Origination and reversal of temporary differences
(ii) The corporate tax rate in New Zealand is 28%

Note 9: Income Tax (cont.)

	Consolidated entity	
	2019 $'000	2018 $'000
Deferred tax liabilities		
The balance comprises:		
Intangibles	(2,003)	(3,806)
Property, plant and equipment	(2,784)	(3,854)
Leases	(19,686)	(20,201)
Other	(1,009)	(642)
Total deferred tax liabilities	**(25,482)**	**(28,503)**
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	(142)	67
Derivatives	488	305
Total	**346**	**372**
Net deferred tax assets/(liabilities)	**5,986**	**6,298**

Note 10: Dividends on ordinary shares

There were no dividends paid during the year (2018: nil).

Franking credit balance[i]

	Consolidated entity	
	2019 $'000	2018 $'000
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	1,699	1,730

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

Note 11: Cash and cash equivalents

	Consolidated entity	
	2019 $'000	2018 $'000
Cash at bank	16,150	6,241
Restricted cash[i]	10,403	7,951
Cash on hand	2	2
	26,555	**14,194**

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

Note 12: Receivables

	Consolidated entity 2019 $'000	Consolidated entity 2018 $'000
Current		
Trade receivables	22,825	36,828
Impairment provision	(2,096)	(5,319)
Sundry debtors	6,513	6,567
	27,242	**38,076**
Non-current		
Sundry debtors	615	-
	615	**-**
Total receivables	**28,857**	**38,076**
Finance lease receivables		
Gross receivables	255,120	285,006
Impairment provision	(3,903)	(3,699)
Unearned finance income	(33,284)	(39,063)
Net finance lease receivables	**217,933**	**242,244**
Represented by:		
Current net receivable	95,661	81,029
Non-current net receivable	122,272	161,215
	217,933	**242,244**

Note 13: Inventories

	Consolidated entity 2019 $'000	Consolidated entity 2018 $'000
Finished goods	5,272	12,333
Consumables	6,763	9,833
Toner in Field	27,089	26,545
	39,124	**48,711**

Note 14: Other current assets

	Consolidated entity 2019 $'000	Consolidated entity 2018 $'000
Prepayments	3,802	3,429
Other(i)	2,858	312
	6,660	**3,741**

(i) The Group issued a $1.5m bank guarantee to a third party inventory and logistics partner, fully secured by cash deposit.

Note 15: Property, plant and equipment

	Leasehold Improvements $'000	Plant and Equipment $'000	Furniture and Fittings $'000	Office Computer Equipment $'000	Leased Plant and Equipment $'000	Total $'000
At 1 July 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	2,178	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**	**510**	**569**	**889**	**1**	**3,158**
Year ended 30 June 2019						
Opening net book amount	1,188	510	569	889	1	3,158
Foreign exchange impact	10	5	23	10	-	48
Additions	6	479	116	315	-	916
Disposals	(16)	(10)	(118)	(3)	(1)	(148)
Depreciation charge	(553)	(159)	(226)	(582)	-	(1,520)
Closing net book amount	**635**	**825**	**364**	**629**	**-**	**2,453**
At 30 June 2019						
Cost	4,344	3,121	4,709	11,807	641	24,622
Accumulated depreciation	(3,709)	(2,296)	(4,345)	(11,179)	(641)	(22,169)
Net book amount	**635**	**825**	**364**	**629**	**-**	**2,453**

Note 16: Intangible assets

	Goodwill $'000	Customer contracts/ relationships $'000	Licenses and other intangibles $'000	Total $'000
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**
Year ended 30 June 2019				
Opening net book amount	19,834	18,406	19,916	58,156
Restatement for new accounting standard	-	-	(189)	(189)
Adjustment to acquisition accounting through business combinations	(182)	-	-	(182)
Acquisitions	-	-	5,207	5,207
Foreign exchange impact	-	-	47	47
Amortisation for the year	-	(3,106)	(3,883)	(6,989)
Closing net book amount	**19,652**	**15,300**	**21,098**	**56,050**
At 30 June 2019				
Cost	19,652	47,799	30,216	97,667
Accumulated amortisation	-	(32,499)	(9,118)	(41,617)
Net book amount	**19,652**	**15,300**	**21,098**	**56,050**

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:

	2019 $'000	2018 $'000
Business Solutions Australia	6,171	6,171
pcMedia Technologies	-	182
CodeBlue	13,481	13,481
	19,652	**19,834**

Note 16: Intangible assets (cont.)

