



More than  
you expect.

2012-13 ANNUAL REPORT



## Contents

<b>Overview</b>	1	<b>Financial Report</b>	7	<b>Financial Statements</b>	33
Message from the Chairman	2	Corporate Governance	8	Consolidated Statement of Profit and Loss and Other Comprehensive Income	34
Managing Director's Report	3	Directors' Report	12	Consolidated Statement of Financial Position	35
Our Board	5	Auditor's Independence Statement	32	Consolidated Statement of Changes in Equity	36
Our Team	6			Consolidated Statement of Cash Flows	37
				Notes to the Financial Statements	38
				Directors' Declaration	73
				Independent Auditor's Report	74
				Shareholding Information	76



# Unrivalled Customer Care

Customer care and life time relationships are at the heart of everything we do. So we go further to be better.



## Our Vision:

To become the first choice brand in every market segment we operate. We will create sustainable value through innovative products and services, which will be delivered with unrivalled customer care and passion.



# Proactive never complacent

CSG's proven success over the last 20 years is based on making things happen and a can do attitude. We actively engage and always stay one step ahead.





# Message from the Chairman



Tom Cowan

CSG's management and staff have performed exceptionally well over the year, often in times of pressure to achieve growth and reduce costs.

## Dear Fellow Shareholders,

It is with pleasure that I present CSG's Annual Report for 2013.

Over the course of the year, CSG has delivered a significant turnaround in business performance. What is even more exciting is that the executive team have also managed during the period to position the business for strong growth over the medium term. Initiatives which will drive this growth include the development of the Australian Finance business, a new vision for the Business Solutions division and some significant contract wins in Enterprise Solutions.

Throughout the 2013 financial year, CSG also returned a significant amount of capital to shareholders.

Over the coming year, I look forward to CSG achieving a number of growth targets including growing EBITDA organically by between 16 to 25 per cent.

In September 2012, we returned \$56.5 million as a 20 cents per share fully franked dividend. In April 2013 we distributed a further \$25.0 million, or 9 cents per share, as a capital return. We also undertook a buy back of 4.4 million shares at a cost of \$2.1 million.

Subject to Australian Tax Office approval and shareholder approval, we intend to return a further 4 cents per share in December 2013.

The Board's objective is to distribute \$25 million, or 9 cents per share, per annum over the medium term.

Retaining and motivating the right people is key to executing on our business strategy. One of the most exciting initiatives in this regard has been commencement of a significant long term incentive plan for executives and a staff share plan for the vast majority of CSG staff in Australia and New Zealand. I strongly believe in the benefits of aligning management and employees with shareholders' interests, and that the best way to achieve this is through share ownership. I look forward to the years ahead where, if CSG delivers the shareholder return thresholds, executives have the potential to own approximately 5 per cent of the Company.

Over the coming year, I look forward to CSG achieving a number of growth targets including growing EBITDA organically by between 16 to 25 per cent.

I would like to commend Managing Director, Julie-Ann Kerin and her management team for their efforts in leading the turnaround in the business. While there is still much work to do, the team has executed on the initial stages of their plan admirably.

Yours sincerely

**Tom Cowan**

# Managing Director's Report



Julie-Ann Kerin



## Dear Shareholders,

The past year has been a significant year in the history of the Company. Following the sale of our Technology Solutions business to NEC last year we embarked on a program to ensure that the business had a solid platform from which to grow into the future. This resulted in some significant cost reductions and restructuring of the business along with the establishment of an Executive Management Team to provide the leadership we require to move forward and capitalise on the opportunities we see for growth and improved productivity.

In December we launched our new brand with our new promise to our customers, shareholders and staff to deliver "More than you expect".

We launched our vision statement:

*"To become the first choice brand in every market segment we operate. We will create sustainable value through innovative products and services, which will be delivered with unrivalled customer care and passion."*

At the start of this financial year, CSG set itself some key goals to achieve.

### Financial Achievements

For the full year, our underlying EBITDA was \$23.2 million which represented a 76 per cent growth on the previous corresponding period. As a direct result of cost saving initiatives, our underlying EBITDA margins expanded from 6.5 per cent to 12.6 per cent.

The second half of the year also saw growth in equipment sales, with an increase in equipment revenue of 18 per cent.

In addition, CSG Finance Solutions exceeded expectations with a book growth of 16 per cent to a total of \$115.5 million.

At the start of the year, CSG had set an ambitious target of achieving an annualised cost saving of \$13 million through improved efficiencies and restructuring. This goal has been met. We have consolidated the businesses, and commenced activities to create greater operating efficiencies across the business. Progress has been made on a further annualised cost saving of \$4 million through opportunities to reduce duplication in back office systems and other efficiencies.

# Managing Director's Report

The launch of our new brand coupled with the planned introduction of a new self-service environment provides CSG with the differentiator of achieving our vision of becoming the first choice brand for our customers.

## Innovation and Growth Achievements

In line with our motto of being a company that delivers 'More than You Expect', CSG has driven innovation through the Company which has established a platform for future growth.

We launched a new customer portal, in a trial to select customers. This new offering is the first step in achieving our goal to extend our billing relationship with our customers. Through the portal, CSG customers can not only log service calls, download their bills and perform their regular contact with CSG in a secure, online environment, but they can also order new and value added products such as stationery and office supplies and recycling services. Over the coming year, we expect this to be rolled out to a significant proportion of our customer base in Australia and New Zealand.

On 15 March 2013, we launched CSG Finance Solutions, providing a further opportunity to re-engage with our customers. Based on CSG's established business in New Zealand, CSG Finance Solutions provides a credit facility for our customers to lease printers and multi-function devices. We saw a rapid uptake of this new offering by Australian customers with a \$15.1 million book achieved by the end of June 2013.

Over the course of the year we also grew the pipeline for our new division of Enterprise Solutions. This provides managed print services and positions CSG to leverage from the Standing Offer Arrangement we have with the Queensland Department of Education, Training and Employment. The appointment of a new Senior Executive to head the division is an important step to position the division for growth in future years.

## Customer Achievements

The launch of our new brand coupled with the planned introduction of a new self-service environment provides CSG with the differentiator of achieving our vision of becoming the first choice brand for our customers.

We have also improved our service management system and have set ourselves the goal of improving customer retention over the coming year.

## People Goals

No successful company thrives without a healthy culture. To achieve this critical goal, CSG has established a new Executive Management Team and implemented one of the most generous share schemes for Executives and staff of any publicly listed company in Australia.

Over the coming year we will continue with the reorganisation of the Company to further reduce costs and improve customer satisfaction.

