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APPENDIX 4E

CSG LIMITED AND CONTROLLED ENTITIES ABN: 64 123 989 631

FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017

PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Appendix 4E

Preliminary Final Report

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

1. Reporting period

Report for the financial year ended: 30 June 2017
Previous corresponding period is the financial year ended: 30 June 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities (<i>item 2.1</i>)	Down 1%	to	\$244,520
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down 354%	to	\$(44,413)
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	Down 354%	to	\$(44,413)
Dividends (<i>item 2.4</i>)	Amount per security	Franked amount per security	
Interim dividend	Nil	N/A	
Final dividend	Nil	N/A	
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	N/A		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):			
Refer to attached statement.			

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

Refer to the attached statement.

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

Refer to the attached statement.

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

Refer to the attached statement.

6. Dividends (*item 7*)

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

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	N/A	Zero	Zero
Previous year	9 cents	Zero	Zero

Total dividend on all securities

	Current period \$A'000	Previous corresponding period - \$'000
Ordinary securities (each class separately)	-	28,717
Preference securities (each class separately)		
Other equity instruments (each class separately)		
Total	-	28,717

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

N/A

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

N/A

8. Statement of retained earnings (item 6)

	Consolidated Entity	
	2017	2016
	\$'000	\$'000
Balance at the beginning of year	61,219	70,768
Net profit/(loss) attributable to members	(44,413)	17,452
Total available for appropriation	16,806	88,220
Dividends paid	(15,904)	(27,001)
Balance at end of year	902	61,219

9. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.16	\$0.21

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

Control gained over entities

Name of entities (item 10.1)

Please refer to accompanying commentary.

Date(s) of gain of control (item 10.2)

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 10.3)

\$

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)

\$

Loss of control of entities

Name of entities (item 10.1)

N/A

Date(s) of loss of control (item 10.2)

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 10.3).

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)

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

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

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

Group's share of associates' and joint venture entities':

Profit (loss) from ordinary activities before tax

Income tax on ordinary activities

Net profit (loss) from ordinary activities after tax

Adjustments

Share of net profit (loss) of associates and joint venture entities

2017 \$	2016 \$
N/A	N/A
N/A	N/A
N/A	N/A

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

Please refer to accompanying commentary.

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

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

Please refer to accompanying commentary.

Returns to shareholders during the period included:

- Final dividend of \$15.9m paid in September 2016 (5 cents)
- Share buyback of \$5.2m during 1H17

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

Select one of the following:

- ☒ The financial report has been audited
- ☐ The financial report has not yet been audited.
- ☐ The financial report is in the process of being audited.

16. The audit has not yet been completed

Select one of the following:

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

N/A

17. The audit has been completed.

Select one of the following:

- ☒ The financial report is not subject to audit dispute or qualification.
- ☐ The financial report is subject to audit dispute or qualification as described below.

N/A



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Financial Report 2017

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Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of CSG Limited ("CSG" or "the Company") and its subsidiaries ("CSG Group"), for the financial year ended 30 June 2017 and Auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

1. Directors

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

Name, Qualifications, Position	Experience	Appointment Date
Stephen Anstice BA (Economics), Grad. Dip. (SAI) Non-Executive Chairman Member, Audit and Risk Committee Member, Nomination and Remuneration Committee	Stephen Anstice has over 23 years' experience in the communications industry. Until June 2013, Stephen Anstice was CEO of IPMG Pty Ltd ("IPMG"), a print, digital and marketing communications business. Stephen Anstice also has an extensive background in investment banking. He is currently a Non-Executive Director of PMP Limited and Audant Investments Pty Limited. Stephen Anstice has a Bachelor of Arts (Economics) from Macquarie University and a Graduate Diploma from the Securities Institute of Australia.	Appointed 20 August 2014 Appointed Chairman 15 February 2016
Thomas Cowan B.Com (Hons) Non-Executive Director Former Non-Executive Chairman Member, Audit and Risk Committee Chairman, Nomination and Remuneration Committee	Thomas Cowan is a partner of TDM Asset Management, a Sydney based private investment firm. TDM Asset Management invests in public and private companies globally. Thomas Cowan has over 15 years of financial markets experience, including roles in corporate finance and investment banking at Investec Wentworth and KPMG Australia. He has a Bachelor of Commerce (Honours – Class 1) from the University of Sydney. Tom was previously Non-Executive Director of Baby Bunting Group Limited from June 2009 to March 2017.	Appointed 8 February 2012 Appointed Chairman 15 August 2012 Ceased Chairman 15 February 2016 Appointed Chairman of Nomination and Remuneration Committee 15 February 2016

Name, Qualifications, Position	Experience	Appointment Date
Julie-Ann Kerin AICD Managing Director & Chief Executive Officer	<p>Since Julie-Ann Kerin was appointed as Chief Executive Officer and Managing Director of CSG in 2012, she has established a proven track record of delivering strong growth and significant return to shareholders. Under Julie-Ann Kerin's leadership, CSG successfully completed the transaction of the sale of the former Technology Solutions Division to NEC Australia in 2012, for \$227.5 million and subsequently returned \$130 million to shareholders over the following three years. Prior to Julie-Ann Kerin's appointment as CEO, she was the Group-General Manager of the former Technology Solutions division for five years, and achieved revenue growth from \$9m to \$183m. She has more than 20 years' experience as a senior executive managing both private and public companies across the information technology sector. 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. Julie-Ann Kerin is a member of the Australian Institute of Company Directors.</p>	<p>Appointed 1 February 2012</p>
Robin Low B.Com, FCA, GAICD Non-Executive Director Chairman, Audit and Risk Committee Member, Nomination and Remuneration Committee	<p>Robin Low was formerly a partner at PricewaterhouseCoopers for over 17 years and has extensive experience in assurance and risk management, particularly in the financial services area. She is currently a Non-Executive Director of AUB Group Limited, IPH Limited and Appen Limited. Robin Low is also a member of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations including Sydney Medical School Foundation, Public Education Foundation and Primary Ethics. Robin Low has a Bachelor of Commerce from The University of New South Wales, is a Fellow of the Institute of Chartered Accountants in Australia and is a Graduate Member of the Australian Institute of Company Directors.</p>	<p>Appointed 20 August 2014</p> <p>Appointed Chairman of Audit and Risk Committee 20 August 2014</p>

Name, Qualifications, Position	Experience	Appointment Date
Mark Phillips B. Com (Hons), M. Com, FAICD	Mark Phillips has substantial experience in banking and asset leasing. Mark Phillips worked at the Commonwealth Bank of Australia for 20 years in various roles involving asset finance, securities and trading markets, property lending and government finance.	Appointed 20 August 2014
Former Non-Executive Director		Resigned 16 March 2017
Former Member, Audit and Risk Committee	Mark Phillips was formerly Managing Director of Record Investments Limited (Record) and Keybridge Capital Ltd. While Managing Director at Record, the market capitalisation grew from approximately \$100 million to over \$1.5 billion.	
Former Member, Nomination and Remuneration Committee	Mark Phillips is currently a Non-Executive Director of General Reinsurance Australia Limited and General Reinsurance Life Australia Limited (a Berkshire Hathaway company) and Chairman of Cancer Council (NSW).	
	Mark Phillips was formerly a Non-Executive Director of Interlink Roads Ltd and ASB Bank Limited in New Zealand.	
	Mark Phillips has a Bachelor of Commerce and a Masters of Commerce from the University of New South Wales and is a Fellow of the Australian Institute of Company Directors.	

2. Company Secretary

Thomas Wilcox
B.Com, LLB, LLM

General Counsel and Company Secretary

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

Appointed 27 March 2017

3. Directors' Meetings

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

	Board Meeting		Audit & Risk Committee		Nomination & Remuneration Committee	
Director Name	Meetings Held ⁽ⁱ⁾	Meetings Attended	Meetings Held ⁽ⁱ⁾	Meetings Attended	Meetings Held ⁽ⁱ⁾	Meetings Attended
Current						
Stephen Anstice	15	15	4	4	4	4
Thomas Cowan	15	15	4	4	4	4
Robin Low	15	15	4	4	4	4 ⁽ⁱⁱ⁾
Julie-Ann Kerin	15	15	4	4 ⁽ⁱⁱⁱ⁾	4	4 ⁽ⁱⁱⁱ⁾
Former						
Mark Phillips	11	11	1	1	2	2

⁽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⁾ Robin Low attended two (2) meetings by invitation and two (2) meetings as a member.

⁽ⁱⁱⁱ⁾ Julie-Ann Kerin attended by invitation.

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

- a committee comprising of Stephen Anstice, Thomas Cowan, Robin Low and Julie-Ann Kerin met for the purposes of approving the 2016 Full Year Financial Statements; and
- a committee of the Board comprising of Stephen Anstice, Thomas Cowan and Robin Low met for the purposes of approving the 2017 Half Year Financial Statements.

4. Principal Activities

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

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

5. Operating and Financial Review

1. Operations overview

CSG is a Technology as a Subscription provider in Australia and New Zealand, supported by an in-house equipment financing business.

CSG is the largest non-manufacturer of print and business technology solutions in the Australia and New Zealand market, and has a national sales and service footprint in both countries. The Company's customers range from Small-to-Medium Enterprises ('SMEs'), through to large corporate and government organisations. CSG has developed a unique product suite to deliver single source technology solutions to all of its customers, regardless of size.

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

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

gives businesses access to the latest technologies with minimal or zero capital outlay and provides an easily trackable and predictable IT spend.

The CSG value proposition is underpinned by premium service combined with efficient financing and high quality technical advice. As the only listed company of size and scale that can provide sales, service and support access in Australia and New Zealand, CSG differentiates itself from manufacturers, office supply and technology retailers, integrators, equipment finance providers and independent dealers, with whom it competes.

CSG currently employs approximately 710 staff in 27 locations across Australia and New Zealand. CSG has a commitment to diversity and recognising & rewarding its staff. CSG strives to achieve above industry standard benchmarks for workforce productivity, whilst delivering the highest level of staff satisfaction.

2. Review of Group Operations

In July 2015, CSG set out to build an innovative technology business and in FY2017 the technology business represented approximately 17% of revenue. As we continued to execute on our Technology as a Subscription strategy in FY2017, we have made a number of operational achievements including:

- Continued growth in Technology as a Subscription with subscription seats increasing to 27,300 seats as at 30 June 2017. This represents organic growth of approximately 104% on the prior corresponding period, excluding the impact of the R&G Technologies and pcMedia Technologies acquisitions completed during the year;
- Completed restructure of New Zealand and parts of the Australian business during 2H FY2017 with approximately \$1.2 million of associated cost savings (annualised benefit of \$4.4 million);
- Amended shareholder and distribution agreements with Konica Minolta Inc. allowing the Company to re-name the business in New Zealand and re-brand as CSG (previously Konica Minolta);
- Soft launch of partnership with Officeworks to provide technology subscription bundles to its customer base in Australia;
- Launched partnership with Bank of New Zealand where CSG will be a member of their Business Essentials Program to recommend Technology as a Subscription to Bank of New Zealand SME customers;
- Completed the acquisitions of R&G Technologies in Brisbane (January 2017) and pcMedia Technologies in New Zealand (June 2017);
- Won a number of Communications as a Subscription contracts (8x8) within Enterprise Solutions, including two Virtual Contact Centre contracts;
- Achieved an in-the-field Net Promoter Score¹ (NPS) score of 62.0; and
- Made a number of key changes to our management structure that will strengthen our ability to scale and accelerate the growth in delivering Technology as a Subscription to our customers.

¹ Net promoter score is a method of measuring customers' 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.

3. Review of Group Financial Performance²

2017 was a year with mixed results for CSG. Over the last two years, the Company has been transitioning from a print services company into a Technology as a Subscription provider. In FY2017, the Company has faced challenges in respect to maintaining consistency in the traditional print equipment part of the business with print equipment sales relatively flat on prior year. During the 2017 financial year, CSG also delivered on a number of key initiatives that have positioned the Company to deliver revenue growth, as well as improved profitability over the medium term.

The financial results for the FY2017 year are as follows:

- Total revenue declined by 1% to \$244.5m;
- Underlying EBITDA declined by 21% to \$30.3m;
- Underlying NPAT before customer contract amortisation declined by 24% to \$19.4m;
- Reported NPAT of \$(43.7)m, impacted by the non-cash impairment of \$55.0m of intangible assets relating to goodwill associated with the print business; and
- 53% conversion of underlying EBITDA to operating cash flow (excluding the investment in lease receivables and non-recurring items) in the second half and 51% over the year.

Operating Performance

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

	FY17 \$m
Revenue from continuing operations	244.5
NPAT	(43.7)
Add Tax	1.6
Add Depreciation and Amortisation	7.1
Add Interest expense / (income)	2.4
EBITDA	(32.6)
Add Non-recurring items	
LTIP / Employee Share Plan	2.0
Acquisition and related legal costs	1.0
Direct Sales	3.0
Impairment	55.0
Restructuring charges	1.8
Underlying EBITDA	30.3

a. Revenue

Group revenue declined by 1% to \$244.5 during FY2017. This has been as a result of slower than planned customer commitments to large print and technology transactions in our enterprise business (impact of \$7m) and less than anticipated headcount in our Business Solutions business in Australia and New Zealand (impact of \$3m).