	Terminal EBITDA Growth rate		Discount rate	
	2019	2018	2019	2018
Business Solutions Australia	2.50%	2.50%	10.44%	10.44%
Enterprise Solutions Australia	2.50%	2.50%	10.44%	10.44%
Business Solutions New Zealand	2.50%	2.50%	10.60%	10.60%
Finance Solutions Australia	2.50%	2.50%	10.44%	10.44%
Finance Solutions New Zealand	2.50%	2.50%	10.60%	10.60%
CodeBlue	2.50%	2.50%	10.60%	10.60%

Goodwill testing incorporated a five-year forecast including the board approved FY20 budgets and growth rates. EBITDA growth rates have been calculated using management's estimates of economic conditions and past performance with the 2020 budget as the starting point, adjusting for known and expected events. 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 Group and equities generally along with the systemic risk of each specific CGU.

Based on the abovementioned forecast modelling, both the Business Solutions Australia and CodeBlue CGU's are demonstrating ample headroom. Both CGU's would need to have a greater than 70% decline in operating performance in order for them to result in a breakeven outcome

Note 17: Payables

	Consolidated entity	
	2019 $'000	2018 $'000
Current		
Trade payables	19,162	23,602
Other payables	24,314	29,797
	43,476	**53,399**

Note 18: Deferred consideration

The Group has provided an amount of $1,236,000 to complete the acquisition of Printsync.

Note 19: Borrowings

	Consolidated entity	
	2019 $'000	2018 $'000
Current		
Secured		
Loans and borrowings (i)	40,010	21
Other	1,035	2,400
	41,045	**2,421**
Non-current		
Secured		
Loans and borrowings	-	45,881
	-	45,881
Total borrowings	**41,045**	**48,302**

(i) Refer to Note 25 for maturity dates

Note 20: Debt associated with lease receivables

	Consolidated entity	
	2019 $'000	2018 $'000
Non-current		
Loans and borrowings	192,027	212,998
	192,027	**212,998**

Note 21: Derivative liabilities

	Consolidated entity	
	2019 $'000	2018 $'000
Non-current		
Interest rate swaps	3,639	1,295
Foreign currency forward contracts	242	12
	3,881	**1,307**

Information about interest rate risk is detailed in Note 6.

Note 22: Provisions

	Consolidated entity	
	2019 $'000	2018 $'000
Current		
Employee benefits	4,270	4,244
Restructure of ES business	-	2,328
Other	428	2,156
	4,698	**8,728**
Non-current		
Employee benefits	396	448
	396	**448**

Note 23: Contributed equity

(a) Issued and paid up capital

	2019 $'000	2018 $'000
Ordinary shares fully paid (no. of shares):	232,344	213,425
	232,344	**213,425**

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

	2019		2018	
	No. of shares	$'000	No. of shares	$'000
Beginning of the financial year	338,608,057	213,425	320,872,439	205,727
Share buy-backs	-	-	-	-
Issued shares[i]	103,072,600	18,211	21,735,618	8,730
Treasury shares	-	-	(4,000,000)	(1,032)
Treasury shares escrow complete	1,333,334	708	-	-
Balance at the end of the year	**443,013,991**	**232,344**	**338,608,057**	**213,425**

(i) During the period, the Company undertook a capital raising with the support of key shareholders to provide additional liquidity. Proceeds received were $18,007 thousand with costs incurred of $875 thousand. In December 2018, shares in the Company of $1,079 thousand were issued as part of the final earnout payment.

(c) Employee share scheme

The Group, 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 Group.

(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 2019:

Issued date	Performance hurdle date	Opening 1 July 2018	Issued	Forfeited	Cancelled	Vested	Closing 30 June 2019
LTIP Issue 10	18-08-2020	2,628,814	-	(925,657)	(1,352,994)	-	350,163
LTIP Issue 10	18-08-2021	2,628,814	-	(925,657)	(1,352,994)	-	350,163
LTIP Issue 10	18-08-2022	2,628,814	-	(925,657)	(1,352,994)	-	350,163
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
LTIP Issue 12	12-11-2019 to 30-06-2021	-	3,630,208	-	-	-	3,630,208
LTIP Issue 12	30-06-2020	-	3,630,208	-	-	-	3,630,208
LTIP Issue 12	30-06-2021	-	3,630,208	-	-	-	3,630,208
Total		**12,886,442**	**10,890,624**	**(2,776,971)**	**(4,058,982)**	**-**	**16,941,113**

Note 23: Contributed equity (cont.)