## Conclusion

Without a doubt, this has been an extremely busy year for CSG.

Our business transformation plan, whilst ambitious, will give us the platform for further growth and efficiencies.

None of these achievements would have been possible without the support of the Board or the hard work and dedication of our CSG staff. I would like to thank our customers for their continued support, our Board and our staff for their continued commitment to the success of the business.

Yours sincerely

**Julie-Ann Kerin**

## Our Board



**Tom Cowan**

*B.Com (Hons)  
Non-Executive Chairman*



**Ian Kew**

*B.Econ, FAICD  
Non-Executive Director*



**Philip Bullock**

*BA, Dip Ed, MBA, AICD  
Non-Executive Director*



**Julie-Ann Kerin**

*AICD  
Managing Director*

# Our Team

## CSG's Executive Management Team:



**Neil Lynch**  
*Chief Financial Officer*

In the role of Chief Financial Officer, Neil brings with him significant public company experience together with extensive accounting and finance skills after spending 11 years with Virgin Blue Airlines Limited (Virgin Australia). As a foundation employee at Virgin Australia, Neil was involved in the development of all aspects of the finance team through several roles with the most recent being General Manager of Finance.

Prior to Virgin Australia, Neil worked in a variety of finance roles in both private practice and large corporate organisations.

Neil is a Chartered Accountant with degrees in both Commerce and Economics from the University of Queensland.



**Duncan Powell**  
*Chief Operating Officer*

Duncan joined CSG in April 2013, bringing to the position a wealth of experience in executive operational roles for a number of service delivery companies. These companies include Foxtel, Sensis and Skilled Group (Excellior) where Duncan held senior operational roles.

Duncan has also led business transformation teams to improve companies' future operating models. He has transformed the front, middle and back office programs and operating systems to streamline and improve managed service delivery.



**Stephen Birrell**  
*Executive General Manager, Enterprise Solutions*

Stephen is a proven business leader with over 25 years' experience in the Aerospace, Information Technology and Government sectors. His career has included senior executive roles with leading organisations in Australia, the United States, Asia and Europe. Prior to joining CSG in June 2013, Stephen was the General Manager of NEC Australia's Strategic Business Unit, accountable for achieving strategic growth objectives and business expansion in Asia and the Middle East.

Other senior management roles Stephen has held include leading the relationship with the US Navy on Australia's largest defence export program; advising the Dubai Government on the development of Dubai World Central; and leading a major aviation safety program for Boeing in China. Stephen is a former Officer in the Royal Australian Air Force.



**Warwick Beban**  
*Executive General Manager CSG Business Solutions, New Zealand*

Warwick has been the General Manager of Konica Minolta New Zealand since 2007 and was appointed Chief Executive Officer in 2013. With over 15 years' experience in the Document Technology business, Warwick started working with Ubix Document Technology in 1991 and during his 10 year career with them, was promoted to Southern Regional Manager, responsible for the company's operation in the lower North Island and all of the South Island. After five years with Telecom New Zealand as Head of Business and Corporate for Telecom Mobile, Warwick re-joined Ubix as part of Konica Minolta. He has a Bachelor of Science Degree and Masters of Science with First Class Honours from Massey University.



**Declan Ramsay**  
*Executive General Manager, CSG Business Solutions Australia*

Declan has more than 20 years' experience within the print sector. He has been with CSG since 2006 where he managed and controlled the then Xerox Business Centre key accounts as the Major Account Manager before becoming the Brisbane Sales Manager in July 2007 and then Queensland General Manager. In February 2012 Declan was appointed to the role of Regional General Manager for NT/QLD. In July 2012, Declan was appointed as the Executive General Manager of CSG Business Solutions Australia. Declan has a strong background in sales and management of highly professional and motivated teams covering all facets of a print sales organisation.



**Dianne Silvestro**  
*Executive General Manager, People and Culture*

As a senior HR generalist with extensive hands-on leadership experience; Dianne demonstrates the ability and accountability to perform strategic and operational aspects of all HR functions including strategic planning, employment law, change management, performance management, talent attraction and retention, industrial relations, OH&S, risk management and organisational development. Previous HR experience in various industries, multi-disciplinary and highly unionised environments has enabled Dianne to have experience working in diverse organisational cultures and values and having the responsibility for developing and implementing effective HR strategies across these organisations.

In addition to completing a Certificate IV – Assessment & Workplace Training, Graduate Certificate of Business Studies (major Personnel) from Victoria University and a Post Graduate Diploma in Business Administration (major Human Resources) from RMIT; Dianne has also completed an extensive Mediation Training program.



CSG Limited

Financial  
Report  
2012–13

# Corporate Governance Statement

The Board of CSG Limited ('Company') is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the Company's businesses. The Directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects high standards of governance. The Directors have established the following processes to protect the interests and assets of shareholders and to ensure high standards of integrity and governance.

The Board has adopted a formal:

- Board Charter
- Audit Committee Charter
- Nomination and Remuneration Committee Charter
- Code of Conduct for Directors and Officers

Further, the Board has also adopted policies with respect to:

- Independence and Conflicts of Interest
- Risk Management
- Board Performance Evaluation
- CEO Performance Evaluation
- Continuous Disclosure and External Communications
- Securities Trading
- Remuneration
- Diversity

Copies of these charters and policies are available to shareholders on request.

This corporate governance statement outlines the Company's practices for the year-ended 30 June 2013 and as at the date of this Report. It is referenced against the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council.

## Lay solid foundations for management and oversight

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

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

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

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

The Board has adopted a Remuneration Policy to govern the process for evaluating the employees of the Company, including the performance of the Executive Management Team. For the 2013 financial year, the Board measured the Executive Management Team against the performance objectives set out in the Remuneration Report on page 23.

## Structure the Board to add value

### Composition of the Board

At the end of the 2013 financial year, the Board comprised of four Directors, two of whom are Non-Executive and independent Directors as defined by the Corporate Governance Principles and Recommendations. The Managing Director is an Executive Director. The skills, experience and appointment date of each Director is set out on pages 12 and 13 of this Report.

Whilst the number of independent Directors on the Board does not constitute a majority, the number of independent Non-Executive Directors does constitute 50 per cent of the Board and all Directors bring an independent judgment to bear on Board decisions. The Directors are considering the most appropriate composition of the Board given the current nature and scale of the Company's residual businesses following the sale of the Technology Solutions business in July 2012. The Board has commenced a search process for a further Non-Executive Director during the 2014 financial year.

