

CSG Limited
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Business Technology Made Easy

APPENDIX 4D

CSG LIMITED (ABN: 64 123 989 631) AND CONTROLLED ENTITIES

**HALF-YEAR INFORMATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2018.

Appendix 4D

Half-year report for the six months to 31 December 2018

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

1. Reporting period

Reporting period: 31 December 2018
Previous corresponding period: 31 December 2017

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities <i>(item 2.1)</i>	Down 6%	to	109,898
Profit from ordinary activities after tax attributable to members <i>(item 2.2)</i>	Up 135%	to	1,048
Net profit for the period attributable to members <i>(item 2.3)</i>	Up 135%	to	1,048
Dividends <i>(item 2.4)</i>	Amount per security	Franked amount per security	
Interim dividend	0c	0%	
Previous corresponding period	0c	0%	
Record date for determining entitlements to the dividend <i>(item 2.5)</i>			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood <i>(item 2.6)</i> : Refer to the review of operations section in the directors' report attached.			

3. Net tangible assets per security (*item 3*)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	11 cents	15 cents

4. Details of entities over which control has been gained or lost during the period (*item 4*)

Name of entity	PC Media
Date of loss of control	31/12/2018
Profit/(loss) from ordinary activities – current period (\$'000)	223
Profit/(loss) from ordinary activities – previous corresponding period (\$'000)	(150)

No entities were acquired during the period.

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Interim dividend payable year ending 30 June 2019		Nil
Final dividend paid year ending 30 June 2018		Nil

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Interim dividend payable year ending 30 June 2019	Nil	0%	
Final dividend paid year ending 30 June 2018	Nil	0%	

Total dividend on all securities

	Current period '000	Previous corresponding period - '000
Ordinary securities <i>(each class separately)</i>	Nil	Nil
Preference securities <i>(each class separately)</i>	Nil	Nil
Other equity instruments <i>(each class separately)</i>	Nil	Nil
Total	Nil	Nil

6. Details of dividend or distribution reinvestment plans in operation are described below *(item 6)*

The Dividend Reinvestment Plan is currently suspended.

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

N/A

7. The financial information provided in the Appendix 4D is based on the half-year condensed financial report (attached).

8. Independent review of the financial report *(item 8)*

The financial report has been independently reviewed. The financial report is not subject to a modified independent auditors' review report.



Business Technology Made Easy

CSG LIMITED
(ABN: 64 123 989 631)
AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2018.

DIRECTORS' REPORT

The directors present their report together with the interim financial report of CSG Limited (the Company) and the entities it controlled (together referred to as the Group), for the half-year ended 31 December 2018 and independent auditors review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The names of the directors in office at any time during or since the end of the half-year are:

Name	Position
Mark Bayliss	Executive Director and Chairman
Julie-Ann Kerin	Managing Director and Chief Executive Officer
Robin Low	Non-Executive Director
Bernie Campbell	Non-Executive Director
Thomas Cowan ¹	Non-Executive Director

¹Thomas Cowan resigned on 20 November 2018.

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

The consolidated profit of the Group for the half-year after providing for income tax was \$1.2m.

Financial summary

	1H19 \$'m	1H18 \$'m	%
Revenue and other income from continuing operations	109.9	117.2	(6%)
Profit/(loss) from continuing operations	1.2	(3.0)	140%
Add tax	0.5	(0.7)	171%
Add depreciation and amortisation	4.3	3.3	30%
Add net finance costs	1.5	1.9	(21%)
EBITDA ¹	7.5	1.6	369%
(Less)/add non-recurring items:			
1. Business combination costs and non-recurring legal fees	(0.6)	1.1	(155%)
2. Long Term Incentive Plan/employee share plan	1.3	0.1	1,200%
3. Digital display implementation overrun	-	1.3	-
4. Restructuring	-	0.4	-
5. Print equipment write-off	-	0.2	-
6. Debt costs	(0.1)	-	-
Total non-recurring items	0.6	3.1	(81%)
Underlying EBITDA	8.1	4.6	76%

Operational overview

During the period, the business undertook a transformation programme to realign culture and strategy. This included restructuring the business from segment focused (SME and Enterprise) to solution focused creating the following operating segments: Print Solutions, Technology Solutions, Finance Solutions and Other.