Performance rights on issue at 30 June 2018:

Issued date	Performance hurdle date	Opening 1 July 2017	Issued	Forfeited	Cancelled	Vested	Closing 30 June 2018
LTIP Issue 9	30-09-2018	418,900	-	-	(418,900)	-	-
LTIP Issue 9	30-09-2018	1,256,700	-	-	(1,256,700)	-	-
LTIP Issue 9	30-09-2019	1,256,700	-	-	(1,256,700)	-	-
LTIP Issue 9	30-09-2020	1,256,700	-	-	(1,256,700)	-	-
MAIP	01-07-2017	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**

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

The total shareholder return (TSR) growth performance is a measure of the compound annual growth rate (CAGR) of the Company's TSR over the relevant performance period. Broadly, TSR is a measure of the increase in the price of a Share (assuming dividends are reinvested) as determined by the Company. The base price of $1.59 will be used when calculating the TSR CAGR for a performance period.

When calculating 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 3 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 4,493,459 rights left the Group and these rights have lapsed, and 4,058,982 performance rights have been cancelled.

Note 23: Contributed equity (cont.)

Plan	Detail
LTIP 11	The Executive Chairman (now Acting CEO and Managing Director) 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. 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.

Plan	Detail
LTIP 12	Executive and senior management were granted 10,890,624 performance rights in FY2019 under LTIP 12. 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 12 range from 1 March 2019, 1 April 2019 or 23 May 2019 to 30 June 2023. 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, 14 October 19 or 12 November 19. 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.

Note 24: Reserves and retained earnings

	Note	Consolidated entity 2019 $'000	Consolidated entity 2018 $'000
Share-based payment reserve	24(a)	2,314	555
Foreign currency translation reserve	24(b)	5,875	4,287
Cash flow hedge reserve	24(c)	(3,157)	(1,338)
Total reserves		**5,032**	**3,504**
Retained earnings	**24(d)**	**(152,450)**	**(149,380)**

(a) Share-based payment reserve

(i) Nature and purpose of reserve

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

(ii) Movements in reserve

	2019 $'000	2018 $'000
Balance at beginning of year	555	2,090
Equity settled transactions	1,759	(1,535)
Balance at end of year	**2,314**	**555**

(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

	2019 $'000	2018 $'000
Balance at beginning of year	4,287	6,244
Exchange differences on translation of foreign operations	1,588	(1,957)
Balance at end of year	**5,875**	**4,287**

(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

	2019 $'000	2018 $'000
Balance at beginning of year	(1,338)	(1,352)
Net losses taken to equity	(2,099)	(406)
Net gains transferred to profit and loss	280	420
Balance at end of year	**(3,157)**	**(1,338)**

(d) (Accumulated losses)/retained earnings

	2019 $'000	2018 $'000
Balance at 30 June 2018	(149,380)	902
Restatement due to adoption of new accounting standards	(242)	-
Balance at beginning of year	(149,622)	902
Net loss attributable to members	(2,828)	(150,282)
Total available for appropriation	(152,450)	(149,380)
Dividends	-	-
Balance at end of year	**(152,450)**	**(149,380)**

Note 25: Cash flow information

	Consolidated entity	
	2019 $'000	2018 $'000
(a) Reconciliation of cash flow from operations with loss after income tax		
Loss from ordinary activities after income tax	(1,816)	(150,130)
Non-cash items		
Deferred consideration unwind	62	310
Amortisation of intangibles	6,989	5,528
Amortisation of commissions	1,079	-
Impairment of goodwill	-	116,100
Depreciation of property, plant and equipment	1,520	1,175
Share-based transactions	1,759	368
Cash flow hedge	(43)	20
	11,366	123,501
(Increase)/decrease in assets		
Receivables	964	2,995
Prepayments	(612)	1,337
Inventories	9,458	17,098
Deferred tax assets	6,682	(16,896)
Lease receivables	28,282	20,005
Increase/(decrease) in liabilities		
Payables	(9,811)	1,925
Provisions	(4,028)	4,548
Deferred tax liabilities	(6,279)	4,126
Tax provisions	379	(1,229)
Net cash from operating activities	**34,585**	**7,280**
(b) Reconciliation of cash		
Cash balance comprises:		
Restricted cash	10,403	7,951
Non-restricted cash	16,152	6,243
Cash at bank	**26,555**	**14,194**

Note 25: Cash flow information (cont.)