Despite revenue being flat year-on-year, we continued to see revenue growth in the strategic areas of the business such as technology subscription revenue in line with growth in technology subscription seats.

b. Expenses

Underlying EBITDA margin declined from 15.5% to 12.4%. Key drivers of this decline were:

- Total expenses (excluding depreciation & amortisation and the non-cash impairment charge) grew by 4% year on year due to continued investment in sales channels, compared to a 1% decline in revenue;
- Non-COGS related costs (excluding share based payments) increased by 10% year on year compared to 1% decline in group revenue; and

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

- Borrowing costs in Finance Solutions continues to benefit from the low interest rate environment in delivering a 52% return on equity.

Customer contract amortisation has increased from \$3.1m in FY2016 to \$3.7m due to acquisitions completed during the year.

4. Review of Group Financial Position

CSG has a closing cash balance of \$20.3m, including an amount of \$8.4m held in restricted cash accounts under the terms of the CSG Finance Solutions debt facilities (refer note 6).

Cash conversion was lower than expected in FY2017 after excluding the impact of investment in the Lease Receivables and non-recurring items. This primarily relates to an increase in stock levels along with several unfinanced deals.

(\$m)	1H16	2H16	FY16	1H17	2H17	FY17
EBITDA (underlying)	17.3	20.8	38.1	14.1	16.2	30.3
Operating cash flow (reported)	(25.0)	(7.4)	(32.4)	2.3	(5.1)	(2.8)
add tax paid	1.8	1.6	3.4	2.3	1.7	4.0
add net interest paid	0.7	0.8	1.5	1.0	1.1	2.1
add non-recurring cash items	2.2	1.7	3.9	2.2	4.4	6.7
add change in lease receivables	26.1	24.1	50.2	(1.1)	6.5	5.4
ungeared pre tax cash flow	5.8	20.8	26.6	6.7	8.6	15.4
Profit to cash conversion	34%	100%	70%	48%	53%	51%

Lease receivables in the Finance Solutions business have grown to \$266.3m (\$260.8m in FY2016) with \$225.4m funded by associated debt (84% in FY2016). The growth in the book has primarily been driven by continued expansion of the Australian operations.

Total shareholder returns during the year of \$21.1m include an on market buyback of \$5.2m (or 4.1m shares) during the first half of the year.

5. Divisional Review

a. Business Solutions

CSG Business Solutions provides the sales, support, service and financing of print and business technology 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.

SMEs have traditionally relied on up to 15 separate suppliers to meet the needs of a variety of business technology and print equipment requirements, each with separate billing, leasing and service relationships.

CSG Business Solutions delivers significant time savings and improved cash flow management to the SME segment by being the single provider of business technology solutions with full support and delivering one simple subscription based bill. This offering is currently unique to the market both in Australia, New Zealand and globally. The CSG Technology as a Subscription product suite is currently comprised of the following offerings:

- Print as a Subscription – Print solutions that include equipment, parts, consumables and service for a single monthly operating expense;
- CSG Total Office – Complete end-user technology bundle including desktop / laptop, enterprise grade cloud telephony, Microsoft Office 365 Business Premium, cloud storage, backup and full support for a fixed monthly per user price;
- Communications as a Subscription – CSG's enterprise grade business cloud telephony solution powered by 8x8;
- Desktop as a Subscription – Desktop / laptop, cloud storage and backup with full support;
- Boardroom as a Subscription – Full boardroom package combining Samsung digital display technology with cloud conferencing; and
- Display as a Subscription – Large format & digital displays, video walls, cloud displays and business monitors.

In FY2017, Business Solutions had flat revenue relative to the prior corresponding period. Equipment sales were impacted due to lower than expected sales heads throughout the year. A key focus for FY2018 will be to continue adding quality additional sales heads to the Business Solutions sales force to drive revenue growth.

It is anticipated that earnings growth in FY2018 will be driven by a number of key initiatives, including:

- Further penetration of existing SME customer base by cross-selling Technology as a Subscription bundles;
- Focus on adding additional sales heads to the Business Solutions sales force to drive growth in equipment revenue and technology subscription seats;
- Restructure of the leadership team to create dedicated sales management and separate operations and service functions;
- Invest in sales and implementation resources to support accelerated seat growth;
- Re-brand in New Zealand from Konica Minolta to CSG;
- Develop partnership with HP across Australia and New Zealand;
- Launch Cloud based business application suite in CSG Cloud Marketplace;
- Grow print market share by using technology products to penetrate other print vendors' customer bases;
- Leverage the internal IT platform to deliver improved customer service, increased productivity in service and operations and focused marketing initiatives; and
- Leverage the relationship and reputation of leading, global business partners including Canon, Konica Minolta, HP, Samsung, Microsoft and 8x8.

b. Enterprise Solutions

CSG Enterprise Solutions offers enterprise grade, global, secure and reliable managed print and technology solutions to enterprise, education and government customers in Australia and New Zealand. With next generation technologies and a disruptive cloud first approach, we challenge the traditional managed IT providers to deliver better outcomes for our customers. In Australia, CSG is the only national, brand agnostic provider of print solutions in the market, and in New Zealand, the Group operates a well-established and market leading business through its partnerships with Konica Minolta and HP.

The Enterprise Solutions product suite is currently comprised of the following offerings:

- Private Cloud Platform – Secure data centre services in Australia and on-demand infrastructure for critical business applications;
- CSG Marketplace – Simplified and centralised procurement solution where customers can subscribe to, track, manage and view all of their technology services;
- Managed Print – Cloud delivered enterprise print and document management solutions;
- End-User Computing – Larger scale fully managed desktop solutions including hardware, software, communications, and cloud solutions;
- Display Solutions – Intelligent customised display solutions; and
- Cloud Communications – Integrated cloud contact centre and enterprise grade business phone solutions.

Enterprise Solutions delivered good progress in growing its technology business in FY2017 winning two Communications as a Subscription contracts with an infrastructure company based in Victoria and a domestic retail chain. Enterprise Solutions also won a Virtual Contact Centre contract with an Australian hotel chain. The division also added a number of new Managed Print customers, including an Australian utility company, a financial services organisation based in Queensland and a South Australian health organisation.

During second half FY2017, the Company completed two strategic bolt-on acquisitions within Enterprise Solutions; R&G Technologies (R&G) and pcMedia Technologies (pcMedia). R&G is a Brisbane-based Managed IT services business which was acquired in January 2017. The acquisition of R&G will provide CSG with additional capabilities in the IT, cloud and managed services, 50+ enterprise and SME managed services customers and importantly, it provides the Company with referenceable customers to help new enterprise wins. The Company has already had some early success with this acquisition and has cross-sold Communications as a Subscription services to an existing R&G customer with 180 seats, increasing the monthly recurring revenue per seat from this customer.

In June 2017, CSG completed the acquisition of pcMedia, a New Zealand based Managed IT services provider in the education sector. The acquisition of pcMedia will provide CSG with Microsoft Cloud Provider Tier 1 Status in New Zealand and an experienced technical team in the region. The transaction also adds approximately 9,200 seats in the education sector which will provide CSG with referenceable customers to further penetrate this vertical market.

It is anticipated that earnings growth will be driven in FY2018 by a number of key initiatives, including:

- Focus on converting IT managed services pipeline;
- Support channel partners (including Officeworks and Bank of New Zealand) with the roll-out of Technology as a Subscription bundles into their customers;
- Leverage the acquisition of R&G by cross-selling CSG technology offerings to R&G Technology customers;
- Continue to grow subscription seats through pcMedia to become the primary Microsoft Cloud Solutions provider to the education sector in New Zealand;
- Leverage growth from government panels; and
- Continue to seek new channels to white label Technology as a Subscription solutions under a formal channel program.

c. Finance Solutions

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

CSG's finance business is well managed with strong performance, driven by bad debts of less than 0.5% and strong returns on equity of 43% in 1H FY2017 and 52% in 2H FY2017. Overall, leasing receivables grew 2% to \$266.3m in FY2017.

CSG Finance is a critical element in enabling the Business Solutions business to be able to deliver bundled Technology as a Subscription offerings and also to be able to finance the equipment component of large enterprise contracts. Growth targets for this division include:

- Continuing to support the current print business in both the existing customer base and the targeting of new customers;
- Supporting the rollout of the Officeworks initiative by providing finance for the subscription bundles;
- Increasing penetration into Enterprise Solutions customer base; and
- Supporting the growth of the Technology as a Subscription product suite.

6. Market sizing

CSG provides Technology as a Subscription solutions to SME and corporate customers. The total addressable market in relevant verticals is estimated to be approximately 4.2 million seats across Australia and New Zealand.³ CSG's existing SME customer base across Australia and New Zealand represents approximately 7% of the total addressable market and CSG's current market share is estimated to be less than 0.5% of the total addressable market.

It is estimated that CSG has currently penetrated approximately 5% of its existing print customer base to cross-sell Technology as a Subscription solutions.

³ Based on Dun & Bradstreet data extrapolated for New Zealand. Data represents Small to Medium Enterprises within relevant verticals with a range of 5 to 99 seats per customer.

7. Risk Management

Corporate Governance

The Board of CSG Limited believes that a strong corporate governance framework will underpin growth in the Company. CSG's corporate governance policies and practices are set out in the Corporate Governance Statement. The Corporate Governance Statement can be found in the 2017 Annual Report. A new Corporate Governance Statement, which sets out the extent to which CSG's policies and practices comply with the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations for FY2018, will be available when the FY2017 Annual Report is published.

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

Principal Risk Area	Risk Management Approach
Innovation Inability to optimise full value of innovation opportunities in services, products, processes and commercial solutions to support growth opportunities.	CSG has a proactive growth strategy that combines leadership, partnerships, and continual review.
Foreign Exchange Revenue from non-Australian operations is denominated primarily in New Zealand Dollars (NZD) and equipment purchases for New Zealand operations are primarily in US Dollars (USD). Fluctuations in foreign currency exchange rates may result in corresponding movements in revenues and earnings.	Currency risk is hedged in accordance with treasury risk policy. The treasury risk policy aims to manage the impact of short-term fluctuations in CSG's earnings. Derivative financial instruments (forward exchange contracts and options) are used to hedge exposure to fluctuations in foreign exchange rates. Over the longer term, permanent changes in market rates will have an impact on earnings.
Interest Rate The CSG Group has both corporate and operational debt facilities. Movements in interest rates could have an adverse impact on cash flows and operating results.	To minimise interest rate risk between the fixed rate assets and variable rate liabilities, management uses interest rate swaps to broadly match fixed rate assets to floating rate liabilities.
Availability of Debt 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. CSG has also completed the refinancing of the majority of facilities to extend their term. Refinement of the funding structure is an ongoing process. External expert advice is also sought to keep abreast of market developments.
Key Suppliers CSG's key suppliers are Canon, Konica Minolta, Samsung, 8x8 and HP who supply the majority of inventory. It is critical to maintain these relationships to ensure ongoing supply.	CSG has maintained a long term relationship with a majority of these suppliers. These relationships are managed carefully by CSG's executive team and the Board through long term contracts under commercial terms.
Key Personnel CSG's continued success is highly dependent upon the efforts of the executive team and other key employees including sales professionals. The retention of these skilled personnel is critical.	CSG has in place a Long Term Incentive Plan for executive personnel and other key management, including the key sales team, a key criterion for eligibility being continued employment. There is a share based plan for all other employees across Australia and New Zealand.
Competition The Company's business is susceptible to competition in the markets in which the Company operates. Additionally, competitive pricing strategies and demands from high value clients seeking preferred supplier agreements, may impact on the Company's profit margins and profit share.	The risk is mitigated by a large diversified client base with multi-year agreements in place reducing the impact of pricing strategies and demands from any one customer.

6. Remuneration Report

Dear Shareholder,

On behalf of your Board, I am pleased to present CSG's 2017 Remuneration Report which sets out remuneration information for the Chief Executive Officer ("CEO"), the Group Executive, Non-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 750 employees across Australia and New Zealand. CSG's remuneration strategy seeks to appropriately pay, incentivise and retain high performing people while overlaying a strong emphasis upon performance based reward.

Core to our remuneration philosophy is a performance culture, where the contributions of the Group Executive, Senior Management and other employees are all aligned to the interests of our shareholders. For Group Executives and Senior Management this is achieved via both a Short Term Incentive Plan ("STIP") heavily weighted to annual targets, and an equity based Long Term Incentive Plan ("LTIP"). For general employees, there is a Tax Exempt Share Plan ("TESP") offered in Australia and New Zealand. Both equity plans are linked to Company performance.

During FY2017, changes were made to the STIP to further strengthen the alignment with shareholder interests. While there continues to be a heavy weighting on Company performance, and in particular key financial measures, the achievement of the Corporate financial targets are now a 'gate' that must be achieved before payment of any other Corporate and Divisional components of the STIP. In essence, this means if the Corporate financial targets are not met no STIP payments will be paid to Group Executives and Senior Management.

In November 2016, the 2013-2015 LTIP concluded with the vesting of the final stage of Performance Rights which achieved the performance hurdle set at the commencement of that scheme.