The Group has begun to see the benefits of the strategic transformation and additional initiatives will be executed during the remainder of 2019. For the period, revenue and other income were \$109.9 million (while being a decline of 6% on the prior corresponding period it represents a 1.3% increase on the second half of FY2018) and underlying EBITDA of \$8.1 million

¹ The Company defines EBITDA as profit before net finance costs, tax, depreciation, amortisation, impairment (if applicable). The Company uses EBITDA as an internal performance indicator for the management of its operational business segments; and to allow for better evaluation of business segment activities and comparison over reporting periods. This is non-IFRS information that has not been reviewed by KPMG.

CSG LIMITED
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represented a 76% increase on the prior corresponding period. The increase in underlying EBITDA reflected improved operating performance in technology equipment and subscription revenue while the performance of the Print Solutions business in New Zealand remains a challenge.

During the period, the Company also undertook a capital raising of \$18.0 million with the support of key shareholders to provide additional liquidity. As a result, debt net of un-restricted cash was \$20.7 million vs \$42.0 million as at 30 June 2018.

Significant change in state of affairs

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

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

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 consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Julie-Ann Kerin
Director

Melbourne
Dated 21 February 2019



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 review of CSG Limited for the Half-year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A stylized signature of the KPMG firm, written in blue ink.

KPMG

A handwritten signature in blue ink, appearing to read 'James Dent'.

James Dent
Partner

Melbourne
21 February 2019

CSG LIMITED
(ABN: 64 123 989 631)
AND CONTROLLED ENTITIES

**CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	2019	2018
	\$'000	\$'000
Sales revenue	95,491	101,164
Finance lease interest income	12,218	13,374
Other income	2,158	2,641
Interest income	31	59
	109,898	117,238
Cost of sales	57,235	65,288
Finance lease interest expense	6,466	6,885
Marketing expenses	1,133	1,321
Occupancy expenses	3,656	3,739
Administration expenses	13,564	13,988
Employee benefit expenses	19,929	22,983
Share-based payment expenses	776	139
Acquisition and integration related expenses	(1,215)	31
Depreciation and amortisation	4,286	3,325
Finance costs	1,469	1,911
Other expenses	930	1,262
	108,229	120,872
Profit/(loss) before income tax expense	1,669	(3,634)
Income tax (expense)/benefit	(501)	652
Profit/(loss) from continuing operations	1,168	(2,982)
Profit/(loss) is attributable to:		
Members of the parent	1,048	(3,017)
Non-controlling interest	120	35
	1,168	(2,982)

* 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 1(h).

The accompanying notes form part of these financial statements

CSG LIMITED
(ABN: 64 123 989 631)
AND CONTROLLED ENTITIES

CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	Half-year	
	2019	2018
	\$'000	\$'000
Profit/(loss) after income tax expense	1,168	(2,982)
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Cash flow hedges:		
Net (losses)/gains taken to equity, net of tax	(247)	236
Reclassified to profit or loss, net of tax	139	170
Exchange differences on translation of foreign operations, net of tax	1,393	(2,325)
Total comprehensive income/(loss) for the half-year	2,453	(4,901)
Total comprehensive income/(loss) is attributable to:		
Members of the parent	2,252	(4,936)
Non-controlling interest	201	35
	2,453	(4,901)

* 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 1(h).

Earnings per share attributable to equity holders of the parent entity:

Basic earnings per share (cents)	0.3	(0.9)
Diluted earnings per share (cents)	0.3	(0.9)

The accompanying notes form part of these financial statements

CSG LIMITED
(ABN: 64 123 989 631)
AND CONTROLLED ENTITIES

CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 \$'000	30 June 2018 \$'000
Current assets			
Cash and cash equivalents		33,728	14,194
Receivables		27,762	38,076
Lease receivables		95,525	81,029
Inventories		44,813	48,711
Other		4,332	3,741
Total current assets		206,160	185,751
Non-current assets			
Lease receivables		133,851	161,215
Property, plant and equipment		2,717	3,158
Intangible assets		57,263	58,156
Deferred tax assets		5,691	6,298
Total non-current assets		199,522	228,827
Total assets		405,682	414,578
Current liabilities			
Payables		39,229	53,399
Deferred income		439	642
Deferred consideration		1,173	5,141
Short term borrowings		44,368	2,421
Current tax payable		1,355	991
Provisions		6,756	8,728
Total current liabilities		93,320	71,322
Non-current liabilities			
Provisions		340	448
Deferred consideration		-	214
Long term borrowings		-	45,881
Derivatives		1,742	1,307
Debt associated with lease receivables		206,087	212,998
Total non-current liabilities		208,169	260,848
Total liabilities		301,489	332,170
Net assets		104,193	82,408
Equity			
Contributed equity	4	232,162	213,425
Reserves		5,565	3,504
Accumulated losses		(148,594)	(149,380)
Equity attributable to owners of CSG Limited		89,133	67,549
Non-controlling interest		15,060	14,859
Total equity		104,193	82,408