	Consolidated entity	
	2019 $'000	2018 $'000
(c) Credit stand-by arrangements and loan facilities		
Facilities		
Multi-function facility [(i)]	42,500	60,000
Securitisation and lease finance facilities - NZ [(ii) (iii)]	102,000	100,892
Securitisation and lease finance facilities - Australia [(iv) (v)]	150,000	165,000
	294,500	**325,892**
Facilities used		
Multi-function facility	41,107	50,302
Securitisation and lease finance facilities - NZ	79,700	79,918
Securitisation and lease finance facilities - Australia	115,710	125,866
	236,517	**256,086**
Facilities unused		
Multi-function facility	1,393	9,698
Securitisation and lease finance facilities - NZ	22,300	20,974
Securitisation and lease finance facilities - Australia	34,290	39,134
	57,983	**69,806**

(i) 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 28 February 2020 with an in-principle agreement executed with the Commonwealth Bank of Australia after reporting date to extend the maturity date until 21 August 2020.

(ii) The Group's Westpac Banking Corporation New Zealand funding facility, securitised by finance lease receivables (New Zealand Securitisation Facility), matures on 14 April 2022. The facility limit is NZ$90.0m.

(iii) On 26 June 2019, the Group entered into an agreement with Dinimus. The Group's Dinimus New Zealand funding facility (Class AB Financiers), securitised by finance lease receivables matures on 26 June 2021. The facility limit is NZD$12.0m. Together the Class A Financier and Class AB Financiers make up the New Zealand Securitisation Facility (New Zealand Securitisation Facility).

(iv) The Group's Westpac Banking Corporation Australia funding facility (Class A Financier) securitised by finance lease receivables, matures on 20 April 2022. The facility limit is $120.0m.

(v) The Group's IFM Australia funding facility (Class AB Financiers) securitised by finance lease receivables, matures on 20 April 2022. The facility limit is $30.0m. 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

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:

	Consolidated entity	
	2019 $'000	2018 $'000
No later than one year	6,627	6,792
Later than one year but not later than five years	13,763	9,083
Later than five years	3,186	1,808
	23,576	**17,683**

Note 27: Other

In December 2018, the Group divested 100% of shares in pcMedia Technologies Limited. The proceeds from the sale were $311 thousand. A loss on the sale was recorded at $33 thousand (including $182 thousand foreign currency translation reserve loss).

Note 28: Related party disclosures

(a) The key management personnel compensation comprised:

	Consolidated entity	
	2019 $	2018 $
Short-term employee benefits	2,391,407	1,403,313
Post-employment benefits	106,861	68,150
Termination benefits	437,106	-
Other long-term benefits	1,199,783	250,914
	4,135,157	**1,722,377**

(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.

(d) Group entities

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

			Ownership interest	
Parent entity	Former name	Country of incorporation	2019 %	2018 %
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
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 Solutions (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

Note 28: Related party disclosures (cont.)

Parent entity	Former name	Country of incorporation	Ownership interest 2019 %	2018 %
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	100
CSG Finance (NZ) Limited (ii)	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 (i)		Australia	100	100
Subsidiaries of CSG Print Services NZ Limited:				
CSG Business Solutions Limited (ii)	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 (ii)		New Zealand	100	100
pcMedia Technologies Limited		New Zealand	-	100
CodeBlue Limited (ii)		New Zealand	100	100
Subsidiaries of CodeBlue Limited:				
CodeBlue Christchurch Limited (ii)		New Zealand	100	100
Work IT Solutions Limited (ii)		New Zealand	100	100
IT Synergy Limited (ii)		New Zealand	100	100
CodeBlue Wellington Limited (ii)		New Zealand	100	100
Subsidiaries of CSG Finance (NZ) Limited:	Leasing Solutions Limited			
CSG Finance (NZ Facility 2) Limited (ii)	Onesource Finance Limited	New Zealand	100	100
CSG Finance (NZ Warehouse) Limited (ii)	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 (i)		Australia	100	100
Client Heartbeat Pty Ltd (i)		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 29: 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.