For the period 2016-2020 a new LTIP was approved at the Annual General Meeting in November 2015 and Performance Rights were subsequently issued to the CEO. Subject to performance hurdles being met, the vesting points for this plan are 2018, 2019 and 2020 respectively. While the Board remains fully committed to the alignment of shareholder and management interests through the LTIP, introduction of the current scheme to other Executives was deferred due to management changes during the year and to also allow review of the scheme's application in light of the transition the business is undertaking. Should any changes to the 2016-2020 LTIP be proposed by the Board because of this review, and specifically if they impact the CEO, they will be put to shareholders at the Annual General Meeting in November 2017.

Since 2012, general employees who meet the eligibility requirements have been offered the opportunity to participate in respective Australian and New Zealand TESP's. These provide for AUD \$1,000 worth of CSG shares on a tax free basis, subject to satisfactory Company performance and Board approval. In November 2016, a further 751,680 shares were issued to 98% of eligible employees for their contribution in FY2016. This is the highest take up rate achieved under this plan. In the six years of operation the TESP has now issued approximately 1,860,000 shares to our employees.

The Group Executive and Senior Management acknowledge that Company performance in FY2017 has fallen short of expectations. The consequence of not meeting the Corporate financial targets is that there will be no STIP payment in FY2017. Similarly, there will not be a TESP offering to general employees for FY2017. While this is disappointing, it does reflect our ethos that that reward should be closely aligned to the results delivered.

Thank you for reviewing the 2017 Remuneration Report. The Board is confident that CSG's remuneration practices are well designed to reflect achievement and to incentivise strong performance. It is this performance that is required to execute our business strategy and create sustainable shareholder value.

Yours sincerely



Tom Cowan
Chairman, Nomination and Remuneration Committee

This report covers the Key Management Personnel (“KMP”) of CSG. KMP are employees with authority and responsibility for planning, directing and controlling the activities of the CSG Group that can materially affect its performance. As such, the KMP for the year ending 30 June 2017 are:

- all persons who have held the position of Director of CSG Limited during the financial year, including Julie-Ann Kerin, CEO/Managing Director;
- Gary Brown, Chief Financial Officer (“CFO”) (from March 2017);
- Neil Lynch, CFO (until March 2017);
- Stephen Birrell, Chief Enterprise Solutions Executive;
- Declan Ramsay, Chief Business Solutions Executive;
- Warwick Beban, Country Manager, New Zealand; and
- Mark Thomas, Chief People Executive.

7. Remuneration Governance

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

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

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

8. Remuneration Objectives, Policy and Practice

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

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

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

Fixed remuneration.

- Fixed remuneration is determined according to industry standards, relevant laws and regulations, labour market conditions, the profitability of the CSG business and individual experience. It consists of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items (e.g. motor vehicles).
- CSG provides employer superannuation contributions at Government legislated rates (2017: 9.5% in Australia and 3% in New Zealand), capped at the relevant concessional contribution limit unless part of a salary sacrifice election by the employee.

- The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, with recommendations from the Nomination and Remuneration Committee.
- Fixed remuneration for the CEO and Group Executives has been capped for the period FY2016-FY2020 in recognition of their participation in the 2016-2020 LTI Plan.

Short-Term Incentives

Short term incentives are assessed against a mix of Company key performance indicators ("KPI") which drive joint accountability (Corporate Scorecard), and individual KPI's for which managers are personally accountable (Divisional Scorecard).

For 2017 the Corporate Scorecard was based on the following targets:

Category	Target	Weighting
Financial (60%)	Achieve EBITDA target	25%
	Achieve revenue growth target	10%
	Ensure cash targets are achieved	25%
Non-Financial (40%)	Successful integration of all acquisitions	10%
	Achievement of Net Promoter Score target for customer engagement	5%
	Achievement of key business transformation objectives	15%
	Achievement of employee training & development objectives	5%
	Board reporting	5%

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

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

The STIP payment is based on the following percentage framework:

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

Long-Term Incentives

- While STIP recognises performance in any single year, the Board considers it essential that the Group Executive and other Management (together the "Senior Executives") have reward incentives linked to longer-term Company performance and value creation for shareholders.
- Following approval by the shareholders at the 2012 Annual General Meeting, the CEO and Senior Executives were issued with Performance Rights under the 2013-2015 Executive LTIP (LTIP Issues 5, 6, 7 & 8). Each performance right represented an option to receive one ordinary share in the Company, subject to the satisfaction of the relevant vesting conditions. The share price hurdle for the final stage of the 2012-2015 LTIP was achieved and shares vested in November 2016 in accordance with the scheme rules.
- At the 2015 Annual General Meeting, shareholders approved a LTIP for the CEO and Senior Executives for 2016-2020. At that meeting, shareholders also approved the issue of Performance Rights to the CEO and these were subsequently issued in November 2016. While the Board remains fully committed to the alignment of shareholder and management interests through the LTIP, introduction of the current scheme to other Executives was deferred due to management changes during the year and to also allow review of the scheme's application in light of the transition the business is undertaking. Should any changes to the 2016-2020 LTIP be proposed by the Board because of this review, and specifically if they impact the CEO, they will be put to shareholders at the Annual General Meeting in November 2017.
- As appropriate, where employees are promoted or new Senior Executives are appointed they are offered participation in the LTIP after 12 months satisfactory service with the Company, consistent with the existing plan and with the same hurdles.
- It is expected that participants maintain a meaningful amount of any Company equity that vests, further linking the alignment of Senior Executives to shareholder goals.

- During the 2015 year, the Company issued Performance Rights to certain Sales Agents. These Performance Rights had a vesting date of 1 July 2017, subject to continued engagement. These Sales Agents are a key component of the Company's sales force, and their commitment and retention is viewed as critical to achieving the Company's future growth strategy.

Long Term Incentive Plans

Performance Rights

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

LTIP	Opening	Issued	Lapsed	Exercised	Closing
Issue 5	1,333,333	-	-	(1,333,333)	-
Issue 7	2,737,996	-	(133,333)	(2,604,663)	-
Issue 8	40,000	-	-	(40,000)	-
Issue 9	-	4,189,000	-	-	4,189,000
Total	4,111,329	4,189,000	(133,333)	(3,977,996)	4,189,000

Plan	Detail					
LTIP 9	The CEO was granted 4,189,000 Performance Rights in the 2017 financial year under LTIP 9. The structure of the LTIP was formulated early in the 2016 financial year and was subsequently approved by the shareholders at the Annual General Meeting on 19 November 2015. The terms of the grant were based on CAGR ⁽ⁱ⁾ of TSR ⁽ⁱⁱ⁾ and EPS ⁽ⁱⁱⁱ⁾ :					
	TSR Rights	EPS Rights	Total Performance Rights	Vesting Date	Expiry Date	
	LTi Stage 1	209,450	209,450	418,900	30/09/2018	30/09/2020
	LTi Stage 2	628,350	628,350	1,256,700	30/09/2018	30/09/2020
	LTi Stage 3	628,350	628,350	1,256,700	30/09/2019	30/09/2020
	LTi Stage 4	628,350	628,350	1,256,700	30/09/2020	30/09/2020
(i)	CAGR means compound annual growth rate (expressed as a percentage).					
(ii)	TSR means the total shareholder return per ordinary shares in the Company for the applicable period of time. Total shareholder return is the growth in share price plus dividends, assuming dividends are reinvested.					
(iii)	EPS means the earnings per weighted average ordinary shares in the Company for the applicable period of time, adjusted for (1) the share based payments expense associated with grants made under the CSG's Long Term Incentive Plan (as set out in the relevant audited accounts), (2) the 'Contract Customer Amortisation' expense (as set out in the relevant audited accounts) and (3) any other items the Board, at its absolute discretion, considers abnormal.					

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. EPS CAGR is calculated from the base set at performance right grant date.

Each Performance Right represents a right to receive one ordinary share in the Company, subject to satisfaction of the relevant vesting conditions. 50% of all shares received under the LTIP must be held in escrow until the end of the plan (September 2020).

The table below sets out the vesting schedule for the proposed grant of Performance Rights:

TSR Rights	EPS Rights	Issued
CAGR in TSR across the applicable performance period	CAGR in EPS across the applicable performance period	Percentage of Performance Rights that will vest
CAGR is less than 15%	CAGR is less than 10%	Nil
CAGR is equal to 15%	CAGR is equal to 10%	20%
CAGR is greater than 15% and less than or equal to 25%	CAGR is greater than 10% and less than or equal to 20%	Progressive pro-rata vesting from 20% to 100% (i.e. on a straight line basis)
CAGR is equal to or greater than 25%	CAGR is equal to or greater than 25%	100%

The table below sets out the applicable Performance Periods for each stage of Performance Rights. It also sets out in what period CSG Limited will first test the Vesting Conditions.

In the event that the Vesting Conditions are not satisfied or are only partially satisfied for any of the first, second or third stage, those Performance Rights that do not vest will not lapse but remain available for vesting at the end of subsequent Performance Periods. Performance Rights will only vest in a testing period subsequent to their first testing period (see table below) if the relevant CAGR performance is greater than that achieved in the earlier testing periods. Any Performance Rights which have not vested by the end of the fourth Testing Period (i.e. the testing period in September 2020), will lapse.

Stage	TSR Rights Performance Period	EPS Rights Performance Period	First Testing Period ⁽ⁱ⁾
Stage 1 Performance Rights	From 18 August 2015 to the trading day after the release to the ASX of CSG's FY2017 annual results	1 July 2015 – 30 June 2017	September 2018
Stage 2 Performance Rights	From 18 August 2015 to the trading day after the release to the ASX of CSG's FY2018 annual results	1 July 2015 – 30 June 2018	September 2018
Stage 3 Performance Rights	From 18 August 2015 to the trading day after the release to the ASX of CSG's FY2019 annual results	1 July 2015 – 30 June 2019	September 2019
Stage 4 Performance Rights	From 18 August 2015 to the trading day after the release to the ASX of CSG's FY2020 annual results	1 July 2015 – 30 June 2020	September 2020

(i) If the relevant Performance Rights are being tested in a testing period other than their first testing period, the relevant Performance Period for that test will be the Performance Period ending immediately prior to the testing period and not the Performance Period set out above.

Plan	Detail																				
LTIP 5	<p>The CEO was granted Performance Rights in the 2013 financial year under LTIP 5. The terms of the grant were:</p> <table><tr><th></th><th>Share Price ⁽ⁱ⁾</th><th>TSR CAGR</th><th>Vesting Date</th><th>Expiry Date</th></tr><tr><td>LTI Stage 1</td><td>>\$0.75</td><td>31.5%</td><td>30/11/14</td><td>30/11/15</td></tr><tr><td>LTI Stage 2</td><td>>\$1.05</td><td>33.6%</td><td>30/11/15</td><td>30/11/16</td></tr><tr><td>LTI Stage 3</td><td>>\$1.50</td><td>35.4%</td><td>30/11/16</td><td>30/11/17</td></tr></table> <p>(i) Share price means the volume weighted average price of the Company's ordinary shares on the ASX for a period of 4 weeks plus any cash dividends paid or capital return from February 2013 onwards minus \$0.13.</p> <p>The structure of the LTIP was formulated in early 2012 upon appointment of the CEO, and was subsequently approved by the shareholders at the Annual General Meeting in November 2012. The Performance Rights have 2, 3 and 4 year vesting periods with vesting dates on the third and fourth anniversaries of the approval date remaining. LTIP 5 has a zero exercise price.</p>		Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date	LTI Stage 1	>\$0.75	31.5%	30/11/14	30/11/15	LTI Stage 2	>\$1.05	33.6%	30/11/15	30/11/16	LTI Stage 3	>\$1.50	35.4%	30/11/16	30/11/17
	Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date																	
LTI Stage 1	>\$0.75	31.5%	30/11/14	30/11/15																	
LTI Stage 2	>\$1.05	33.6%	30/11/15	30/11/16																	
LTI Stage 3	>\$1.50	35.4%	30/11/16	30/11/17																	
LTIP 6	<p>The CEO was granted Performance Rights in the 2013 financial year under LTIP 6 as part of a retention arrangement following the sale of the Technology Solutions business. The terms of the grant were:</p> <ul style="list-style-type: none">• issued on 28 June 2013;• the participant must be employed by the CSG Group throughout the retention period;• the expiry date for exercise of vested rights is 1 December 2015; and• zero exercise price. <p>These Performance Rights vested on 1 August 2015 and the CEO was subsequently issued with 606,061 ordinary shares on 4 August 2015.</p>																				
LTIP 7	<p>Certain Senior Executives were granted Performance Rights in the 2013 financial year under LTIP 7. The terms of the grant were:</p> <table><tr><th></th><th>Share Price ⁽ⁱ⁾</th><th>TSR CAGR</th><th>Vesting Date</th><th>Expiry Date</th></tr><tr><td>LTI Stage 1</td><td>>\$0.75</td><td>31.5%</td><td>30/11/14</td><td>30/11/15</td></tr><tr><td>LTI Stage 2</td><td>>\$1.05</td><td>33.6%</td><td>30/11/15</td><td>30/11/16</td></tr><tr><td>LTI Stage 3</td><td>>\$1.50</td><td>35.4%</td><td>30/11/16</td><td>30/11/17</td></tr></table> <p>(i) Share price means the volume weighted average price of the Company's ordinary shares on the ASX for a period of 4 weeks plus any cash dividends paid or capital return from February 2013 onwards minus \$0.13.</p> <p>The structure of the LTIP was formulated in early 2012 upon appointment of the CEO (together with LTIP 5 and 6), and was subsequently approved by the shareholders at the Annual General Meeting in November 2012. The Performance Rights have 2, 3 and 4 year vesting periods with</p>		Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date	LTI Stage 1	>\$0.75	31.5%	30/11/14	30/11/15	LTI Stage 2	>\$1.05	33.6%	30/11/15	30/11/16	LTI Stage 3	>\$1.50	35.4%	30/11/16	30/11/17
	Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date																	
LTI Stage 1	>\$0.75	31.5%	30/11/14	30/11/15																	
LTI Stage 2	>\$1.05	33.6%	30/11/15	30/11/16																	
LTI Stage 3	>\$1.50	35.4%	30/11/16	30/11/17																	

vesting dates on the third and fourth anniversaries of the approval date remaining. LTIP 7 has a zero exercise price.