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

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

### The Majority of the Board should be Independent Directors

Based on the Corporate Governance Principles and Recommendations, to be independent, a Director should be Non Executive and:

- not be a substantial shareholder of the Company or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder of the Company
- not have, within the last three years, been employed in an executive capacity by the Company or another company within the group, or been a Director after ceasing to hold any such employment
- not be a principal or employee of a professional advisor or consultant to a company in the group whose annual billings to the group represent more than 5 per cent of the advisor's or consultant's total annual billings or greater than 5 per cent of the Company's annual (before tax) profit
- not be a supplier or customer whose annual revenues from the group represent more than 5 per cent of the Company's annual (before tax) profit or more than 5 per cent of the supplier's or customer's total annual revenue
- not have a material contractual relationship with the Company or another group company other than as a Director
- be free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company
- not have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company

Mr Ian Kew and Mr Philip Bullock are considered by the Board to be independent.

The Chairman, Mr Tom Cowan, is a Non-Executive Director but is not independent due his shareholding in the Company being categorised as substantial. However, the Board considers that the Chairman is independent from management and the business operations and acts in the best interests of the Company.

All Directors are expected to bring independent views and judgement to all Board discussions and decision-making.

#### Independent Professional Advice

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

#### Director Selection

As far as practicable, the Board should comprise people who bring robust and independent judgement to the Board. When a vacancy exists through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination and Remuneration Committee are to nominate candidates for the Board's consideration for Board membership. The Board looks to ensure that an appropriate balance of skills, experience and expertise is achieved. A selection procedure is then completed, which includes a review of the candidates' independence. The Board appoints the most suitable candidate who, in accordance with clause 13.10 of the Company's constitution, must retire but may stand for re election at the next annual general meeting of shareholders.

#### Review of Board Performance

The Board has adopted a policy in relation to Board Performance Evaluation. Due to the Board focusing on the Company's consolidation and growth phase after the sale of the Technology Solutions division in July 2012, the Board did not carry out a

performance evaluation in the last financial year. It is intended that an evaluation will be carried in the 2014 financial year.

A standing item is included on the agenda at the end of each Board meeting to encourage Directors to provide regular feedback on the conduct of Board meetings or any other Board business to assist in the continual improvement of Board processes.

#### Board Committees

The Board has established an Audit Committee and a Nomination and Remuneration Committee which operate under formal Charters that clearly set out each Committees' roles, responsibilities, composition, structure, membership requirements and the procedures for inviting non-Committee members to attend meetings. The Board has not established a separate risk management committee, as the Board has determined that these matters are appropriately addressed by the Audit Committee or the full Board.

The names of the members of each Committee and their attendance at Committee meetings is set out on page 13 of this Report.

#### Promote ethical and responsible decision making

##### Code of Conduct

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

The Code of Conduct embraces such areas as:

- Conflicts of interest
- Use of information or position
- Use of Company property
- Confidentiality
- Fair trading
- Compliance with the law
- Whistle blowing
- Political contributions and activities

##### Share Trading Policy

The Company has adopted a formal Securities Trading Policy, which applies to Directors, the Company Secretary, all senior executives and key management personnel and employees of the Company and their associates ('Officers').

The Officers may not deal in any of the Company's security at any time if they have inside information.

An Officer may trade in securities:

- in the six (6) week period after the release to the ASX of the half-yearly and annual results
- in the four (4) week period after the end of the AGM or after the release of a section 708A Cleansing Notice
- at any time the Company has a prospectus open

but only if they have no inside information and the trading is not for short term or speculative gain.

## Corporate Governance Statement (Continued)

An Officer may trade in securities at other times only if:

- they are personally satisfied that they are not in possession of inside information
- with respect to Directors, Company Secretary, senior executives and key management personnel, have obtained the approval of the Chairman or in the case of any proposed trade by the Chairman, of another Non Executive Director nominated by the Board for the purpose
- in the case of all others, they have obtained the approval of the Company Secretary

Directors and all senior executives and key management personnel must advise the Company Secretary in writing of the details of completed transactions within 2 business days following each transaction. Such notification is necessary whether or not prior authority has been required. The Secretary must maintain a register of securities transactions. The Company must comply with its obligations to notify ASX in writing of any changes in the holdings of securities or interest in securities by Directors.

### Diversity Policy

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

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

The Diversity Policy is implemented by the Executive Management Team under the direction of the Managing Director. Achievement of the objectives under the policy are measured by implementation of the following key benchmarks each of which are reviewed annually as a minimum, or upon presentation of results:

1. Percentage of senior management women to exceed 30 per cent;
2. Percentage of women across the company to exceed 25 per cent; and
3. Conduct a diversity audit by 31 March each year.

During the 2013 financial year, gender diversity within the Company was:

Description	Measure
Proportion of women employed by CSG	26% of CSG's employees are female
Proportion of women holding Senior Executive Positions	32 % of CSG's Senior Executive Team are female
Proportion of women on the CSG Board	25% of the Board of Directors are female

The Company's Diversity Policy and Code of Conduct can be found at [www.csg.com.au](http://www.csg.com.au)

### Safe guard integrity in financial reporting

The Board has an Audit Committee that:

- consists only of Non-Executive Directors and has three (3) members
- has a majority of independent Directors
- is chaired by an independent chair, who is not the Chairman of the Board

All members of the Committee are financially literate and have an understanding of the industry in which the Company operates.

The Audit Committee will provide an independent review of:

- the effectiveness of the accounting and internal control systems and management reporting, which are designed to safeguard Company assets
- financial information produced by the Company
- the accounting policies adopted by the Company
- the quality of the internal and external audit functions
- external auditor's performance and independence as well as considering such matters as replacing the external auditor where and when necessary
- internal audit plans including identified risk areas
- the Company's exposure to significant risks, strategic and operational improvements in risk management planning and implementation and insurance strategies

### Make timely and balanced disclosure

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

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



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

A copy of the Policy can be found at [www.csg.com.au](http://www.csg.com.au).

## Respect the rights of shareholders

### Communication Strategy

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

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

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

All shareholders are entitled to receive a hard copy of the Company's annual and half-yearly reports upon request. All information released to the ASX is made available on the Company's website.

### Participation in Meetings

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

## Recognise and manage risk

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

The Company has adopted a formal Risk Management Policy, which is available to shareholders on its website. This Policy aims to ensure that the Board implements appropriate risk management policies and procedures in order to protect the assets and undertaking of the Company.

Following the Company's consolidation phase after the sale of the Technology Solutions division, the Board and Management are progressing with the development of a Risk and Reporting Framework suitable to the residual CSG businesses.