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	
	2019 $'000	2018 $'000
Income Statement		
Revenue and income	98,906	114,370
Operating expenses	(110,890)	(174,406)
Loss before income tax expense	(11,984)	(60,036)
Income tax (expense)/benefit	(509)	11,587
Net loss	**(12,493)**	**(48,449)**
Statement of Other Comprehensive Income and Retained Earnings		
Loss for the period	(12,493)	(48,449)
Other comprehensive income	-	-
Total comprehensive income for the period	(12,493)	(48,449)
Accumulated losses at the beginning of the year	(49,512)	(1,063)
Restatement	864	-
Dividends distributed	-	-
Accumulated losses at the end of the year	**(61,141)**	**(49,512)**
Statement of Financial Position		
Current assets		
Cash and cash equivalents	6,590	-
Receivables	33,337	25,738
Contract assets	6,604	-
Inventories	20,580	26,161
Current tax receivable	85	211
Other	4,814	14,885
Total current assets	**72,010**	**66,995**
Non-current assets		
Property, plant and equipment	1,605	2,035
Deferred tax asset	11,876	13,879
Contract assets	179	-
Intangible assets	41,301	42,938
Investment in subsidiaries	130,183	130,183
Total non-current assets	**185,144**	**189,035**
Total assets	**257,154**	**256,030**

Note 29: Deed of cross guarantee (cont.)

	Consolidated entity	
	2019 $'000	2018 $'000
Current liabilities		
Overdrafts	-	2,554
Payables	44,141	33,498
Deferred income	87	366
Contract liabilities	62	-
Deferred consideration	-	-
Short term borrowings	41,045	48,294
Provisions	50	6,674
Total current liabilities	**85,385**	**91,386**
Non-current liabilities		
Provisions	-	448
Long-term borrowings	-	8
Total non-current liabilities	-	456
Total liabilities	85,385	91,842
Net assets	**171,769**	**164,188**
Equity		
Contributed equity	232,344	213,426
Reserves	566	274
Accumulated losses	(61,141)	(49,512)
Total equity	**171,769**	**164,188**

Note 30: Earnings per share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share.

	Consolidated entity	
	2019 $'000	2018 $'000
Loss	(1,816)	(150,129)
Weighted average number of ordinary shares used in calculating basic earnings per share	422,713,187	329,995,450
Calculated basic earnings per share (cents)	(0.4)	(45.5)
Effect of diluted securities:		
Effects of performance rights and options issued	11,318,063	7,884,590
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	434,031,250	337,880,040
Calculated diluted earnings per share (cents)	(0.4)	(45.5)

Note 31: Auditors remuneration

	Consolidated entity	
	2019 $'000	2018 $'000
Audit and review services (excl. disbursements)		
Auditors of the Company - KPMG		
Audit and review of financial statements	420,000	465,872
	420,000	**465,872**

Note 32: Segment information

(a) Description of segments

As per the Group's announcement to the market dated 25 June 2018, in order to simplify the Group's business model and return the business earnings growth, the Group realigned the SME business to a product led, go-to-market model which has created three distinct operating businesses – print, technology and finance. Management has determined the operating segments based on reports reviewed by the Chief Executive Officer and the Group Executive for making strategic decisions. Comparative segment information has been restated consistent with the current operating segment reporting. From 1 July 2018, the Chief Executive Officer and the Group Executive monitor the business units based on sales and profit or loss contribution to the Group, and have identified the following reportable segments:

Print

Print Solutions includes both print and display and provides the sale, support and service of print and display equipment to customers across Australia and New Zealand.

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.

Technology

Technology provides the sale, support, service of business technology equipment to customers across Australia and New Zealand.

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.

Finance

CSG Finance 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.

Other

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

Note 32: Segment information (cont.)