LTIP 8 Certain Senior Executives were granted Performance Rights in the 2015 financial year under LTIP 8. The terms of the grant were:

	Share Price ^①	TSR CAGR	Vesting Date	Expiry Date
LTI Stage 2	>\$1.05	33.6%	30/11/15	30/11/16
LTI Stage 3	>\$1.50	35.4%	30/11/16	30/11/17

^① Share price means the volume weighted average price of the Company's ordinary shares on the ASX for a period of 4 weeks plus any cash dividends paid or capital return from February 2013 onwards minus \$0.13.

The structure of the LTIP was based on that formulated in early 2012 upon appointment of the CEO, with some variation, as appropriate, to the testing period to reflect the Senior Executives' start date or promotion.

Staff Incentive Share Plans

There are two general employee incentive share plans that were approved at the 2012 and 2015 Annual General Meetings to assist the Company to recruit, reward, retain and to generate increased engagement with its employees that are not part of the Executive LTIP. Both have been implemented and are listed below:

1. The CSG Tax Exempt Share Plan (Australia) ("AUS Tax Exempt Plan") in which eligible employees were offered up to A\$1,000 worth of ordinary shares in the Company on a tax free basis. These shares are held in a trust and are subject to a three year holding lock. No consideration is payable by participants for the grant of ordinary shares and there are no additional vesting conditions or forfeiture conditions in respect of the plan other than that required by law.
2. The CSG Tax Exempt Share Plan (New Zealand) ("NZ Tax Exempt Plan") in which eligible employees were offered up to A\$1,000 worth of ordinary shares in the company on a tax free basis. These shares are held in a trust and are subject to a three year holding lock. Nominal consideration (\$NZD1) was payable for the grant of ordinary shares and there are no additional vesting conditions or forfeiture conditions in respect of the plan other than that required by law.

In November 2016 the Board approved a further issue relating to FY2016 performance under the above general employee incentive share plans in accordance with each plan's rules. Reflecting the Company's performance in FY2017, there will be no issue of shares under these plans in FY2018.

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

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

2016/17	Board	Audit and Risk Committee	Nomination & Remuneration Committee
Chairman	140,000		
Member	71,175	19,163	19,163

10. Link to 2017 Financial Year Performance

10.1 Company Performance

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

	2017	2016	2015	2014	2013
Revenue (\$m)	244.5	246.6	224.3	199.3	184.6
Net profit/(loss) after tax (\$m)	(43.7)	18.2	14.3	12.1	8.7
Share price (\$)	0.75	1.49	1.60	1.03	0.94
Change in share price	(0.74)	(0.11)	0.57	0.09	0.15
Dividends paid (\$)	0.05	0.09	0.09	0.04	0.29
Total Shareholder Return (TSR)	(46%)	(1%)	64%	14%	56%
Earnings per Share (cents)	(13.7)	5.8	5.1	4.3	3.1

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 in FY2017.

10.3 LTIP Outcomes

The movement in Performance Rights under previous LTIP during the year ended 30 June 2017 is summarised below:

LTIP	Opening	Issued	Lapsed	Exercised	Closing
Issue 5	1,333,333	-	-	(1,333,333)	-
Issue 7	2,737,996	-	(133,333)	(2,604,663)	-
Issue 8	40,000	-	-	(40,000)	-
Issue 9	-	4,189,000	-	-	4,189,000
Total	4,111,329	4,189,000	(133,333)	(3,977,996)	4,189,000

11. Remuneration Tables and Disclosures

11.1 Directors' Remuneration

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

(i) Resigned 16 March 2017.

(ii) Note: salary is inclusive of all entitlements

	Cash Salary and Fees	STI and Other Fees	Termination Payments	Post-Employment Super	LTI	Total	Performance Related %
2016							
<i>Non-Executive Directors</i>							
Thomas Cowan ⁽ⁱ⁾	121,377	-	-	-	-	121,377	-
Phillip Bullock ⁽ⁱⁱ⁾	32,098	-	-	3,049	-	35,147	-
Mark Phillips	65,000	-	-	6,175	-	71,175	-
Stephen Anstice ⁽ⁱⁱⁱ⁾	92,716	-	-	8,808	-	101,524	-
Robin Low	82,500	-	-	7,838	-	90,338	-
Total	393,691	-	-	25,870	-	419,561	-
<i>Executive Directors</i>							
Julie-Ann Kerin	615,545	-	-	25,000	358,772	999,317	36%
Total	1,009,236	-	-	50,870	358,772	1,418,878	25%

(i) Resigned as Chairman on 15 February 2016. Remained Non-Executive Director.

(ii) Resigned 20 November 2015.

(iii) Appointed as Chairman on 15 February 2016.

11.2 Group Executive Remuneration

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

(i) Resigned 17 March 2017.

(ii) Appointed 27 February 2017.

	Cash Salary and Fees	STI	Termination Payments	Post- Employment Super	LTI	Total	Performance Related %
2016							
Neil Lynch	367,435	-	-	19,177	138,825	525,437	26%
Mark Thomas ⁽ⁱ⁾	245,769	-	-	16,454	-	262,223	0%
Warwick Beban	276,158	-	-	-	69,412	345,570	20%
Declan Ramsay	400,000	-	-	19,177	120,853	540,030	22%
Stephen Birrell	400,000	-	-	19,177	138,825	558,002	25%
Shailendra Singh ⁽ⁱⁱ⁾	51,054	-	97,514	2,820	-	151,388	0%
Total	1,740,416	-	97,514	76,805	467,915	2,382,650	20%

(i) Commenced employment 7 September 2015.

(ii) Ceased employment 12 August 2015.

11.3 LTIP Issue 3, 5, 6, 7 & 8 – Options & Performance Rights

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

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

(i) Resigned 17 March 2017.

	Date Granted	Balance at the Beginning of Year	Granted In Year	Vested	Forfeited in Year	Balance at End of Year
2016						
Julie-Ann Kerin	28/06/2013	3,844,156	-	(2,510,823)	-	1,333,333
Neil Lynch	28/06/2013	1,295,238	-	(761,905)	-	533,333
Warwick Beban	28/06/2013	647,619	-	(380,952)	-	266,667
Declan Ramsay	28/06/2013 & 30/12/2014	744,762	-	(438,095)	-	306,667
Stephen Birrell	28/06/2013	1,295,238	-	(761,905)	-	533,333
Shailendra Singh ⁽ⁱ⁾	30/12/2014	433,000	-	-	(433,000)	-
		8,260,013	-	(4,853,680)	-	2,973,333

(i) Ceased employment 12 August 2015.

	Fair Value per Right at Grant Date \$	Exercise Price per Right \$	% Vested in Year (a) %	% Lapsed in Year (a) %	Value of Rights Granted in Year (b) \$	Value of Rights Held in Year (b) \$	Value of Rights Vested in Year © \$	Value of Rights Lapsed in Year © \$	Financial Years in which Grant Vest	Expiry Date
2017										
Julie-Ann Kerin	0.4646	0.70	100%				933,333		2017	30/11/2017
	1.0100				21,154				2019	30/09/2018
	1.0100				63,463				2019	30/09/2018
	0.9700				60,950				2020	30/09/2019
	0.9700				60,950				2021	30/09/2020
	1.0900				22,830				2019	30/09/2018
	1.0900				68,490				2019	30/09/2018
	1.0300				64,720				2020	30/09/2019
	0.9700				60,950				2021	30/09/2020
	0.1900				19,898				2019	30/09/2018
	0.1800				56,552				2019	30/09/2018
	0.1400				43,985				2020	30/09/2019
	0.1000				31,418				2021	30/09/2020
	0.2100				21,992				2019	30/09/2018
	0.1900				59,693				2019	30/09/2018
	0.1500				47,126				2020	30/09/2019
	0.1000				31,418				2021	30/09/2020
Neil Lynch	0.4646	0.70	100%				373,333		2017	30/11/2017
Warwick Beban	0.4646	0.70	100%				186,667		2017	30/11/2017
Declan Ramsay	0.4646	0.70	100%				186,667		2017	30/11/2017
	0.8800	0.70	100%				28,000		2017	30/11/2017
Stephen Birrell	0.4646	0.70	100%				373,333		2017	30/11/2017

* Excluding retention rights

Details of the performance criteria attached to each of the Performance Rights are included in the LTIP discussion above and in Note 22 to the financial statements. No Performance Rights have been granted since the end of the financial year.

- (a) The percent forfeited and lapsed in the year represents the reduction from the maximum number of options available to vest due to the performance or conditions not being achieved.
- (b) Fair value is independently determined utilising a Monte Carlo simulation model which allows for the incorporation of performance hurdles that must be met before the performance right vests. The valuation is undertaken in a risk-neutral framework whilst allowing for variables such as volatility, dividends, the risk free rate, the withdrawal rate and performance hurdles along with constants such as the strike price, term and vesting periods.
- (c) The value of options that lapsed or were forfeited during the year represents the benefit foregone and was calculated as the number of options at the date the options lapsed or were forfeited, multiplied by the fair value of the options calculated independently at the date the options lapsed or were forfeited but assuming the vesting conditions were satisfied.

12. Service Agreements

	Expiry	Termination Notice	Termination payment
Executive Director			
Julie-Ann Kerin	N/A	6 Months	6 Months
Group Executive			
Gary Brown	N/A	6 Months	6 Months
Warwick Beban	N/A	3 Months	3 Months
Declan Ramsay	N/A	3 Months	3 Months
Stephen Birrell	N/A	3 Months	6 Months
Mark Thomas	N/A	3 Months	3 Months

13. Key Management Personnel's Interests

The KMP's relevant interests in shares of the Company or options over shares in the Company are detailed below. Changes in shareholdings during the year are specified in Note 27 of the financial statements.

	Opening Balance	Purchases	Received on Exercise of Performance Rights	Sales	Ceased as Director	Ordinary Shares of CSG
Thomas Cowan ⁽ⁱ⁾	19,924,622	5,065,957	-	-	-	24,990,579
Stephen Anstice	150,563	140,000	-	-	-	290,563
Robin Low	67,575	54,800	-	-	-	122,375
Julie-Ann Kerin	1,000,000	-	1,333,333	-	-	2,333,333
Mark Phillips	75,563	10,000	-	-	(85,563)	-
Neil Lynch ⁽ⁱⁱ⁾	295,238	-	533,333	-	(828,571)	-
Mark Thomas	-	-	-	-	-	-
Warwick Beban	347,619	-	266,667	(300,000)	-	314,286
Declan Ramsay	-	-	306,667	-	-	306,667
Stephen Birrell	415,238	-	533,333	-	-	948,571
Gary Brown ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-
	22,276,418	5,270,757	2,973,333	(300,000)	(914,134)	29,306,374

- (i) Thomas Cowan is a partner in TDM Asset Management (TDM). TDM has a direct interest in the shares held by its clients by virtue of the control it exercises in relation to the shares under its investment management arrangements with clients. TDM and its clients hold in aggregate 24,990,579 shares at 30 June 2017.
- (ii) Neil Lynch resigned 17 March 2017.
- (iii) Gary Brown appointed 27 February 2017.

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

16. Proceedings on Behalf of the Consolidated Entity

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

17. State of Affairs

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

18. Dividends

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

	Consolidated Entity	
	2017	2016
	\$'000	\$'000
Current Year Interim	-	12,763
Prior Year Final	15,904	14,238
<u>(Unfranked dividends (5 cents per share paid 7 September 2016))</u>		
Total Dividends	15,904	27,001

19. Directors' Interests in Contracts

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

20. Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity has paid a premium amounting to \$261,202 insuring all the directors and the officers against judgments, settlements, investigative costs, defense costs and costs to appear at inquiries or investigations.

21. Non-Audit Services

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

Other Services	2017 \$	2016 \$
Other assurance, taxation and due diligence services	160,502	431,615

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 28 of this report.

23. Events Subsequent to Reporting Date

No events subsequent to reporting date were recorded.

24. Likely Developments

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

25. Rounding of Amounts

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

Signed in accordance with a resolution of the Directors.



.....
Julie-Ann Kerin
Director
Sydney
18 August 2017



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 2017 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Scott Guse'.