In accordance with s.295A of the Corporations Act 2001, the Board requires that the Managing Director and the Chief Financial Officer state in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results and are in

accordance with relevant accounting standards. The Board has received that assurance.

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

## Remunerate fairly and responsibly

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

As noted previously, the Board has established a Nomination and Remuneration Committee that:

- consists of a majority of independent Directors
- is chaired by an independent chair
- has three (3) members

Please refer to page 13 of this Report for membership and attendance details.

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

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

The Board has recently adopted a new Remuneration Policy to govern remuneration paid to employees and senior executives, including Non-Executive Directors.

Please refer to the Remuneration Report set out on pages 21 to 30 of this Report for details of remuneration for all Directors and key management personnel.

# 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 2013 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.

### Mr. Thomas Cowan

*B.Com (Hons)*

---

Non-Executive Chairman  
Member, Audit and Risk Management Committee  
Member, Nomination and Remuneration Committee

---

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

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

---

Appointed 8 February 2012  
Appointed Chairman 15 August 2012

---

### Ms. Julie-Ann Kerin

*AICD*

---

Managing Director

---

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

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

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

---

Appointed 1 February 2012

---

### Mr. Ian Kew

*B.Econ, FAICD*

---

Non-Executive Director  
Chairman, Audit and Risk Management Committee  
Member, Nomination and Remuneration Committee

---

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

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

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

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

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

Ian is a National Councillor of Creative Partnerships Australia and a Fellow of the Australian Institute of Company Directors.

---

Appointed 1 March 2007

---

### Mr. Philip Bullock

*BA, Dip Ed, MBA, AICD*

---

Non-Executive Director  
Chairman, Nomination and Remuneration Committee  
Member, Audit and Risk Management Committee

---

Philip is currently the Chair of the Australian Workforce and Productivity Agency, a Non-Executive Director of Perpetual Limited, and Chairman of the National Vocational Education and Training Equity Advisory Council.

Prior to this, he had an extensive career with IBM, which saw him become the CEO and Managing Director of IBM Australia and New Zealand and immediately prior to retirement, the Vice President of IBM's Systems and Technology Group for Asia Pacific, based in Shanghai. He has previously also been a Non-Executive Director of Healthscope Limited, a leading provider of hospitals and pathology in Australia.

---

Appointed 1 August 2009

---

## Retired Members from the CSG Board during 2012–13

### Mr. Josef Czyzewski

*B.Comm, AICD*

Non-Executive Director  
Chairman, Nomination and Remuneration Committee  
Member, Audit and Risk Management Committee

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

Appointed 16 February 2011  
Appointed Chairman 24 March 2011  
Resigned 15 August 2012

### Mr. Philip Chambers

*B.Sc*

Non-Executive Director  
Chairman, Nomination and Remuneration Committee  
Member, Audit and Risk Management Committee

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

In December 2009, Philip commenced working part-time in the print business in a mentoring role. On 30 January 2012 Philip

agreed to a contracted role as the Group General Manager for Print Australia on a full time basis. Following the restructure of the Print Australia business and the sale of the Technology division. Philip resigned both his management and board positions.

Appointed 16 February 2007  
Resigned 26 July 2012

## 2 Company Secretary

### Jillian Bannan

*B.Comm/LLB, Grad Dip Legal Practice*  
Company Secretary and General Counsel

Jillian Bannan has worked as a solicitor for 15 years, with the past 10 years in an in-house capacity. She joined CSG as Company Secretary and General Counsel in January 2013 and has a history in corporate law and company secretarial roles (for private and public companies) in a number of different sectors. Jillian brings the management of major projects and transactions, advice on corporate legal activities and Board support to CSG. She is a member of the Queensland Law Society and was admitted as a Solicitor of the Supreme Court of Queensland in 1998.

## 3 Directors' Meetings

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

Director Name	Board Meeting		Audit Committee		Nomination & Remuneration Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
<b>Current</b>						
Mr. Thomas Cowan	13	13	9	9	4	4
Mr. Philip Bullock	13	12	9	9	4	4
Mr. Ian Kew	13	11	9	9	4	4
Ms. Julie-Ann Kerin	13	13	9	9	4	4
<b>Former</b>						
Mr. Philip Chambers (Resigned 26/07/2012)	1	1	–	–	–	–
Mr. Josef Czyzewski (Resigned 15/08/2012)	1	1	2	2	–	–

**4 Principal Activities**

The principal activities of the CSG Group during the financial year were print related sales and service and financing of office equipment.

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

**5 Operating and Financial Review**

CSG Limited is a leading provider in the sale and service of multi-function devices and printers in Australia and New Zealand. CSG also operates a leasing company across both countries to facilitate the sale of printing devices along with an integrated communications business that supplies telephony equipment and service.

In the Australian marketplace CSG has established a recognised brand for the supply and service of multi-function devices in the small to medium enterprise sector as well as across state and federal government. In the New Zealand market, CSG operates as the Konica Minolta brand and is one of the largest suppliers of sales and service to the corporate, government and commercial marketplace.




Our core income is comprised of equipment sales revenue, finance income and monthly service fees based on a metered

charge for each page printed or scanned on the printing device. We also derive income from the provision of software solutions that assist in the management of the print environment, digital data and document storage for larger enterprise and government customers. Our integrated communications business earns its income from the sale of equipment and annual service and equipment maintenance fees.

The key differentiator for CSG in both the Australian and New Zealand market is the quality of service which is reflected in the "More than you expect" tag line that accompanies the CSG logo which was released in December 2012. Premium service combined with efficient financing and high quality technical advice is paramount to the CSG value proposition. As the only publicly listed company of size and scale in Australia and New Zealand that can provide sales, service and support across both nations, CSG truly differentiates itself from the manufacturers who operate with a host of indirect channel partners in various forms of relationships.

CSG has a commitment to diversity and recognising and rewarding our staff. We currently employ approximately 700 staff across Australia and New Zealand with offices in 27 locations. We strive to achieve above industry standard benchmarks for the productivity of our workforce whilst delivering the highest level of staff and customer satisfaction.

We sell and service the following brands of printers, multi-function devices and communications equipment.

AUSTRALIA	NEW ZEALAND	ENTERPRISE SOLUTIONS
		



## 6 Business Divisions

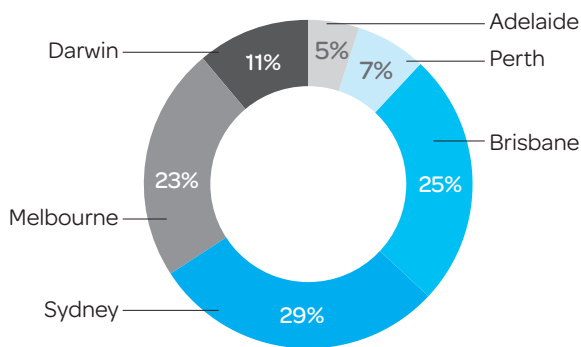
### 6.1 Business Solutions

This division sells and services, under long term contracts, a range of multi- function devices (MFD) printers and telephone solutions in Australia and New Zealand.