(b) Segment information

2019	Print $'000	Technology $'000	Finance $'000	Other $'000	Eliminations $'000	Total $'000
Segment revenue and other income						
External segment revenue and other income	148,342	44,556	23,508	1,150	-	217,556
Inter-segment revenue and other income	978	2,009	-	-	(2,987)	-
Total segment revenue and other income	**149,320**	**46,565**	**23,508**	**1,150**	**(2,987)**	**217,556**
Segment result						
Interest income	69	5	-	-	-	74
Finance costs	(20)	(24)	(138)	(2,701)	(10)	(2,893)
Depreciation and amortisation	(5,496)	(472)	(158)	(3,462)	-	(9,588)
Total segment profit/(loss) before income tax	5,135	3,911	3,675	(13,680)	1,175	216
Total segment assets(i)(ii)	**96,915**	**19,824**	**224,500**	**48,039**	**-**	**389,278**
Total segment liabilities(i)	**39,292**	**5,491**	**198,792**	**43,670**	**1,236**	**288,481**

2018	Print $'000	Technology $'000	Finance $'000	Other $'000	Eliminations $'000	Total $'000
Segment revenue and other income						
External segment revenue and other income	154,169	42,412	26,414	463	-	223,458
Inter-segment revenue and other income	-	1,587	-	-	(1,587)	-
Total segment revenue and other income	**154,169**	**43,999**	**26,414**	**463**	**(1,587)**	**223,458**
Segment result						
Interest income	80	17	-	2	-	99
Finance costs	33	(43)	547	(4,053)	(310)	(3,826)
Depreciation and amortisation	(3,410)	(343)	(325)	(2,625)	-	(6,703)
Impairment of intangible assets	(34,358)	-	(1,075)	(8,324)	(72,343)	(116,100)
Total segment profit/(loss) before income tax	(71,178)	3,312	4,791	(23,372)	(75,077)	(161,524)
Total segment assets(i)(ii)	**47,230**	**21,999**	**220,393**	**125,084**	**(128)**	**414,578**
Total segment liabilities(i)	**52,250**	**6,149**	**216,925**	**51,492**	**5,354**	**332,170**

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

(ii) Comparative information has not been restated on transition to AASB 9

	Australia $'000	New Zealand $'000	Eliminations $'000	Total $'000
2019				
Revenue	111,761	108,782	(2,987)	217,556
Assets	211,717	177,561	-	389,278
2018				
Revenue	110,743	114,302	(1,587)	223,458
Assets	217,347	197,359	(128)	414,578

Note 32: Segment information (cont.)

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.

In the following tables, revenue from contracts with customers and other income is disaggregated by major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue and other income with the Group's reportable segments.

Major products/service 2019	Print $'000	Technology $'000	Finance $'000	Other $'000	Eliminations $'000	Total $'000
Equipment sales	77,311	11,705	-	-	-	89,016
Equipment service and maintenance	70,465	120	-	-	-	70,585
Finance income	-	-	23,457	-	-	23,457
IT services	422	26,817	-	-	(1,506)	25,733
Projects	-	7,452	-	-	(97)	7,355
Other	1,122	471	51	1,150	(1,384)	1,410
Total segment revenue and other income	**149,320**	**46,565**	**23,508**	**1,150**	**(2,987)**	**217,556**
Goods and services transferred at a point in time	78,433	12,176	51	1,150	(1,384)	90,426
Goods and services transferred over time	70,887	34,389	23,457	-	(1,603)	127,130
Total segment revenue and other income	**149,320**	**46,566**	**23,508**	**1,150**	**(2,987)**	**217,556**

Major products/service 2018	Print $'000	Technology $'000	Finance $'000	Other $'000	Eliminations $'000	Total $'000
Equipment sales	76,909	12,746	-	-	(4)	89,651
Equipment service and maintenance	75,210	743	-	-	-	75,953
Finance income	-	-	26,389	-	-	26,389
IT services	261	22,919	-	-	(1,466)	21,714
Projects	138	7,327	-	-	(193)	7,272
Other	1,651	264	25	463	76	2,479
Total segment revenue and other income	**154,169**	**43,999**	**26,414**	**463**	**(1,587)**	**223,458**
Goods and services transferred at a point in time	78,560	13,010	25	463	72	92,130
Goods and services transferred over time	75,609	30,989	26,389	-	(1,659)	131,328
Total segment revenue and other income	**154,169**	**43,999**	**26,414**	**463**	**(1,587)**	**223,458**

Note 33: Subsequent events

On 19 August 2019, the Group executed an in-principle agreement with the Commonwealth Bank of Australia to extend the maturity date of all debt facilities until 21 August 2020.