Scott Guse
Partner

Brisbane
18 August 2017

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 30 June 2017

Consolidated entity			
		2017	2016
	Note	\$'000	\$'000
Sales revenue	7	210,428	213,128
Finance lease interest income		27,047	25,801
Interest income		51	86
Other income	7	6,994	7,605
		244,520	246,620
Changes in inventories of finished goods	8	118,955	119,060
Finance lease interest expense		13,428	12,894
Marketing expenses		2,925	2,986
Occupancy expenses		7,144	6,160
Administration expenses		27,275	24,515
Employee benefits expenses		46,905	40,744
Share based transactions		1,879	2,189
Acquisition and integration related expenses		541	989
Other expenses	8	58,040	4,141
Depreciation and amortisation	8	7,100	6,088
Finance costs	8	2,410	1,609
		286,602	221,375
Profit/(loss) before income tax		(42,082)	25,245
Income tax expense	9	(1,633)	(7,083)
Profit/(loss) from continuing operations		(43,715)	18,162
Profit is attributable to:			
Members of the parent		(44,413)	17,452
Non-controlling interest		699	710
		(43,714)	18,162
Profit/(loss) after income tax expense		(43,714)	18,162
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations, net of tax	23	(170)	3,285
Cash flow hedges:			
Reclassified to profit or loss, net of tax	23	(33)	247
Net gains / (losses) taken to equity, net of tax	23	1,820	(1,339)
Other comprehensive income for the year		1,617	2,193
Total comprehensive income for the year		(42,097)	20,355
Total profit and loss and other comprehensive income is attributable to:			
Members of the Parent		(42,796)	19,645
Non-controlling interest		699	710
		(42,097)	20,355
Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:			
Basic earnings per share (cents)	29	(13.7)	5.8
Diluted earnings per share (cents)	29	(13.7)	5.7

Consolidated Statement of Financial Position as at 30 June 2017

		Consolidated entity	
		2017	2016
	Notes	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	11	20,338	14,455
Receivables	12	35,767	34,739
Lease receivables	12	96,513	82,295
Inventories	13	65,810	50,077
Other	14	10,386	7,928
TOTAL CURRENT ASSETS		228,814	189,494
NON-CURRENT ASSETS			
Lease receivables	12	169,775	178,479
Property, plant and equipment	15	3,396	2,582
Intangible assets	16	175,851	222,977
TOTAL NON-CURRENT ASSETS		349,022	404,038
TOTAL ASSETS		577,836	593,532
CURRENT LIABILITIES			
Payables	17	51,529	47,809
Deferred income		2,001	604
Deferred consideration		9,071	608
Short term borrowings	18	889	8,620
Current tax payable		2,207	111
Provisions	21	4,329	3,686
TOTAL CURRENT LIABILITIES		70,026	61,438
NON-CURRENT LIABILITIES			
Provisions	21	313	645
Deferred consideration		3,515	9,383
Long term borrowings	18	42,117	-
Derivatives	20	1,721	4,655
Deferred Tax Liability	9	6,472	9,397
Debt associated with lease receivables	19	225,355	219,260
TOTAL NON-CURRENT LIABILITIES		279,493	243,340
TOTAL LIABILITIES		349,519	304,778
NET ASSETS		228,317	288,754
EQUITY			
Contributed equity	22	205,727	207,623
Reserves	23	6,982	5,905
Retained earnings	23	902	61,219
Equity attributable to owners of CSG Limited		213,611	274,747
Non-Controlling interest		14,706	14,007
TOTAL EQUITY		228,317	288,754

Consolidated Statement of Changes in Equity for the year ended 30 June 2017

	Contributed Equity	Reserves	Cashflow Hedge Reserve	Retained Earnings	Non-controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	164,193	7,534	(2,047)	70,768	13,297	253,745
Profit for the year	-	-	-	17,452	710	18,162
Exchange differences on translation of foreign operations, net of tax	-	3,285	-	-	-	3,285
Cash flow hedges:						
Net gains / (losses) taken to equity	-	-	(1,339)	-	-	(1,339)
Net gains / (losses) taken to profit and loss	-	-	247	-	-	247
Total comprehensive income for the year	-	3,285	(1,092)	17,452	710	20,355
Transactions with owners in their capacity as owners:						
Equity settled transactions	44,202	(1,775)	-	-	-	42,427
Dividends paid	-	-	-	(27,001)	-	(27,001)
Capital raising costs net of deferred tax	(772)	-	-	-	-	(772)
Balance as at 30 June 2016	207,623	9,044	(3,139)	61,219	14,007	288,754
Balance as at 1 July 2016	207,623	9,044	(3,139)	61,219	14,007	288,754
Profit/(loss) for the year				(44,413)	699	(43,714)
Exchange differences on translation of foreign operations, net of tax		(170)				(170)
Cash flow hedges:						-
Net gains / (losses) taken to equity			1,820			1,820
Net gains / (losses) taken to profit and loss			(33)			(33)
Total comprehensive income for the year	-	(170)	1,787	(44,413)	699	(42,099)
Transactions with owners in their capacity as owners:						-
Equity settled transactions	(1,896)	(540)				(2,435)
Dividends paid				(15,904)		(15,904)
Capital raising costs net of deferred tax						-
Balance as at 30 June 2017	205,727	8,334	(1,352)	902	14,706	228,319

Consolidated Statement of Cash Flows for the year ended 30 June 2017

		Consolidated entity	
		2017	2016
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		256,840	262,527
Payments to suppliers, employees and others		(248,140)	(241,457)
Movement in lease receivables		(5,398)	(48,586)
Interest income		50	86
Interest expense		(2,191)	(1,608)
Income tax paid		(3,989)	(3,407)
Net cash (used in) operating activities	24(a)	(2,828)	(32,445)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for intangibles		(4,790)	(4,427)
Payments for property, plant and equipment		(1,752)	(507)
Payments for businesses		(3,636)	(16,971)
Net cash from/(used in) investing activities		(10,178)	(21,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings associated with lease receivables		5,371	32,041
Proceeds from borrowings		34,618	-
Repayment of borrowings		-	(1,400)
Proceeds from issue of share of share capital		-	39,127
Share buy-backs		(5,183)	-
Dividend distributions	10	(15,904)	(27,001)
Net cash flows provided by/(used in) financing activities		18,902	42,767
Net increase/(decrease) in cash held		5,896	(11,583)
Cash at the beginning of the financial year		14,455	24,754
Foreign exchange difference on cash holdings		(13)	1,284
Cash and cash equivalents at end of year	24(b)	20,338	14,455

The accompanying notes form part of these financial statements

Notes to the Financial Statements 30 June 2017

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 2017 comprise the Company and its controlled entities (together referred to as the "Group" and individually as ("Group entities"). The Group is a for-profit entity and primarily involved in print and technology related sales and service and financing of office equipment.

NOTE 2: BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

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

The financial report was authorised for issue by the Directors on 18 August 2017.

Basis of measurement

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

Functional and presentation currency

The financial report is presented in Australia dollars which is the Company's functional currency. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Use of estimates and judgments

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

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

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

(i) Assessing impairment of goodwill

Goodwill is allocated to cash generating units ("CGUs") according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected financial forecasts and projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a post-tax discount rates listed in Note 16 to determine value-in-use.

(ii) Income taxes

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

(iii) Employment benefits

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

(iv) Share-based payments

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

(v) Inventory – consumables at customer premises

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

(vi) Inventory - obsolescence

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

**NOTE 3:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

(ii) Subsidiaries

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

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

(iii) Non-controlling interests

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

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Financial assets at their fair value through profit or loss are remeasured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market.

Loans and receivables are measured at fair value at inception net of transaction costs and subsequently at amortised cost using the effective interest rate method, less any impairment losses.

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

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

(iii) Derivative financial instruments, including hedge accounting

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

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

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

Cash flow hedges

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

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

(d) Revenue Recognition

Sale of Goods

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

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

Rendering of Services

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

- invoicing from the provision of the Group’s services inclusive of the amounts due and payable under the terms of the long term service contracts; and
- revenue not yet invoiced but earned on work completed in servicing long term service contracts which, while owing to the Group under the terms of those contracts, will not become payable until future years.

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

Revenue arrangements with multiple deliverables

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

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

Interest income

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

Operating lease revenue

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

Other income

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

Receivables

All trade receivables are recognised initially at fair value, and subsequently at amortised cost, less impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment loss is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is not material. The amount of the impairment is recognised in the statement of comprehensive income.

Inventories

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Intangible assets

Goodwill

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

Licenses and other Intangible Assets

Licenses and other intangible assets have a finite useful life and are recorded at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful life. Other intangible assets have been assigned finite lives between 3-10 years. Software developed for resale is amortised over five years. Customer contracts/relationships acquired in a business combination have been assigned a finite life of between 5 and 14 years and are amortised on a straight line basis over this period.

Impairment

(i) Non-derivative financial assets

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

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

(ii) Non-financial assets

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

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

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

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

(iii) Trade and other Payables

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

Borrowings

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

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

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

Employee benefits

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

Share-based Payments

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

Provisions

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

(i) Restructuring

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

(ii) Onerous contracts

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

Leases

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

Finance leases

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

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

Operating lease

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

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 financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

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

Foreign currency gains and losses are reported on a net basis in other income in Note 7 depending on whether foreign currency movements are in a net gain or net loss position.

Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current income tax expense or revenue is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Tax consolidation

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

Research & Development

Research expenditure is recognised as an expense as incurred. Concessional tax benefits receivable in respect of eligible expenditure are recognised as income. Income is recognised with respect to concessional benefits upon confirmation and registration of eligible projects with evaluation and registration of eligible projects typically completed in the following financial year.

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

Discontinued operations

Classification as a discontinued operation occurs upon the disposal or when the operation meets the criteria to be classified as held for sale or distribution, if earlier.

Segment reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

NOTE 4:

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) New standards adopted

There was no material impact on the financial report as a result of the adoption of new or amended accounting standards and interpretations effective for annual reporting periods beginning on or after 1 July 2016.

(b) New standards and interpretations not yet adopted

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

AASB 9 Financial Instruments

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

It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the financial statements but will require disclosure of additional information.

AASB 15 Revenue from Contracts with Customers

AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer through promises within contracts. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services at either a point in time or over time.

The Group is evaluating the impact of the incoming standard. While analysis is ongoing, it is anticipated an element of revenue currently recognised upfront, will be reallocated over the life of a given contract.

AASB 16 Leases

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

NOTE 5:

DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value hierarchy

In valuing financial instruments, the consolidated entity uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. There are no material level 3 financial instruments.

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

The fair values of the Group's derivative financial instruments, being interest rate swaps and forward foreign exchange contracts, are categorised as Level 2 in the fair value hierarchy (2016 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 combination of Black-Scholes and Monte Carlo sampling. The fair value of the employee share options currently under issue is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the historic volatility of the Company's share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds and the financial performance of the group). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Contingent consideration

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

NOTE 6: FINANCIAL RISK MANAGEMENT

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

The Group is exposed to a variety of financial risks comprising:

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

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

(a) Interest rate risk

Corporate debt facility

As at 30 June 2017, the Senior Debt Facility Agreement with the Commonwealth Bank of Australia ("CBA") has a limit of \$60m. The maturity date of this facility is 10 August 2019 (refer Note 25). This Facility is primarily to be used for working capital and general corporate purposes but also provides for other sub-facilities including bank bills, business loans, overdraft, equipment finance and contingent liabilities. The multi-function facility includes an amount of \$1.5m in relation to various guarantees and security deposits provided by the bank on behalf of the Company. Interest on the Facility is charged at a floating rate plus a margin.

Lease financing facilities – New Zealand

The CSG Finance NZ Trust securitisation funding facility limit under the Westpac facility is currently NZ\$115m. The availability period for writing new business is until 15 April 2018, with a final maturity date of 15 April 2020. It has been agreed with Westpac for the facility to be extended a further 12 months with a reduction in the funding limit from NZ\$115m to NZ\$110m on 01 January 2018. Interest on the CSG Finance NZ Trust securitisation funding facility is charged at a floating rate plus a margin, and re-prices on a monthly basis. As the finance lease receivables are predominantly fixed rate in nature, the Group enters into interest rate swaps to fix these floating rate exposures.

Lease financing facilities – Australia

On 27 April 2017, the Group completed a restructure with the introduction of a Mezzanine investor into the CSG Finance Australia Trust securitisation funding facility, previously only provided by Westpac. In conjunction with the refinancing, the funding limit under the Westpac facility was increased from \$120m to \$180m, the funding limit under the Class AB facility was introduced at \$30m and the availability period for writing new business was extended until 20 April 2019, with a final maturity date of 20 April 2021. Interest on the CSG Finance Australia Trust securitisation funding facility is charged at a floating rate plus a margin, and re-prices generally on a quarterly basis. As the finance lease receivables are predominantly fixed rate in nature, the Group enters into interest rate swaps to fix these floating rate exposures.