In Australia, we are the largest independent supplier of Canon products. Canon is ranked 2 and 4 in printer, copier and MFD shipments and end-user spending market share respectively.

Business Solutions Australia manages machines throughout all of Australia and operates in all mainland capital cities with approximately 220 staff. The division also sells Hewlett Packard and Lexmark printing products along with a range of software products. The chart below illustrates the machines in field (MIF) by location.

*Machines In Field by Location*



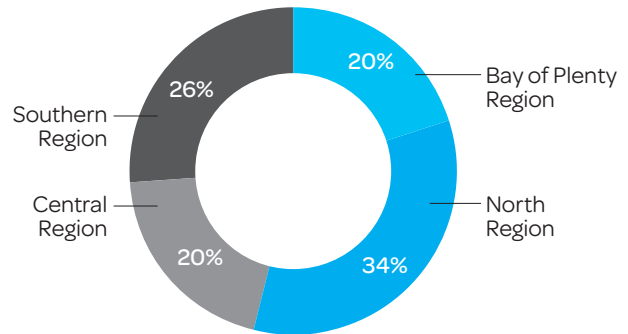
Our customer base is distributed across Australia with a large concentration on the eastern seaboard. Our current market share is approximately 3 per cent of the laser printer market and there is a substantial opportunity for the business to grow across the small and medium enterprise customer base.

In New Zealand, CSG Business Solutions is the exclusive distributor of Konica Minolta multi-function devices and printers and provides long-term maintenance service agreements. CSG Business Solutions is positioned in the New Zealand market as one of the largest participants in this sector.

CSG acquired the New Zealand business in February 2010. The acquisition involved the purchase of 90 per cent of Konica Minolta Business Solutions (KMBS) and 100 per cent of the associated finance company, Leasing Solutions Limited (LSL). The remaining 10 per cent of the print business is owned by Konica Minolta Business Technologies Japan. KMBS has exclusive rights to sell Konica Minolta MFDs in New Zealand. Under the shareholder agreement CSG has management control for the KMBS operations.

The division has 16 offices throughout the North and South Islands in New Zealand and approximately 440 staff. The chart below illustrates the machines in field (MIF) by location.

*Machines In Field by Location*



### Our Products and Service

Our core value proposition is built on “delighting” our customers. Underpinning the successful operation of our customer case is printing technology that is supported and serviced by CSG. This is increasingly important as customers replace multiple printers and low capacity MFDs with higher capacity MFDs.

Our sales team work with our customers to tailor the selection of a printing device that is the best fit for their organisation with a customised finance arrangement from our leasing company to meet their business requirements. Our sales team consists of Master Agents (who are commission only agents) and full time employees.

All of our customers are serviced by our technicians who repair and replace parts as necessary. In many cases, our technicians are industry veterans, expert in the diagnosis and repair of faults or breaks in either the hardware or software managing the devices.

Core elements of the service organisation are the call centre, second level service centre, that provides remote diagnosis and call resolution, field technicians and the professional services organisation.

The professional services organisation consults, recommends, implements and supports a range of software solutions integral to supporting the printing environment of our customer base. Colour consulting and design are also key services delivered by the professional services group.

### 6.2 Enterprise Solutions

A growing division within CSG is the Enterprise Solutions division. This team provides managed print solutions to tier one and government sectors. In December 2012 the business secured the Standing Offer Arrangement for the Queensland Department of Education, Training and Employment, as the sole provider to all government schools, TAFEs, and education agencies. It is an agreement that can be applied to other government departments and agencies in the state of Queensland.

In 2011 the unit won two large managed print services ("MPS") contracts with major Australian universities and was also the only Australian-owned company of a total of four companies to be included on the Federal Government's Major Office Machines Panel which is mandatory for 105 Federal Government Departments and may also be used for another 86 government bodies.

The main objectives of our current Enterprise Solutions offering are fourfold:

- Reduce the cost of printing to the organisation through providing a rationalisation / consultancy service to each site/department. The goal of the rationalisation service is to reduce the number of print devices
- Implement control measures for an organisation for the procurement of print devices, available from a standard catalogue, to ensure the right device for the job is delivered. Non-standard devices are available when a specific business need is determined and approved
- Introduce a range of operational services relating to print devices, including a dedicated print device helpdesk, proactive consumables ordering and a dedicated onsite support team, who are responsible for replenishing paper and toner, attending service calls and providing training to our customer's staff on print services
- Continuously improve the service offering over time and deliver services that meet the service levels agreed between CSG and the customer

#### Service Scope

- Procurement of new equipment from a standard device catalogue
- Provisioning, installation, configuration and training for procured equipment
- Break / fix services (for both new and existing equipment under management)
- Valet services (on site staff to replenish paper and toner, clean device, provide quick response to break/fix calls and provide training)
- Fleet Management
  - Asset management
  - Moves and changes
  - Existing fleet management
  - Service / Equipment disposal

- Service Management
  - Reporting
  - Incident/Problem management including escalation
  - Service request management
  - Billing management
  - Dispute resolution
  - Continuous improvement
- Rationalisation / Consultancy service

### 6.3 Finance Solutions

In New Zealand, the finance business is a mature, well managed business with strong performance driven by bad debts of less than 0.5 per cent and a strong return on equity of above 50 per cent.

In Australia, the Finance business launched in March 2013 and provides a major growth opportunity for existing and new CSG customers. Management are looking to replicate the size of the New Zealand business in Australia over the next 3 to 5 years.

In a competitive Australian landscape, the new offering of CSG Finance Solutions provides a fresh opportunity to engage and re-engage with customers. The business has rapidly achieved close alignment with the Business Solutions Australia sales force, resulting in 95 per cent of new business written with Australian customers being transacted through the facility.

Total lease receivables grew 16 per cent to \$115.5m in the 12 months to 30 June 2013.

## 7 Our Leadership Team

### Strong and well-credentialed management team

Managing Director, Julie-Ann Kerin was appointed to the role in January 2012 after leading the Technology Solutions division as Group General Manager since 2008. Julie-Ann has an impressive track record with more than 20 years' experience in software and services companies spanning Australia, Asia, Europe and the US. Her extensive background includes senior roles in both private and public companies.