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

Note 34: Parent entity disclosures

As at, and throughout the financial year ended 30 June 2019, 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	
	2019 $'000	2018 $'000
Result of the parent entity		
Loss for the year	(13,772)	(2,598)
Total loss and other comprehensive income for the year	**(13,772)**	**(2,598)**
Financial position of parent entity at year end		
Current assets	4,539	82,917
Total assets	**262,507**	**264,756**
Current liabilities	43,670	51,492
Total liabilities	**43,670**	**51,492**
Total equity of the parent entity comprising of:		
Issued capital	232,344	213,426
Reserves	614	188
Accumulated losses	(14,121)	(349)
Total equity	**218,837**	**213,265**

Note 35: Contingent liabilities

There were no material contingent liabilities recorded at reporting date.

Directors' Declaration

CSG Limited and controlled entities

The Directors declare that the financial statements and notes set out on pages 53 to 99 and the Remuneration Report in sections 11 to 14 in the Directors' Report 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 2019 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 2019.

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.

Mark Bayliss
Director
20 August 2019

Auditor's Independence Report

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 2019 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 2019;
- 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.

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Key Audit Matters

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

- Group funding and liquidity
- Changes to financial reporting processes and IT applications
- 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 33 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.
 	
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:
 	
• The current financial position and performance of the Group, noting the current circumstances compared to the prior year;
• Extension of the corporate debt facility maturity with revised covenant requirements; and
• Cash flow projections which forecast the business will be cash positive and comply with the revised 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 continue as a going concern.
 	
We critically assessed the levels of uncertainty,
	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, 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 on the projected periodic cash positions by varying key assumptions in the forecast. Assessing the resultant impact on the ability of the Group to pay debts as and when they fall due, meet revised covenants and continue as a going concern;
	  ◦ Assessing the planned levels of operating expenditures for consistency of relationships and trends with the Group's historical results, and our understanding of the business, industry and financial position of the Group; and
	  ◦ Considering the sensitivity of the

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as they related to the Group's ability to continue as a going concern, within these assumptions and judgements incorporated into the Group's forecast, 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, 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; and • The terms of the renegotiated corporate debt facility and the Group's ability to meet covenant requirements or seek alternative financing at an appropriate time. 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.	Group's ability to comply with revised debt covenants to underperformance relative to forecast performance. • We read the amendments to the corporate debt facility, including principal repayments, revised covenants and other conditions, and checked for consistency to the Group's forecasts; • 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.

Changes to financial reporting processes and IT applications

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

The Group has undertaken revisions to certain financial reporting processes and controls during the year. These revisions included modifications of existing financial reporting processes, upgrades of existing IT applications, and implementation of new IT applications that relate to the Group's financial reporting.
This is a key audit matter due to:
• The significant impact of the financial reporting process and control changes on the Group's control environment during the year. This required us to understand the extent of changes, and the associated impact on our audit;
• During the implementation phase of new and upgraded IT applications, the Group established temporary processes, which included manual elements, to govern the implementation of new applications and to record certain transactions. Manual
	Our procedures included:
	• Working with our IT Audit specialists, we tested the general IT controls operating in a key IT system that underpins the Group's financial reporting;
	• Obtaining an understanding of the Group's processes revised during the year and evaluating the updated controls and control environment as they relate to financial reporting processes, to further inform our related audit approach;
	• On a sample basis, we assessed the transactions that were subject to manual processes recorded in the financial statements by:
	  • Checking the integrity of manual calculations;
	  • Comparing amounts in the Group's

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<table>
<tr>
<td>processes and controls generally result in a higher risk of error and increase the audit effort to test extended samples of the underlying transactions which are checked to source documentation, such as invoices, payment documentation and bank statements.</td>
<td>financial records to the financial statements; and
Checking amounts to source documentation.</td>
</tr>
<tr>
<td colspan="2">Revenue recognition ($89.0m revenue from sale of goods)</td>
</tr>
<tr>
<td colspan="2">Refer to Notes 7 and 32 to the Financial Report</td>
</tr>
<tr>
<td>The key audit matter</td>
<td>How the matter was addressed in our audit</td>
</tr>
<tr>
<td>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 individualised contract arrangements the Group enters into;
Complexities associated with unbundling single service contracts with a customer for multiple services (such as equipment sales and ongoing servicing programs and financing arrangements, which may be bundled into one contract). This drives potentially different revenue recognition outcomes for each service from applying the accounting standards;
Significance of the Group's judgments relating to the point in time at which revenue is recorded, in particular those relating to the satisfaction of relevant criteria in the accounting standards. This is particularly relevant for contracts that are executed near balance date; and
We focused on these sales as a key audit matter due to these conditions leading to increased risk of incorrect revenue recognition.</td>
<td>Our procedures included:
We evaluated the Group's accounting policy against the requirements of AASB 15 Revenue from Contracts with Customers, which was adopted at the commencement of the year.
We tested a sample of equipment 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 recognition elements;
We compared these against the criteria in the accounting standards; and
We considered the recognition of revenue by comparing the amount of revenue recognized with the Group's obligations under the contract that occurred during the year;
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 whether the fulfillment of contractual obligations met the criteria in the accounting standards to recognize revenue in the current financial year.</td>
</tr>
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Valuation of goodwill and customer contracts/relationships intangible assets ($35.0m)	
Refer to Note 16 to the Financial Report	
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/relationships 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; and • A shortfall between the Group's market capitalization and the carrying value of net assets. 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	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 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;