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

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

	2017 \$'000		2016 \$'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	198	198	218	218
Impact on interest expense on loans	(2,641)	(2,641)	(2,192)	(2,192)
Impact on cash flows from derivative	2,124	2,124	1,641	1,641
Fair value sensitivity:				
Impact on derivative fair value at balance date	3,383	3,162	3,492	3,492
Total Impact	3,064	2,843	3,159	3,159

Interest Rates:				
100 bps decrease:				
Cash flow sensitivity:				
Impact on interest income on cash	(198)	(198)	(218)	(218)
Impact on interest expense on loans	2,641	2,641	2,192	2,192
Impact on cash flows from derivative	(2,124)	(2,124)	(1,641)	(1,641)
Fair value sensitivity:				
Impact on derivative fair value at balance date	(3,383)	(3,162)	(3,492)	(3,492)
Total Impact	(3,064)	(2,843)	(3,159)	(3,159)

(b) Credit Risk Exposures

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

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

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

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

Concentrations of Credit Risk

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers. The print and technology businesses have a broad range of clients across all sectors of the economy, and spread throughout all regions of Australia and New Zealand. The leasing business has a wide spread of clients across all economic sectors and regions of Australia and New Zealand. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

Impairment

At 30 June 2017, the ageing of the trade, lease and other receivables that were not impaired was as follows:

	2017 \$'000	2016 \$'000
Neither past due nor impaired	290,046	285,540
Past due 1 - 30 days	6,929	5,111
Past due not impaired 31 - 90 days	2,173	2,051
Past due not impaired 91+ days	2,908	2,811
	<u>302,056</u>	<u>295,513</u>

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

(c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions. The level of expected cash inflows from trade and lease receivables are closely monitored against the predicted outflows arising from operations. The Group has access to various financing facilities to support its lease receivables financing activities, and to provide funding for working capital and general corporate purposes. Refer to Note 25 (c) 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 2017, this comprised 7.2% of the net pool balance of securitised leases for the New Zealand facility (\$7.03m (NZ\$7.38m)) and 6.7% of the net pool balances of securitised leases for the Australian facility (\$9.24m).

(d) Foreign Exchange risk

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

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

The Company's subsidiary, Konica Minolta Business Solutions New Zealand 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 2017, a total of US\$5.5m (2016: US\$12.9m) of forward cover was in place with an average NZ\$/US\$ rate of 0.7083 (2016: 0.6654). Also as at 30 June 2017, there was no forward cover in place (2016: a total of NZ\$7.8m of forward cover was in place at an average floor and cap of 0.90 – 0.9438).

Financial Instruments	Floating Interest Rate				Fixed Interest Rate Maturing in:				Non-Interest Bearing		Total Carrying Amount per Balance Sheet		Weighted Average Effective Interest Rate	
	1 year or less		1 - 5 years		1 year or less		1 - 5 years							
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 %	2016 %
(i) Financial Assets														
Cash and Cash Equivalents	20,338	14,439							16	16	20,354	14,455	1.61%	2.27%
Trade Receivables									28,786	28,762	28,786	28,762		
Finance Lease Receivables					96,513	82,295	169,776	178,479			266,288	260,774	9.98%	10.72%
Derivatives														
Sundry Debtors									8,297	5,977	8,297	5,977		
Total Financial Assets	20,338	14,439			96,513	82,295	169,776	178,479	37,099	34,755	323,726	309,968		
(ii) Financial Liabilities														
Trade Payables									24,263	20,019	24,263	20,019		
Other Payables and deferred income									27,265	27,790	27,265	27,790		
Debt Associated with Finance Leases							225,355	219,260			6,472	219,260	3.71%	3.81%
Derivatives - interest rate swaps							1,474	3,625			1,474	3,625	2.69%	3.06%
Derivatives - Foreign currency options									247	1,030	247	1,030		
Current Tax Liability									2,207	111	2,207	111		
Term Debt/Bills Payable	889	8,000	42,117		860	620					43,509	8,620	3.74%	3.64%
Total Financial Liabilities	889	8,000	42,117		860	620	226,829	222,885	53,982	48,950	105,437	280,455		

¹ Considered fixed due to interest rate swaps taken out to hedge floating interest rate movement

NOTE 7:
REVENUE

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Revenues from continuing operations		
<i>Sales revenue</i>		
Revenue from sale of goods	106,641	110,551
Revenue from services	103,787	102,577
	210,428	213,128
Other income		
Sundry	6,622	7,591
Interest rate swap income	176	152
Gain/(loss) on foreign exchange	196	(138)
	6,994	7,605

NOTE 8:
PROFIT FROM CONTINUING OPERATIONS

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

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Changes in inventories of finished goods		
Cost of goods	59,047	57,288
Cost of sales - service	40,567	43,785
Cost of sales - service (employee benefits)	19,341	17,987
Total changes in inventories of finished goods	118,955	119,060
Other expenses		
Bad debts expense	2,804	898
Impairment of Goodwill	55,000	-
Other	236	3,243
Total other expenses	58,040	4,141
Depreciation and amortisation		
Plant and equipment	1,356	1,005
Leased property, plant and equipment	-	15
Leasehold improvements	129	247
Amortisation of customer contracts/relationships	3,773	3,136
Amortisation of intangible assets	1,592	1,510
Amortisation of borrowing costs	250	175
Total depreciation and amortisation	7,100	6,088
Finance costs		
Interest	2,224	1,455
Bank fees	186	154
Total finance costs	2,410	1,609

NOTE 9:**INCOME TAX**

	Consolidated entity	
	2017	2016
	\$'000	\$'000
(a) Components of tax expense		
Current tax expense in respect of the current year	4,362	3,539
Deferred tax expense recognised in the current year	(214)	3,693
Adjustments recognised in the current year in relation to the prior year ⁽ⁱ⁾	(2,515)	(149)
Total tax expense	1,633	7,083
(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	(42,082)	25,245
Prima facie income tax payable on profit before income tax at 30% (2016: 30%)	(12,625)	7,573
Add tax effect of:		
- other non-allowable items	1,432	772
- Impairment	16,500	-
- effect of different tax rates in other jurisdictions ⁽ⁱⁱ⁾	(176)	(217)
- share-based payments	(354)	658
- over provision for income tax in prior years ⁽ⁱ⁾	(2,515)	(149)
	14,887	1,064
Less tax effect of:		
- other non-assessable items	(252)	(1,097)
- research and development benefit	(377)	(457)
	(629)	(1,554)
Income tax expense attributable to profit	1,633	7,083
(i)	Included within the prior year adjustment is a tax effected amount of \$2,908,000 due to a Private Binding Ruling issued by the Australian Tax Office during FY17 in relation to the FY16 Long Term Incentive Plan.	
(ii)	The corporate tax rate in New Zealand is 28%.	
(c) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Inventories	997	1,029
Doubtful debts	781	451
Property, plant and equipment	281	375
Accrued expenses	1,088	1,435
Employee Entitlements	1,384	1,218
Other provisions	145	92
Research and development tax offsets	6,416	4,176
Tax losses carried forward	9,133	6,435
Share issue costs	205	270
Other	581	(62)
Total deferred tax assets	21,011	15,419

NOTE 9: INCOME TAX (cont.)

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Deferred tax liabilities		
The balance comprises:		
Accrued revenue	-	(1,099)
Intangibles	(4,373)	(3,898)
Property, plant and equipment	(3,254)	(2,489)
Operating Leases	(19,629)	(16,908)
Other	(227)	(422)
Total deferred tax liabilities	(27,483)	(24,816)
Net deferred tax liabilities	(6,472)	(9,397)

(d) Deferred income tax related to items charged or credited directly to equity

Share issue costs	63	263
Derivatives	(299)	558
Total	(236)	821

NOTE 10:**DIVIDENDS ON ORDINARY SHARES**

	Consolidated entity	
	2017	2016
	\$'000	\$'000

a. Dividends paid during the year**(i) Current Year Interim**

Unfranked dividends

(2016: 4 cents per share) - 12,763

(ii) Prior Year Final

Unfranked dividends (5 cents per share)

(2016: 5 cents per share) 15,904 14,238

15,904 27,001

b. Franking credit balance

Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and deducting franking credits to be used in payment of proposed dividends

1,730 1,140

NOTE 11:**CASH AND CASH EQUIVALENTS**

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Cash at bank	11,944	7,940
Restricted cash (i)	8,378	6,499
Cash on hand	16	16
	20,338	14,455

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

NOTE 12:
RECEIVABLES

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Trade receivables	28,786	29,192
Impairment	(1,316)	(430)
Sundry debtors	8,297	5,977
	35,767	34,739
Finance Lease receivables		
Gross receivable	309,885	308,246
Less: Unearned finance income	(43,597)	(47,472)
	266,288	260,774
Represented by:		
Current net receivable	96,513	82,295
Non-current net receivable	169,775	178,479
	266,288	260,774

NOTE 13:
INVENTORIES

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Finished goods	24,657	19,897
Consumables	14,188	9,958
Toner in Field	26,965	20,222
	65,810	50,077

NOTE 14:
OTHER CURRENT ASSETS

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Prepayments	4,251	3,872
Other	6,135	4,056
	10,386	7,928

**NOTE 15:
PROPERTY, PLANT AND
EQUIPMENT**

	Leasehold Improvements \$ '000	Plant & Equipment \$ '000	Furniture & Fittings \$ '000	Office Computer Equipment \$ '000	Leased Plant & Equipment \$ '000	Total \$ '000
At 1 July 2015						
Cost	3,102	791	3,532	8,524	642	16,591
Accumulated depreciation	(2,592)	(485)	(3,104)	(7,859)	(615)	(14,655)
Net book amount	510	306	428	665	27	1,936
Year ended 30 June 2016						
Opening net book amount	510	306	428	665	27	1,936
Acquisitions through business combinations	196	700	33	439	-	1,368
Foreign exchange impact	16	(22)	53	36	(12)	71
Additions	38	119	19	331	-	507
Disposals	(9)	(24)	-	-	-	(33)
Depreciation charge	(247)	(211)	(199)	(595)	(15)	(1,267)
Closing net book amount	504	868	334	876	-	2,582
At 30 June 2016						
Cost	3,383	2,530	3,890	10,128	640	20,571
Accumulated depreciation	(2,879)	(1,662)	(3,556)	(9,252)	(640)	(17,989)
Net book amount	504	868	334	876	-	2,582
Year ended 30 June 2017						
Opening net book amount	504	868	334	876	-	2,582
Acquisitions through business combinations	21	17	122	386	2	548
Foreign exchange impact	(6)	210	(12)	(80)	-	112
Additions	634	196	498	424	-	1,752
Disposals	-	(110)	(1)	(2)	-	(113)
Depreciation charge	(129)	(255)	(345)	(756)	-	(1,485)
Closing net book amount	1,024	926	596	848	2	3,396
At 30 June 2017						
Cost	4,031	2,374	4,476	11,130	640	22,651
Accumulated depreciation	(3,007)	(1,448)	(3,880)	(10,282)	(638)	(19,255)
Net book amount	1,024	926	596	848	2	3,396

NOTE 16:
INTANGIBLE ASSETS

	Goodwill \$'000	Customer Contracts/ Relationships \$'000	Licenses and Other Intangibles \$'000	Total \$'000
Year ended 30 June 2016				
Opening net book amount	164,317	19,727	9,614	193,658
Acquisitions through business combinations	14,907	12,445	1,714	29,066
Acquisitions	-	-	4,427	4,427
Foreign exchange impact	-	374	98	472
Amortisation for the year	-	(3,136)	(1,510)	(4,646)
Closing net book amount	179,224	29,410	14,343	222,977
At 30 June 2016				
Cost	179,224	44,566	17,046	240,836
Accumulated amortisation	-	(15,156)	(2,703)	(17,859)
Net book amount	179,224	29,410	14,343	222,977
Year ended 30 June 2017				
Opening net book amount	179,224	29,410	14,343	222,977
Acquisitions through business combinations	5,268	3,217	9	8,494
Acquisitions	-	-	4,790	4,790
Impairment	(55,000)	-	-	(55,000)
Foreign exchange impact	-	(14)	(31)	(45)
Amortisation for the year	-	(3,773)	(1,592)	(5,365)
Closing net book amount	129,492	28,840	17,519	175,851
At 30 June 2017				
Cost	129,492	47,774	21,416	198,683
Accumulated amortisation	-	(18,934)	(3,898)	(22,832)
Net book amount	129,492	28,840	17,518	175,851

INTANGIBLE ASSETS NOTE 16 (cont.)

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:

	2017 \$'000	2016 \$'000
Business Solutions Australia	25,660	62,770
Enterprise Solutions Australia	7,028	3,406
Business Solutions New Zealand	50,262	70,019
Finance Solutions Australia	8,637	8,637
Finance Solutions New Zealand	24,385	24,385
CodeBlue	13,520	10,007
	129,492	179,224

	Terminal EBITDA Growth Rate		Discount Rate	
	2017	2016	2017	2016
Business Solutions Australia	2.50%	2.50%	9.40%	9.00%
Enterprise Solutions Australia	2.50%	2.50%	9.40%	9.50%
Business Solutions New Zealand	2.50%	2.50%	10.45%	9.90%
Finance Solutions Australia	2.50%	2.50%	9.40%	9.00%
Finance Solutions New Zealand	2.50%	2.50%	9.50%	8.50%
CodeBlue	2.50%	2.50%	9.50%	9.90%

Goodwill testing incorporated a five year forecast including the board approved FY18 budgets and growth rates. Industry based growth rates are supported by external sources of 8.40% to 11.10% over the first five years were used. 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 adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

During the financial year, business conditions across the traditional print units proved challenging. Pressure on volumes and margins was evident and certain CGUs underperformed to forecasted expectations. The value in use methodology calculation resulted in a deficiency of headroom within the BSA and BSANZ CGUs. As a result, management have reduced the goodwill held within these CGUs by \$34.3m for BSA and \$20.7m for BSANZ (totaling \$55.0m).

Following the impairment loss recognised in the BSA and BSNZ CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

Management has assessed the risk to the recoverable amount of the Finance Solutions New Zealand CGU. A discount rate increase of 60 basis points or a reduction in growth rate of 310 basis points would be required for the carrying amount to equal the recoverable amount.