The Executive Management Team includes:

- Neil Lynch joined the Company in October 2011 as CFO after spending 11 years at Virgin Blue Airlines in a variety of senior financial roles
- Duncan Powell is the COO and has more than 20 years' experience in senior executive operational roles for a number of service delivery companies and joined CSG in April 2013
- Stephen Birrell is the Executive General Manager for the Enterprise Solutions division and has more than 25 years' experience as a business leader focusing predominantly in the aerospace, information technology and government sectors
- Warwick Beban who heads up Business Solutions NZ joined CSG as part of the acquisition of KMBS and has previously held senior leadership roles within the document technology industry
- Declan Ramsay as the Executive General Manager of Business Solutions Australia has a proven track record in the Print Industry and has been with CSG since 2006

## 8 Industry Background and Trends

The Printing Services sector is a mature industry selling and servicing digital printing devices for the office and light production printing applications. The major shift in this industry in recent years has been the move from mono (black and white) printing to colour. This shift has provided a major increase in the service income per unit as the customer spend per colour print is significantly higher than for a mono print. This trend is continuing as all major providers convert their existing customer bases over to colour technology.

As a mature industry the market place is highly competitive, requiring the development of strong customer relationships and added value business offerings to secure customer contracts. The introduction of Enterprise Solutions is a successful method in which to provide an added value offering to customers as an alternative to price based competition. This expansion is a core strategy for the future at CSG, both in New Zealand and Australia.

## 9 Strategy

The Board and management have built a three year plan for the business to address the immediate challenges facing the business along with the opportunities for growth.

The vision for the three core divisions of the business are:

- Business Solutions  
To continue to grow the customer base by providing an end to end service solution for small and medium customers. To expand the share of the customer wallet on office products, business systems and core IT platforms all supported by a single CSG Finance Solution
- Enterprise Solutions  
To introduce to the market a disruptive engagement proposition that integrates the management of printing devices with an organisations approach to managing their core IT platforms. To work with our enterprise customers to manage the transition of their environment from manufacturer/purchasing driven to an agnostic relationship focused on maximising the value of their existing devices whilst managing their fleet along the same model as their IT infrastructure
- Finance Solutions  
To migrate the Australian customer base to a relationship with CSG Finance Solutions. This would result in the receivables book in Australia being of equivalent size to the book in New Zealand

Our business strategy to achieve the vision is as follows:

### Financial

- To deliver a sustainable dividend of 9 cents per share to shareholders within 3–5 years

### Market

- Grow MFD market share in Australia
- Become one of the Top 3 providers of Managed Print Solutions in Australia
- Maintain No.1 market share across all office product levels in NZ
- Increase the size of the Professional Services business in Australia and NZ
- Build product catalogue of new products and services to be offered online via the customer portal

### Customer

- More than 90 per cent customer retention
- Minimum of 90 per cent customers satisfied from annual customer satisfaction survey
- Grow commercial customer base in NZ
- Grow tier 1 customer base in Australia
- Grow customer numbers per annum

### Partner

- Partner of choice for all our vendors
- No.1 global partner for Konica Minolta Business Technologies
- No.1 local partner for Canon in Australia
- Partner of choice for Managed Print for other vendors
- Increase relationship with tier 1 IT vendors: IBM, Fujitsu, Telstra etc

### Capability

- Differentiated – agnostic provider of service
- Disruptive business model for managed print
- Increased value added business products and solutions for small and medium enterprise customers
- Industry leading, online presence
- Exclusive cloud based solution relationships
- Innovative and efficient finance offering

### People

- Industry defining employer
- Attract and retain excellent people
- Staff alignment with shareholder objectives
- Culture in line with customer imperatives and core values

### System

- Efficient best of breed systems
- Integrated back office systems across Australia and New Zealand
- Customer portal central to all customer interaction
- Highly efficient mobile solutions for customer facing staff

## Directors' Report (Continued)

### 9.1 Risk Management

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

#### Principal Risk Area: **Innovation**

Inability to optimise full value of innovation opportunities in services, products, processes and commercial solutions to support growth opportunities.

#### Risk Management Approach:

CSG has a proactive growth strategy that combines leadership, partnerships and continual review.

---

#### Principal Risk Area: **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.

#### Risk Management Approach:

Currency hedging instruments, including foreign currency forward contracts are used to mitigate this risk.

---

#### Principal Risk Area: **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.

#### Risk Management Approach:

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.

---

#### Principal Risk Area: **Availability of Debt**

CSG's finance divisions in Australia and New Zealand provide rental and lease products. These businesses are sensitive to credit cost and availability as well as 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.

#### Risk Management Approach:

Credit indicators and market conditions are monitored on a regular basis by management.

---

#### Principal Risk Area: **Key Suppliers**

CSG's key suppliers are Canon Australia and Konica Minolta Business Technologies who supply the majority of inventory. It is critical to maintain relationships.

#### Risk Management Approach:

These are long standing relationships managed by CSG's Executive Management Team and the Board through long term contracts under commercial terms.

---

#### Principal Risk Area: **Key Personnel**

CSG's continued success is highly dependent upon the efforts of the Executive Management Team and other key employees including sales professionals. The retention of these skilled personnel is critical.

#### Risk Management Approach:

CSG has introduced a Long Term Incentive Plan for the Executive Management Team and other key management and a share based plan for all other employees across Australia and New Zealand.

---

#### Principal Risk Area: **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.

#### Risk Management Approach:

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.

---



## 10 Financial Review<sup>1</sup>

The Board was pleased that the business was able to show significant growth in underlying EBITDA from the 2012 results. During the 2013 financial year, the new Executive Management Team were able to deliver on many initiatives that now positions the business for good growth in profitability over the medium term.

Given the significant level of transition and restructuring in the business during the financial year the Board measured the performance of the business using Underlying Earnings before Interest, Tax, Depreciation and Amortisation (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 in the table below:

	1H13	2H13	FY13	Note
	\$m	\$m	\$m	
Reported NPAT	5.5	3.2	8.7	
Add – Tax	2.1	2.8	4.9	
Add – Depreciation and amortisation	3.2	3.1	6.3	
Add – Interest expense/(income)	(2.1)	(0.4)	(2.5)	
Reported EBITDA	8.7	8.7	17.4	
<b>Add – Non-recurring items</b>				
1 Restructuring expenses	0.2	1.0	1.2	8
2 Deferred consideration & legal expenses	0.4	3.2	3.6	8
3 Transaction related expenses	0.2	–	0.2	
4 Leasing Australia start-up expenses	–	0.3	0.3	
5 Other expenses	–	0.5	0.5	
Total non-recurring expenses	0.8	5.0	5.8	
Underlying EBITDA	9.5	13.7	23.2	

<sup>1</sup> Figures contained in the Financial Review are unaudited.