The accompanying notes form part of these financial statements

CSG LIMITED
(ABN: 64 123 989 631)
AND CONTROLLED ENTITIES

**CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Contributed equity \$'000	Cash flow hedge reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance as at 1 July 2018, as previously reported	213,425	(1,338)	4,842	(149,380)	14,859	82,408
Impact of restatement	-	-	-	(181)	-	(181)
Restated balance as at 1 July 2018*	213,425	(1,338)	4,842	(149,561)	14,859	82,227
Profit for the half-year	-	-	-	1,048	120	1,168
Cash flow hedges:						
Net losses taken to equity, net of tax	-	(247)	-	-	-	(247)
Net gains/(losses) taken to profit or loss, net of tax	-	139	-	(36)	36	139
Foreign exchange movement of translation of foreign operations, net of tax	-	-	1,393	(45)	45	1,393
Total comprehensive (loss)/income for the half-year	-	(108)	1,393	967	201	2,453
Transactions with owners in their capacity as owners:						
Equity settled transactions	1,605	-	776	-	-	2,381
Capital raising	17,132	-	-	-	-	17,132
Balance as at 31 December 2018	232,162	(1,446)	7,011	(148,594)	15,060	104,193

	Contributed equity \$'000	Cash flow hedge reserve \$'000	Other reserves \$'000	Retained earnings/ accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance as at 1 July 2017	205,727	(1,352)	8,334	902	14,706	228,317
(Loss)/profit for the half-year	-	-	-	(3,017)	35	(2,982)
Cash flow hedges:						
Net gains taken to equity, net of tax	-	236	-	-	-	236
Net gains taken to profit or loss, net of tax	-	170	-	-	-	170
Foreign exchange movement of translation of foreign operations, net of tax	-	-	(2,325)	-	-	(2,325)
Total comprehensive income/(loss) for the half-year	-	406	(2,325)	(3,017)	35	(4,901)
Transactions with owners in their capacity as owners						
Equity settled transactions	1,904	-	(1,764)	-	-	140
Balance as at 31 December 2017	207,631	(946)	4,245	(2,115)	14,741	223,556

* 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 1(h).

The accompanying notes form part of these financial statements

CSG LIMITED
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**CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	126,141	120,898
Payments to suppliers, employees and others	(120,753)	(122,166)
Movement in lease receivables	16,272	5,891
Interest income	31	59
Interest expense	(1,395)	(1,453)
Income tax paid	(208)	(126)
Net cash provided by operating activities	20,088	3,103
Cash flows from investing activities		
Proceeds from disposal of business	311	-
Payments for intangibles	(2,345)	(1,709)
Payments for property, plant and equipment	(144)	(352)
Payments for deferred consideration	(1,978)	(3,656)
Net cash used in investing activities	(4,156)	(5,717)
Cash flows from financing activities		
Proceeds from borrowings	11,260	22,419
Payments of borrowings	(15,339)	(22,200)
Borrowings associated with lease receivables	(10,060)	4,534
Purchase of hedge instruments	-	(264)
Proceeds from capital raising	17,132	-
Net cash provided by financing activities	2,993	4,489
Net increase in cash held	18,925	1,875
Cash and cash equivalents at beginning of the half-year ¹	14,194	20,338
Foreign exchange differences on cash holdings	609	(571)
Cash and cash equivalents at end of the half-year¹	33,728	21,642

¹ Includes restricted cash of \$10.1 million. 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

**CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

CSG Limited (the Company) is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the Group).

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by CSG Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year financial report was authorised for issue by the directors on 21 February 2019.

(a) Basis of preparation

This half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of derivative assets and liabilities as described in the accounting policies.

The Group's operations are not subject to any obvious seasonality.

(b) Going concern basis of accounting

The financial statements are 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 Group's corporate debt facility matures in October 2019 and is therefore presented as current in the 31 December 2018 statement of financial position. On 21 February 2019, the Group executed an in-principle agreement with the Commonwealth Bank of Australia to extend the maturity date of all debt facilities until 28 February 2020.

(c) Summary of the significant accounting policies

This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in 1(h).