**NOTE 17:
PAYABLES**

	Consolidated entity	
	2017	2016
	\$'000	\$'000
CURRENT		
Trade payables	24,263	20,019
Other payables	27,266	27,790
	51,529	47,809

**NOTE 18:
BORROWINGS**

	Consolidated entity	
	2017	2016
	\$'000	\$'000
CURRENT		
<i>Secured</i>		
Loans and Borrowings	29	8,000
Other	860	620
	889	8,620
NON CURRENT		
<i>Secured</i>		
Loans and Borrowings	42,117	-
	42,117	-
Total Borrowings	43,006	8,620

**NOTE 19:
DEBT ASSOCIATED WITH LEASE RECEIVABLES**

	Consolidated entity	
	2017	2016
	\$'000	\$'000
NON-CURRENT		
Loans and borrowings	225,355	219,260
	225,355	219,260

NOTE 20:**DERIVATIVE LIABILITIES**

	Consolidated entity	
	2017	2016
	\$'000	\$'000
NON-CURRENT		
Interest rate swaps	1,474	3,625
Foreign currency forward contracts	247	1,030
	1,721	4,655

Information about interest rate risk is detailed in Note 6.

NOTE 21:**PROVISIONS**

	Consolidated entity	
	2017	2016
	\$'000	\$'000
CURRENT		
Employee Benefits	4,244	3,586
Other	85	100
	4,329	3,686
NON-CURRENT		
Employee Benefits	313	560
Other	-	85
	313	645

NOTE 22:**CONTRIBUTED EQUITY**

During the 2017 financial year there were no additional options granted to employees or Directors.

(a) Issued and paid up capital

Ordinary shares fully paid (No. of shares)

	2017	2016
	205,727	207,624
	205,727	207,624

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

	2017		2016	
	No. of shares	\$'000	No. of shares	\$'000
Beginning of the financial year	319,076,671	207,623	284,148,839	164,193
Share buy-backs	(4,074,588)	(5,179)	-	-
Issued shares	5,118,676	2,757	34,690,174	43,818
Tax exempt share plan	751,680	526	237,658	384
Capital distribution	-	-	-	-
Capital raising costs net of deferred tax asset	-	-	-	(772)
Balance at the end of the year	320,872,439	205,727	319,076,671	207,623

NOTE 22: CONTRIBUTED EQUITY (cont.)

(c) Employee Share Scheme

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

(d) Performance Rights

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

Performance Rights on issue at 30 June 2017:

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

Performance Rights on issue at 30 June 2016:

Issued Date	Performance Hurdle Date	Opening 1 July 2015	Issued	Lapsed	Vested	Closing 30 June 2016
LTIP Issue 5 & 7	30-11-15	5,718,376	-	(117,333)	(5,601,043)	-
LTIP Issue 5 & 7	30-11-16	4,337,995	-	(266,666)	-	4,071,329
LTIP Issue 6	01-08-15	606,061	-	-	(606,061)	-
LTIP Issue 8	30-11-15	152,381	-	-	(152,381)	-
LTIP Issue 8	30-11-16	473,000	-	(433,000)	-	40,000
MAIP	01-07-17	1,780,731	-	(225,094)	-	1,555,637
Total		13,068,544	0	(1,042,093)	(6,359,485)	5,666,966

(e) Issue of ordinary shares

In August 2015, the Company issued 21 million ordinary shares via an institutional placement at \$1.42 per share raising \$30 million. In September 2015, the Company issued 7.1 million ordinary shares via a Share Purchase Plan (SPP) raising approximately \$10.2m.

NOTE 23:
RESERVES AND RETAINED EARNINGS

		Consolidated entity	
		2017	2016
	Notes	\$'000	\$'000
Share-based payment reserve	23(a)	2,090	2,630
Foreign currency translation reserve	23(b)	6,244	6,414
Cash flow hedge reserve	23(c)	(1,352)	(3,139)
		<u>6,982</u>	<u>5,905</u>
Retained earnings	23(d)	<u>902</u>	<u>61,219</u>
(a) Share-based payment reserve			
<i>(i) Nature and purpose of reserve</i>			
This reserve is used to record the value of equity benefit provided to employee and directors as part of their remuneration.			
<i>(ii) Movements in reserve</i>			
Balance at beginning of year		2,630	4,405
Equity settled transactions		(540)	(1,775)
Balance at end of year		<u>2,090</u>	<u>2,630</u>
(b) Foreign currency translation reserve			
<i>(i) Nature and purpose of reserve</i>			
This reserve is used to record the exchange differences arising on translation of a foreign entity.			
<i>(ii) Movements in reserve</i>			
Balance at beginning of year		6,414	3,129
Exchange differences on translation of foreign operations		(170)	3,285
Balance at end of year		<u>6,244</u>	<u>6,414</u>
(c) Cash flow hedge reserve			
<i>(i) Nature and purpose of reserve</i>			
This reserve is used to record the effective portion of changes in the value of hedging derivatives.			
<i>(i) Movements in reserve</i>			
Balance at beginning of year		(3,139)	(2,047)
Net gains/(losses) taken to equity		1,820	(1,339)
Net gains/(losses) transferred to profit and loss		(33)	247
Balance at end of year		<u>(1,352)</u>	<u>(3,139)</u>
(d) Retained Earnings			
Balance at beginning of year		61,219	70,768
Net profit attributable to members		(44,413)	17,452
Total available for appropriation		<u>16,806</u>	<u>88,220</u>
Dividends paid	10	(15,904)	(27,001)
Balance at end of year		<u>902</u>	<u>61,219</u>

NOTE 24:

CASH FLOW INFORMATION

Consolidated entity		
	2017	2016
	\$'000	\$'000
a. Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) from ordinary activities after income tax	(43,715)	18,162
Non-cash items		
Deferred consideration unwind	220	-
Amortisation of intangibles	5,615	4,646
Impairment of goodwill	55,000	-
Depreciation of property, plant & equipment	1,484	1,267
Share-based transactions	1,884	2,189
Cash flow hedge	(3,048)	2,106
	61,155	10,208
(Increase)/decrease in assets		
Receivables	(1,845)	(5,165)
Prepayments	(900)	(1,505)
Inventories	(15,697)	(7,869)
Deferred tax assets	(5,168)	(1,886)
Lease receivables	(5,398)	(50,205)
Increase/(decrease) in liabilities		
Payables	4,398	243
Provisions	88	14
Deferred tax liabilities	2,308	5,962
Tax provisions	1,946	(404)
Net cash from operating activities	(2,828)	(32,445)
b. Reconciliation of cash		
Cash balance comprises:		
Cash at bank	20,338	14,455
c. Credit stand-by arrangements and loan facilities		
Facilities		
Multi-function facility ⁽ⁱ⁾	60,000	45,000
Securitisation and lease finance facilities - NZ ⁽ⁱⁱ⁾	109,526	109,641
Securitisation and lease finance facilities - Australia ^{(iii), (iv)}	210,000	120,000
	379,526	274,641
Facilities Used		
Multi-function facility	42,028	8,000
Securitisation and lease finance facilities - NZ	93,333	101,856
Securitisation and lease finance facilities - Australia	132,022	117,405
	267,383	227,261
Facilities Unused		
Multi-function facility	17,972	37,000
Securitisation and lease finance facilities - NZ	16,193	7,785
Securitisation and lease finance facilities - Australia	77,978	2,595
	112,143	47,380

NOTE 24: CASH FLOW INFORMATION (cont.)

- (i) On 10 August 2016, the Company finalised a three year multi-option facility with a limit of \$60m with the CBA (Australian Senior Debt Facility). Debt facilities include bank bills, business loans, overdraft, equipment finance and contingent liabilities and are available to all members of the consolidated group including the parent, but excluding CSG Finance Group and subsidiaries with a shareholding less than 100%. The multi-function facility includes an amount of \$1.5m in relation to various guarantees and security deposits provided by the bank on behalf of the Company. This facility matures on 10 August 2019.
- (ii) The Group's Westpac Banking Corporation New Zealand funding facility, securitised by finance lease receivables (New Zealand Securitisation Facility), matures on 15 April 2020. The facility limit is NZ\$115m.
- (iii) The Group's Westpac Banking Corporation Australia funding facility ("Class A Financier") securitised by finance lease receivables, matures on 20 April 2021. The facility limit is \$180m.
- (iv) The Group's Class AB Australia funding facility (Class AB Financiers) securitised by finance lease receivables, matures on 20 April 2021. The facility limit is \$30m. Together the Class A Financier and Class AB Financiers make up the Australian Securitisation Facility (Australian Securitisation Facility).

NOTE 25: LEASE COMMITMENTS

Lease expenditure commitments

Consolidated entity		
	2017	2016
	\$'000	\$'000

Operating Leases (non-cancellable)

i. Operating leases relate to the lease of land, buildings, vehicles and office computer equipment

ii. Minimum lease payments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

No later than one year	6,658	6,283
Later than one year but not later than five years	10,776	14,969
Later than five years	3,516	3,264
	20,950	24,516

NOTE 26: BUSINESS COMBINATIONS

During the 2017 financial year the Group entered into several business combinations agreements to further the Group's technology services growth strategy.

In January 2017, the Group purchased 100% of the shares in Valedus Group (R&G). R&G consists of R & G Technologies and Client Heartbeat, technology services companies based in Australia. The total purchase consideration for R&G was \$6,555,926. Cash payments were made of \$3,314,640 (net of cash acquired) and \$915,738 issued in ordinary shares. Further estimated payments of \$1,450,000 are to be made in subsequent financial years. In the five months ended 30 June 2017 R&G contributed \$3,242,639 in revenue and \$286,061 in net profit to the group's results. If the acquisition had occurred on 1 July 2016, management estimates that R&G would have contributed \$7,782,334 in revenue and \$686,564 in net profit after tax to the group's results.

In June 2017, the Group purchased 100% of the shares in pcMedia Technologies Limited, a cloud services business based in New Zealand. The total purchase consideration for pcMedia Technologies Limited is \$1,082,461. Cash payments were made of \$280,287 (net of cash acquired). Further estimated payments of \$791,161 are to be made in subsequent financial years if certain targets are met. Given the transaction occurred in June 2017, provisional acquisition accounting has been used.

In September 2015, the Group acquired 100% of the shares in CodeBlue. Milestone payments of \$611,234 were made in 2017. Contingent consideration payments of \$7,032,633 for the 2017 financial year and \$2,994,653 for the 2018 financial year will be made in subsequent financial years if certain targets are met.

In May 2016, the Group acquired 100% of the shares of PrintSync. Contingent consideration payments of \$317,751 will be made in the 2018 financial year if certain targets are met.

The acquisitions had the following effect on the consolidated entity's assets and liabilities:

	R&G	pcMedia	PrintSync	CodeBlue	Total
Receivables	485	239	1,393	2,273	4,390
Customer contracts	3,124		5,283	6,452	14,859
Other assets	617	81	1,411	2,423	4,532
Total assets acquired	4,226	320	8,087	11,148	23,781
Payables	453	117	1,908	2,661	5,139
Other liabilities	2,322	65	1,926	2,473	6,786
Liabilities acquired	2,775	182	3,834	5,134	11,925
Net assets acquired	1,451	138	4,253	6,014	11,856
Goodwill on acquisition	3,620	944	1,867	14,087	20,518
Consideration paid and payable, net of cash acquired	5,071	1,082	6,120	20,101	32,374

The group incurred acquisition costs of \$540,346 on legal fees, due diligence, and other combination expenses.

**NOTE 27:
RELATED PARTY DISCLOSURES**

(a) The key management personnel compensation comprised:

	Consolidated entity	
	2017	2016
	\$	\$
Short Term Employee Benefits	2,885,628	2,749,652
Post-Employment Benefits	131,761	127,675
Termination Benefits	187,508	97,514
Other long term benefits	416,010	826,687
	3,620,907	3,801,528

(b) Individual directors and executives compensation disclosures

Information regarding individual Directors and executive's compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

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 by related entities of the Directors.