### 10.1 Revenue

Revenue declined by 10 per cent to \$184.6m during 2013. This was driven by:

- Equipment revenue decline in Australia as the attention of the sales force was changed to focus on quality over quantity of revenue
- Service revenue in New Zealand has seen some print and volume erosion in all of Government and tier 1 customers due to increased competition. Penetration of colour printing as a percentage of overall volumes continues to occur which is offsetting a decline in service revenue
- The provision of managed print services by CSG Enterprise Solutions should be a significant driver of growth in the medium term, however it did not contribute a material amount of revenue in 2013

### 10.2 Expenses

Expense reduction was a major focus of the business during 2013 as part of the turnaround strategy. Management was able to deliver an increase in underlying EBITDA margin from 6.5 per cent to 12.6 per cent. The drivers of this result were:

- Cost of goods sold benefited from the relatively weak US dollar in CSG Business Solutions and lower interest rates in New Zealand for CSG Finance Solutions
- The first phase of the cost out program to achieve \$13m in annualised cost savings was delivered

It is also noted:

- A number of legacy legal matters were resolved during the year with the settlement of Fuji Xerox Australia and Fuji Xerox Finance legal dispute (\$4.5m) and the NEC working capital adjustment (\$7.5m). Adjustments down in the carrying value of post completion payments from two business acquisitions in 2008 have also been made due to a lack of activity at this time
- A number of the CSG Finance Solutions Australia start-up costs which are included in the reported result would not expect to be repeated
- Net interest expense decreased due to the repayment of the corporate debt facility in July 2012

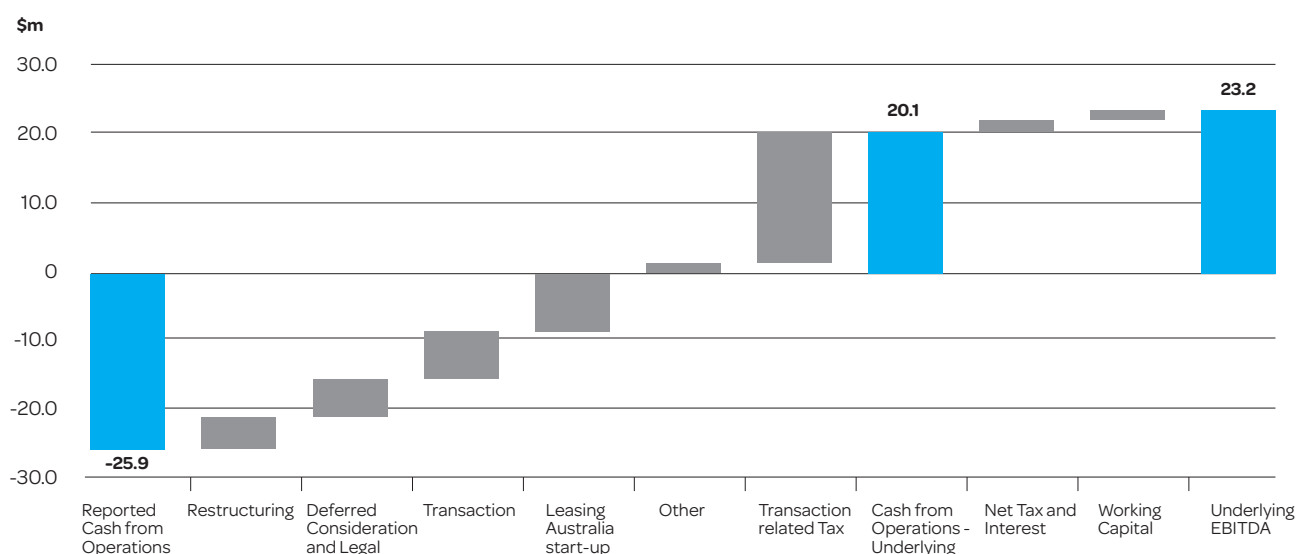
**10.3 Assets**

Total assets have decreased by \$201.2m to \$409.5m during the financial year ended 30 June 2013 with notable movements explained below.

Cash is split between both unrestricted and restricted types of accounts. The restricted cash accounts are required under the terms of the CSG Finance Solutions companies funding vehicles (refer to note 6) with \$21.2m of the total cash balance in restricted accounts. It is noted that the NEC retention amount of \$11.4m was released on 3 July 2013.

Operating Cash (refer note 23 – Cash flow Information) has been impacted by the following:

- Restructuring costs (\$4.5m) following the sale of Technology Solutions division
- Deferred consideration and legal costs (\$5.4m) including Fuji Xerox cases settlement payment
- Transaction and separation costs relating to the sale of the Technology Solutions Division (\$7.1m)
- Finance Solutions Australia start-up costs including equity contribution to the portfolio (\$8.6m)
- Tax payment relating to the sale of the Technology Solutions division (\$19.0m)



Receivables have decreased by \$229.0m primarily due to the settlement of the sale of the Technology Solutions division (\$227.5m) and the reclassification of the NEC working capital adjustment to accrued expenses (\$7.5m). The associated cash has been used to:

- Repay the corporate debt facility (\$91.1m)
- Pay a fully franked dividend in September 2012 for \$56.5m
- Participate in an on-market share buy-back in 1H13 for \$2.1m
- Pay corporate tax in February 2013 for \$19.0m
- Pay a capital return in April 2013 for \$25.0m

Leasing receivables increased by 16 per cent from the prior year to \$115.5m due to the establishment of the CSG Finance Solutions business in Australia. Closing lease receivables in the Australian CSG Finance Solutions division was \$15.1m up to 30 June 2013.

**10.4 Liabilities**

Total liabilities decreased by \$127.8m to \$151.2m during the year ended 30 June 2013.

Deferred consideration was reduced to nil due to the settlement and write-back of various amounts listed below:

- Canon was paid \$7.0m in July 2013 for the final settlement of service contracts purchased in 2010
- A prior period earn-out dispute with Delexian was settled in July 2012 for \$2.8m
- Other prior period earn-out disputes were written back due to the absence of any outstanding claims for \$6.3m

Short term borrowings have been reduced by \$91.1m due to the repayment of CSG Group debt out of the proceeds on sale of the Technology Solutions division.

The tax payable balance in the prior year primarily represented the capital gains tax payable on the proceeds from the sale of the Technology Solutions division.