All other accounting policies applied in this half-year financial report are the same as those used in the annual financial report for the year ended 30 June 2018.

(d) Rounding of amounts

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 consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(e) Use of estimates or judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of AASB 9 and AASB 15.

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.

**CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

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 Group assessed whether there were impairment triggers for each of its CGUs at the half-year ended 31 December 2018. No impairment triggers were identified for the Group's CGUs.

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.

iii. Share-based payments

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

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 unknown usage levels. Obsolete and slow-moving inventory is estimated based on the age of the inventory items, historical usage and likely future usage, and likely recoverable values.

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 that has been completed and control of the goods or service have been transferred to the customer. Where two or more performance obligations (PO) 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.

**CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

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 1(h).

(f) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2018.

Fair value hierarchy

In valuing financial instruments, the Group 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); and
- 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.

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 (30 June 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.

(g) Fair valuation measurement

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. 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. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i. 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.

**CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

ii. 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.

iii. Share-based payment transactions

The fair value of the performance rights under the Long Term Incentive Plan are measured using Monte Carlo sampling. 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). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv. 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.

(h) New accounting standards and interpretations

i. New standards adopted

The Group has adopted the following standards during the six months to 31 December 2018:

1. AASB 9 Financial Instruments

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. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss must now be presented in other comprehensive income.

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.

CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

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. 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. The tables below provide information about the exposure to credit risk and ECLs for trade and lease receivables:

Grade Risk	Australia Loss Rate	New Zealand Loss Rate
Grades 1-6: Low risk	0.2631%	0.2811%
Grades 7-9: Fair risk	0.4557%	0.6580%
Grade 10: Substandard	4.8517%	31.5849%
Grade 11: Doubtful	63.3556%	39.6399%
Grade 12: Loss	89.1812%	69.8655%

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 60 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 2018¹	(\$4,867)	(\$5,496)
Amounts written off	\$2,572	\$2,345
Net remeasurement of loss allowance	(\$1,349)	(\$ 386)
Balance at 31 December 2018	(\$3,644)	(\$3,537)

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 net 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. 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.

**CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018**

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

2. 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 six months ended 31 December 2018, 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 Company 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 \$1,662 thousand has been recognised and will be amortised over the remainder of the service periods, which are up to approximately three years. Additionally, an amortisation charge of \$515 thousand has been recorded in the current period in respect of these commission payments. The Company 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.

ii. New standards and interpretations not yet adopted

The Group has identified the following new standards which have been issued but not yet adopted by the Group:

1. AASB 16 Leases

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

Adoption of the AASB 16 will apply to financial periods beginning on or after 1 January 2019.

CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont'd)

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The impact of applying AASB16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

The Group plans to apply AASB16 initially on 1 July 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

NOTE 2: DIVIDENDS

	Half-year	
	2018	2017
	\$'000	\$'000
Dividends paid during the half-year:	-	-

No dividends were declared during the half-year period.

NOTE 3: 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 (comprising the Chief Financial Officer, Executive Director and Chairman and Group General Managers) 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, Executive Director and Chairman 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 Solutions 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

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

**CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018**

NOTE 3: SEGMENT INFORMATION (cont'd)

Other

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

(b) Segment information – income and expenses

Half-Year 2019

	Print \$'000	Technology \$'000	Finance \$'000	Other \$'000	Eliminations \$'000	Total \$'000
Segment revenue and other income	72,718	26,072	12,218	263	(1,373)	109,898
Segment result:						
Interest income	32	(1)	-	-	-	31
Finance costs	127	14	51	1,267	10	1,469
Depreciation and amortisation	2,640	281	70	1,295	-	4,286
Segment profit/(loss) before income tax expense	1,464	1,501	3,441	(5,975)	1,238	1,669

Half-Year 2018

	Print \$'000	Technology \$'000	Finance \$'000	Other \$'000	Eliminations \$'000	Total \$'000
Segment revenue and other income	81,063	23,395	13,378	160	(758)	117,238
Segment result:						
Interest income	50	7	-	2	-	59
Finance costs	533	23	(308)	1,385	278	1,911
Depreciation and amortisation	1,735	123	170	1,297	-	3,325
Segment (loss)/profit before income tax expense	(4,422)	2,083	3,945	(4,962)	(278)	(3,634)

**CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018**

NOTE 3: SEGMENT INFORMATION (cont'd)

(c) Segment information - assets and liabilities

31 December 2018

	Print	Technology	Finance	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment assets	34,287	21,253	218,099	132,043	-	405,682
Total segment liabilities	38,181	4,050	212,477	45,608	1,173	301,489

30 June 2018

	Print	Technology	Finance	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment assets*	47,230	21,999	220,393	125,084	(128)	414,578
Total segment liabilities	52,250	6,149	216,925	51,492	5,354	332,170

*Comparative information has not been restated on transition to AASB 9

Contract liabilities relating to the advanced consideration received from customers for equipment not yet installed in the amount of \$1,381 thousand has been recognised as revenue during the six months ended 31 December 2018 with a balance of \$105 thousand remaining on balance sheet (deferred income) as at 31 December 2018.

CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 3: SEGMENT INFORMATION (cont'd)

(d) *Geographical information*

The Group's reporting segments provide sales, support, service and financing across Australia and New Zealand.

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

	Half-Year 2019			
	Australia	New Zealand	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000
Revenue	56,343	54,928	(1,373)	109,898

	Half-Year 2018			
	Australia	New Zealand	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000
Revenue	58,592	59,404	(758)	117,238

	31 December 2018			
	Australia	New Zealand	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000
Assets	213,664	192,018	-	405,682

	30 June 2018*			
	Australia	New Zealand	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000
Assets	217,347	197,359	(128)	414,578

*Comparative information has not been restated on transition to AASB 9.

CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

NOTE 3: SEGMENT INFORMATION (cont'd)

(e) Revenue disaggregation

In the following tables, revenue 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 (see Note 3 (b)).

Half-Year 2019

	Print	Technology	Finance	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Major products/service lines						
Equipment sales	32,000	6,973	-	-	-	38,973
Equipment service & maintenance	35,978	-	-	-	-	35,978
Finance income	-	-	12,218	-	-	12,218
IT services & projects	(579)	13,699	-	-	(782)	12,338
Other	5,319	5,400	-	263	(591)	10,391
Total segment revenue and other income	72,718	26,072	12,218	263	(1,373)	109,898
Goods and services transferred at a point in time	37,319	12,373	-	263	(591)	49,364
Goods and services transferred over time	35,399	13,699	12,218	-	(782)	60,534
Total segment revenue and other income	72,718	26,072	12,218	263	(1,373)	109,898

Half-Year 2018

	Print	Technology	Finance	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Major products/service lines						
Equipment sales	36,347	7,148	-	-	-	43,495
Equipment service & maintenance	38,038	423	-	-	-	38,461
Finance income	-	-	13,374	-	-	13,374
IT services & projects	(558)	11,603	-	-	(680)	10,365
Other	7,236	4,221	4	160	(78)	11,543
Total segment revenue and other income	81,063	23,395	13,378	160	(758)	117,238
Goods and services transferred at a point in time	43,583	11,369	4	160	(78)	55,038
Goods and services transferred over time	37,480	12,026	13,374	-	(680)	62,200
Total segment revenue and other income	81,063	23,395	13,378	160	(758)	117,238

CONDENSED NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 4: CONTRIBUTED EQUITY

Movement in shares on issue

	31 December 2018		30 June 2018	
	No. of shares	\$'000	No. of shares	\$'000
Balance at beginning of the period	338,608,057	213,425	320,872,439	205,727
Issue of shares ¹	103,072,600	18,211	21,735,618	8,730
Treasury Shares	-	-	(4,000,000)	(1,032)
Treasury Shares Escrow Complete	1,333,334	526	-	-
Balance at end of the period	443,013,991	232,162	338,608,057	213,425

¹During 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 were issued to CodeBlue Limited of \$1,079 thousand as the part of the final earnout payment.

NOTE 5: 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 6: CONTINGENT LIABILITIES

There were no contingent liabilities recorded at reporting date.

NOTE 7: SUBSEQUENT EVENTS

Financing arrangements

On 21 February 2019, the Group executed an in-principle agreement with the Commonwealth Bank of Australia to extend the maturity date of all debt facilities until 28 February 2020.

**CSG LIMITED
(ABN: 64 123 989 631)
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 1 to 21 in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2018 and of its performance as represented by the results of its operations and its cash flows, for the half-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.

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



**Julie-Ann Kerin
Director**

**Melbourne
Dated 21st February 2019**



Independent Auditor's Review Report

To the shareholders of CSG Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of CSG Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of CSG Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2018;
- Consolidated statement of profit and loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 7 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises CSG Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of CSG Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

James Dent
Partner

Melbourne
21 February 2019