(d) Group Entities

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

	Former Name	Country of Incorporation	Ownership Interest	
Parent Entity			2017 %	2016 %
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

	Former Name	Country of Incorporation	Ownership Interest (%) 2017	2016
CSG Enterprise Solutions Pty Ltd ⁽ⁱ⁾	CSG Enterprise Print Solutions Pty Ltd	Australia	100	100
Subsidiaries of CSG Business Solutions (AUS) Pty Ltd:				
CSG Business Solutions (NT) Pty Ltd ⁽ⁱ⁾	Connected Solutions Group Pty Ltd	Australia	100	100
CSG Print Services Pty Ltd ⁽ⁱ⁾		Australia	100	100
CSG Business Solutions (Sunshine Coast) Pty Ltd ⁽ⁱ⁾	Sunshine Coast Office Equipment Pty Ltd	Australia	100	100
CSG Business Solutions (South Queensland) Pty Ltd ⁽ⁱ⁾	Haloid Holdings Pty Ltd	Australia	100	100
CSG Business Solutions (North Queensland) Pty Ltd ⁽ⁱ⁾	Seeakay Pty Ltd	Australia	100	100
CSG Business Solutions (WA) Pty Ltd ⁽ⁱ⁾	Edgeview Enterprises Pty Ltd	Australia	100	100
Subsidiaries of CSG Enterprise Print Solutions Pty Ltd:				
CSG Enterprise Solutions (Singapore) Pte. Ltd		Singapore	100	100
Subsidiaries of CSG Finance Pty Ltd:				
Valedus Group Pty Ltd		Australia	100	
CSG Finance (NZ) Limited ⁽ⁱⁱⁱ⁾	Leasing Solutions Limited	New Zealand	100	100
CSG Finance Australia Pty Ltd ⁽ⁱ⁾		Australia	100	100
Subsidiaries of CSG Finance Australia Pty Ltd:				
CSG Finance Group Receivables Pty Ltd ⁽ⁱ⁾		Australia	100	100
CSG Finance Australia Trust		Australia	100	100

	Former Name	Country of Incorporation	Ownership Interest (%) 2017	2016
Subsidiaries of CSG Print Services NZ Limited:				
CSG Business Solutions Limited ⁽ⁱⁱⁱ⁾	CSG Management Services Limited	New Zealand	100	100
CSG Technology Limited	Konica Minolta Business Solutions New Zealand Limited	New Zealand	90	90
Ubix Business Solutions Limited ⁽ⁱⁱⁱ⁾		New Zealand	100	100
pcMedia Technologies Limited		New Zealand	100	-
CodeBlue Limited		New Zealand	100	100
Subsidiaries of CodeBlue Limited:				
CodeBlue Christchurch Limited		New Zealand	100	100
Work IT Solutions Limited		New Zealand	100	100
IT Synergy Limited		New Zealand	100	100
CodeBlue Wellington Limited		New Zealand	100	100
Subsidiaries of CSG Finance (NZ) Limited:				
	Leasing Solutions Limited			
CSG Finance (NZ Facility 2) Limited ⁽ⁱⁱⁱ⁾	Onesource Finance Limited	New Zealand	100	100
CSG Finance (NZ Warehouse) Limited ⁽ⁱⁱⁱ⁾	Solutions Group Receivables Limited	New Zealand	100	100
CSG Finance New Zealand Trust		New Zealand	100	100
Subsidiaries of Valedus Group Pty Ltd				
R&G Technologies Pty Ltd		Australia	100	-
Client Heartbeat Pty Ltd		Australia	100	-

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

⁽ⁱⁱ⁾ Dormant company which historically held assets and liabilities for the Technology Solutions Division which was sold in 2012. Member's voluntary liquidation completed 28 August 2015.

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

**NOTE 28:
DEED OF CROSS GUARANTEE**

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

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

By entering into the Deed, the participating wholly owned entities have been relieved of the requirements to prepare financial reports and Director's Report under the ASIC Corporations (wholly-owned companies) Instrument 2016/785.

The above companies represent a 'Closed Group' for the purpose of the Class Order, and there are no other parties to the Deed of Cross Guarantee that are controlled by CSG Limited, that also represent the 'Extended Closed Group'. Those wholly owned subsidiaries which are included in the Deed of Cross Guarantee are exempt from preparing a financial report and Director's Report under the terms of ASIC Corporations (wholly-owned companies) Instrument 2016/785 and the Corporations Act 2001.

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

	Consolidated entity	
	2017	2016
	\$'000	\$'000
Income Statement		
Revenue and income	117,327	132,416
Operating expenses	(153,053)	(104,506)
Profit/(loss) before income tax expense	(35,726)	27,910
Income tax (expense)/benefit	4,382	(1,908)
Net profit/(loss)	(31,344)	26,002
Statement of Other Comprehensive Income and Retained Earnings		
Profit/(loss) for the period	(31,344)	26,003
Other comprehensive income	-	-
Total comprehensive income for the period	(31,344)	26,003
Retained profits at the beginning of the year	45,736	46,734
Retained earnings adjustment ⁽ⁱ⁾	1,814	-
Dividends distributed	(15,904)	(27,001)
Retained profits at the end of the year	302	45,736

(i) Represents adjustments for changes in the composition of the cross-guarantee group.

NOTE 28:
DEED OF CROSS GUARANTEE (cont.)

	Consolidated Entity	
	2017	2016
	\$'000	\$'000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	1,390	-
Receivables	30,902	31,779
Lease receivables	-	-
Inventories	31,686	29,311
Current tax receivable	231	-
Other	5,832	3,084
Derivatives	-	-
Total current assets	70,041	64,174
Non-current assets		
Lease receivables	-	-
Property, plant and equipment	2,449	783
Deferred tax asset	2,420	-
Intangible assets	79,072	99,244
Investment in subsidiaries	130,183	136,132
Total non-current assets	214,124	236,159
Total assets	284,165	300,333
Current liabilities		
Bank overdraft	-	2,864
Payables	30,705	30,629
Deferred income	165	201
Deferred consideration	-	-
Short term borrowings	43,032	8,696
Current tax payable	-	-
Provisions	2,974	1,889
Total current liabilities	76,876	44,279
Non-current liabilities		
Provisions	313	646
Deferred consideration	-	-
Long term borrowings	458	-
Derivatives	-	-
Deferred tax liability	-	697
Total non-current liabilities	771	1,343
Total liabilities	77,647	45,622
Net assets	206,518	254,711
Equity		
Contributed equity	205,728	207,623
Reserves	488	1,352
Retained earnings	302	45,736
Total equity	206,518	254,711

NOTE 29:**EARNINGS PER SHARE**

	Consolidated entity	
	2017	2016
	\$'000	\$'000

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

Profit /(loss)	(43,715)	18,162
Weighted average number of ordinary shares used in calculating basic earnings per share	318,708,450	311,627,823
Calculated basic earnings per share (cents)	(13.7)	5.8
Effect of diluted securities:		
Effects of Performance Rights and options issued	6,036,445	8,625,612
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	324,744,895	320,253,435
Calculated diluted earnings per share (cents)	(13.7)	5.7

NOTE 30:**AUDITORS REMUNERATION**

	Consolidated entity	
	2017	2016
	\$	\$

Audit and review services (excl. disbursements)

Auditors of the Company - KPMG

Audit and review of financial statements	466,938	406,570
Other regulatory audit services	-	-
	466,938	406,570

Other services (excl. disbursements)

Auditors of the Company - KPMG

In relation to other assurance, taxation and due diligence services	160,502	431,615
	160,502	431,615

**NOTE 31:
SEGMENT INFORMATION**

a) Description of Segments

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

1. Business Solutions

CSG Business Solutions provides the sale, support, service and financing of print and business technology equipment to customers across Australia and New Zealand. CSG Enterprise Solutions provides managed service based print and technology solutions for Tier 1 enterprise, education and government customers also in Australia and New Zealand. CSG Enterprise Solutions has been identified as a separate division within Business Solutions. While this division is still in its growth phase, the underlying platforms and processes are very similar across both divisions and are increasingly converging. The CSG Marketplace is used or is to be used by both customer groups. As Enterprise Solutions business evolves, the distinction between the divisions will continue to be monitored in terms of segment reporting. As its results are not material under segment reporting requirements it has been grouped with Business Solutions for the purpose of segment reporting.

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

2. Finance Solutions

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

3. Other

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

b) Segment Information

	Business Solutions \$'000	Finance \$'000	Other \$'000	Eliminations \$'000	Total \$'000
2017					
Segment revenue					
External segment revenue	216,789	27,090	641	-	244,520
Inter-segment revenue	317	-	220	(537)	-
Total	217,106	27,090	861	(537)	244,520
Segment result					
Interest revenue	45	-	6	-	51
Interest expense	(228)	649	(2,617)	(209)	(2,410)
Depreciation & amortisation	(4,722)	(392)	(2,803)	819	(7,100)
Impairment of goodwill	(17,182)	-	(37,818)	-	(55,000)
Total segment profit/(loss) before income tax	(5,127)	8,715	(46,048)	378	(42,082)
Total segment assets⁽¹⁾	328,813	315,604	26,425	(92,505)	577,837
Total segment liabilities⁽¹⁾	68,404	236,765	31,829	12,519	349,519

	Business Solutions \$'000	Finance \$'000	Other \$'000	Eliminations \$'000	Total \$'000
2016					
Segment revenue					
External segment revenue	219,765	26,102	753	-	246,620
Inter-segment revenue	533	-	-	(533)	-
Total	220,298	26,102	753	(533)	246,620
Segment result					
Interest revenue	1,976	657	10	(2,557)	86
Interest expense	1,973	19	2,174	(2,557)	1,609
Depreciation & amortisation	2,935	476	2,677	-	6,088
Total segment profit/(loss) before income tax	28,588	8,709	(11,824)	(228)	25,245
Total segment assets	266,406	290,182	226,865	(189,921)	593,532
Total segment liabilities	75,351	226,694	2,733	-	304,778

⁽¹⁾ Excludes loans to and from CSG Group entities (related parties).

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

	Australia \$'000	New Zealand \$'000	Eliminati ons \$'000	Total \$'000
2017				
Revenue	126,354	118,703	(537)	244,520
Assets	371,097	299,245	(92,505)	577,837
2016				
Revenue	124,131	123,022	(533)	246,620
Assets	554,021	229,432	(189,921)	593,532

**NOTE 32:
SUBSEQUENT EVENTS**

No Subsequent events were recorded post-balance sheet date for the Group.

**NOTE 33:
PARENT ENTITY DISCLOSURES**

As at, and throughout the financial year ended 30 June 2017, 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	
	2017	2016
	\$'000	\$'000
Result of the parent entity		
Profit/(loss) for the year	1,950	19,652
Total profit/(loss) and other comprehensive income for the year	1,950	19,652
Financial position of parent entity at year end		
Current assets	70,024	61,465
Total assets	251,410	237,580
Current Liabilities	44,650	10,371
Total liabilities	44,746	13,431
Total equity of the parent entity comprising of:		
Issued capital	205,727	207,623
Reserves	(1,312)	323
Retained earnings	2,249	16,203
Total equity	206,664	224,149

**NOTE 34:
CONTINGENT LIABILITIES**

There were no contingent liabilities recorded at reporting date.

Directors' Declaration

CSG LIMITED AND CONTROLLED ENTITIES

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 27 to 67 and the Remuneration Report in sections 6 to 14 in the Directors' Reports are in accordance with the Corporations Act 2001:

- (a) comply with Australian Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2017 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 2017.

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

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



Julie-Ann Kerin
Director

Sydney
18 August 2017



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 2017 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 2017;
- 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;
- 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.

Key Audit Matters

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

- Revenue Recognition
- Valuation of Goodwill

Key Audit Matters are those matters that, in our professional judgment, 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.

Revenue Recognition (\$107m revenue from sale of goods)

Refer to Note 7 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Revenue recognition in relation to equipment sales is a key audit matter due to the timing of equipment sales which results in a significant volume of transactions in the two months preceding year end.</p> <p>Due to the volume of transactions around year end there is a risk that revenue is not recognised in the correct financial year.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Testing a representative sample of sales transactions pre and post year end, focusing on high dollar value sales to ensure consistency of revenue recognition in accordance with the Group's revenue recognition accounting policy and with the requirements of Australian Accounting Standards. This testing focused on the terms and conditions of sale to ensure revenue was recorded in the correct financial year. • Testing a representative sample of higher dollar value credit notes raised post year end to confirm that revenue recognised during the year was in compliance with accounting standards.

Valuation of Goodwill (\$129m)

Refer to Note 16 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Valuation of goodwill is a key audit matter due to the high level of judgement involved in determining forecast future cashflows, growth rates and discount rates given the sectors that the Group operates in.</p> <p>The sectors within which the Group operates and holds goodwill are impacted by factors such as digital technology, innovation and</p>	<p>In addressing this key audit matter, we involved senior audit team members, including KPMG valuation specialists, who understand the Group's business, the industry and the economic environment it operates in.</p> <p>Our procedures across all CGUs included:</p> <ul style="list-style-type: none"> • Assessment of management's identification of the Group's CGUs based on our understanding

change programs, and capital investment programs. These factors create uncertainties and make it difficult to estimate future cash flows and, growth rates, in particular impacting the probability and timing of sales, lease renewals, and discount rates. These factors add complexity to the audit evidence gathering process.

Due to difficult economic conditions in the print business in the current year and technology changes experienced, the Australian and New Zealand Business Solutions CGU's recognised an impairment during the year.

of the nature of the Group's business and the economic environment in which they operate. We also analysed the monthly management reports of the Group to assess how operating results of the business are aggregated and monitored by management and the Board;

- Using our valuation specialists, we challenged the Group's key assumptions, including those relating to forecast cashflows, working capital, discount rates, and growth rates by comparing to external data, such as peer group forecasts, as well as our own assessments based on industry experience and knowledge of the Group;
- Assessment of the historical accuracy of forecasting of the Group by comparing actual past performance against previous forecasts and assumptions;
- Performance of sensitivity analysis on the discount rate and growth assumptions. We also performed break-even analysis on these assumptions to inform our procedures to identify management bias;
- Where a reasonable possible change in these assumptions could result in an impairment, we checked the disclosure in the financial statements.
- For the Australian and New Zealand Business Solutions CGU's, where impairment was recorded, we also assessed the fair value less costs of disposal by comparison to external market data on appropriate EBITDA multiples.

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, including Remuneration Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express 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's ability to continue as a going concern. 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 or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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_files/ar2.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 2017, 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 2017.

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

KPMG

Scott Guse
Partner

Brisbane
18 August 2017