• 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.	• We compared the cumulative carrying value of the Group's CGUs 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.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do 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; and
- 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

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- 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 2019, 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 2019.

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

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James Dent

Partner

Melbourne

20 August 2019

Investor Relations

Shareholding information

as at 31 July 2019

In accordance with Listing Rule 4.10 of the Australian Stock Exchange Limited, the Directors provide the following shareholding information as at 31 July 2019.

Substantial shareholders

Name	Number of ordinary shares	% of ordinary shares
Caledonia (Private) Investments Pty Limited and its associates	130,549,255	29.29
Wentworth Williamson Management Pty Ltd	37,549,640	8.43
TDM Asset Management Pty Limited & associates	24,990,579	5.61
Forager Funds Management Pty Ltd	24,228,256	5.43

Voting rights

Fully paid ordinary shares in the Company carry voting rights of one vote per share.

Distribution of shareholding

Range	Total holders	Number of ordinary shares	% of issued capital
1 - 1,000	436	91,148	0.02
1,001 - 5,000	488	1,444,757	0.32
5,001 - 10,000	290	2,233,655	0.50
10,001 - 100,000	693	23,345,763	5.24
100,001 Over	194	418,565,334	93.92
Rounding			0.00
Total	2,101	445,680,657	100.00

Less than marketable parcels

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

Twenty largest shareholders

Name	Number of shares at 31 July 2019	% of issued capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	79,953,069	17.94
CITICORP NOMINEES PTY LIMITED	57,253,743	12.85
UBS NOMINEES PTY LTD	54,816,113	12.30
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	53,943,183	12.10
SANDHURST TRUSTEES LTD <WENTWORTH WILLIAMSON A/C>	38,322,817	8.60
DDH GRAHAM LIMITED <THE LUGARNO FUND A/C>	11,598,543	2.60
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	6,641,072	1.49
MANDERRAH PTY LTD <WILLIAM VICARS S/FUND A/C>	6,352,055	1.43
CHRIS MCKAY <MILESTONE A/C>	5,167,350	1.16
TUSCAN ENDEAVOURS LIMITED	5,167,350	1.16
MARK BAYLISS	5,136,364	1.15
SHELLEY INWOOD	4,591,419	1.03
GORDON TAN HOLDINGS PTY LTD <G&M FAMILY A/C>	4,250,020	0.95
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,239,686	0.95
NATIONAL NOMINEES LIMITED <DB A/C>	3,488,546	0.78
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	3,381,947	0.76
BOLTEC PTY LTD <BOLLER FAMILY A/C>	3,253,912	0.73
DADIASO HOLDINGS PTY LTD <THE DAVID SHEIN INV A/C>	3,202,444	0.72
GDL INVESTMENTS PTY LTD	3,000,000	0.67
MS JULIE-ANN KERIN	2,495,495	0.56
Total	356,255,128	79.94

On-market buy-back

There is not a current on-market buy-back.

Corporate directory

CSG Limited ABN 64 123 989 631
Registered Office

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357 Collins Street
Melbourne VIC 3000

T 1800 985 445
W www.csg.com.au

Directors

Mark Bayliss
Acting Chief Executive Officer and Managing Director

Bernie Campbell
Non-Executive Director and Chairman

Robin Low
Non-Executive Director

Company Secretary

Howard Edelman

Share Registry

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W www.computershare.com/au

Auditor

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