**10.5 Equity**

Equity has decreased by \$73.4m due to the following items:

- Dividend distribution of \$56.5m in September 2012
- On-market share buy-backs of \$2.1m in November and December 2012
- Capital return of \$25.0m in April 2013

## 11 Remuneration Report

### Message from the Chairman, Nomination and Remuneration Committee

Dear Shareholder,

On behalf of your Board, I am pleased to present CSG's 2013 Remuneration Report which sets out remuneration information for the Chief Executive Officer (CEO), the Executive Management Team, Non-Executive Directors and the broader employee group.

Our underlying business performance is solid, as demonstrated in our results outlined over the following pages. All key business metrics have been achieved in 2013, including:

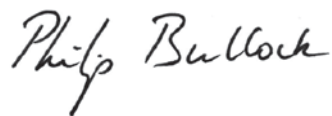
- Underlying EBITDA of \$23.2m
- Commencement of CSG Finance Solutions Australia in March 2013
- Growth in CSG Enterprise Solutions
- Underlying cash conversion tracking to expectations
- Revenue growth in 2nd half 2013 compared to 1st half 2013
- Final review of consolidated business functions and plan for additional savings of \$4.0m

At the 2012 Annual General Meeting the shareholders approved the implementation of a new executive Long Term Incentive Plan ("LTIP"). The focus of this plan is to better align executive remuneration with business performance and the creation of shareholder value. Your Board recognised that this was an important and necessary step to attract and retain key executive talent, recognise the individual contributions of our people and to enhance employee engagement in the Company.

Two Staff Incentive Share Plans were also approved at the 2012 Annual General Meeting to assist the Company to recruit, reward, retain and motivate its employees that are not part of the executive LTIP.

Thank you for taking the time to review the 2013 Remuneration Report. Your Board is confident that CSG's remuneration practices are well designed to help best drive outstanding employee and executive performance. It is this performance that is required to execute our business strategy and create sustainable shareholder value.

Yours sincerely



**Philip Bullock**

### 12 Key Management Personnel

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 Company, directly or indirectly. For CSG, the KMP are defined to be the:

- Chief Executive Officer
- Members of the Executive Management Team (senior executives, as listed below)
- Non-Executive Directors

For the year ended 30 June 2013, the Executive Management Team comprised the following:

#### Current

- Chief Financial Officer – Mr. Neil Lynch
- Chief Operating Officer – Mr. Duncan Powell (appointed 15 April 2013)
- Executive General Manager of CSG Business Solutions, New Zealand – Mr. Warwick Beban (appointed 20 March 2013)
- Executive General Manager of CSG Business Solutions, Australia – Mr. Declan Ramsay

#### Former

- Executive General Manager of CSG Finance Solutions – Mr. Evan Johnson (resigned 3 May 2013)

### 13 Remuneration Governance

The policy for determining the nature and amount of remuneration of Directors and Executive Management Team is agreed by the Board. The Board has established a Nomination and Remuneration Committee ("N&R Committee"), which is responsible for the following:

- Reviewing and approving the appropriate remuneration of the Chief Executive Officer, members of the Executive Management Team and Non-Executive Directors
- Ensuring that remuneration levels take into account risks involved, demands and time requirements of each role and relevant industry and related benchmarks
- Developing and recommending to the Board remuneration incentive programs such as bonus schemes and 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 Executive Management Team remuneration is paid in accordance with thresholds set out in plans as disclosed or approved by shareholders
- Reviewing and approving appropriate disclosures to be included in the Company's Annual Report regarding the N&R 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 Directors who can enhance company performance through their contributions and leadership.

### 14 Remuneration Consultant

PwC was engaged by the N&R Committee to provide remuneration recommendations for the new LTIP and the Staff Incentive Share Plans. PwC provided the services and information to the N&R Committee for total fees of \$142,200. The engagement of PwC was undertaken by the N&R Committee, independent of management, and was based on an agreed set of protocols governing the manner in which remuneration recommendations would be developed by PwC. These protocols ensured that the following steps were taken:

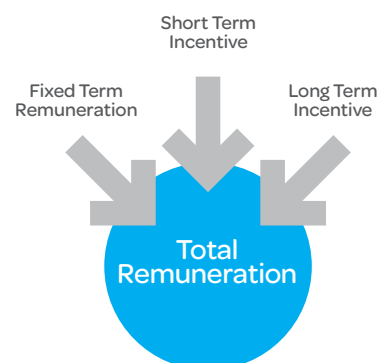
- PwC took instructions from the N&R Committee and was accountable to the N&R Committee for all work
- During the course of any assignments, PwC sought input from management, however recommendations were provided directly to the N&R Committee
- Professional fee arrangements were agreed directly with the Chairman of the Board

The Board undertook its own enquiries and review of the processes and procedures and was satisfied that PwC's remuneration recommendations were made free from any undue influence by the Executive Management Team to whom recommendations were related.

### 15 Remuneration Objectives, Policy and Practice

Like many organisations, CSG relies on the leadership of its Executive Management Team for the successful development and execution of its strategies. The remuneration strategy aims to attract, motivate and retain the best people in the business, align executive rewards with the creation of shareholder value and motivate executives to achieve challenging performance targets.

In order to deliver the remuneration strategy, CSG continues to focus on an executive compensation framework which is made up of both fixed and variable remuneration. This is comprised of the following three elements:





## 15.1 Fixed remuneration

- Fixed remuneration is made up of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items e.g. motor vehicles
- The following factors are taken into account when setting fixed remuneration levels:
  - The individual's skills and experience
  - The requirements of their role
  - Remuneration levels of companies in the Company's comparator group
  - Relevant economic conditions
- CSG provides employer superannuation contributions at Government legislated rates (2013: 9 per cent in Australia and 3 per cent 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 Executive Management Team, with recommendations from the N&R Committee
- Fixed remuneration is reviewed annually, following the end of the 30 June performance year

## 15.2 Short term incentives (STI)

- The purpose of an STI is to provide direct alignment between employee remuneration and the CSG strategy, objectives and performance
- An STI is an annual incentive opportunity based on individual and divisional performance and CSG's overall performance
- The Executive Management Team of CSG are eligible to participate in the STI Plan based on their responsibility and impact on achievement of annual objectives
- The STI may be delivered as cash or shares (subject to any shareholder approval requirements)

Performance measures are cascaded from the Company level through to individuals. Company measures are approved by the Board and individual measures are determined by the employee's position and responsibilities. The Board has regard primarily for Company performance versus individual performance to align reward outcomes with shareholder outcomes.

The introduction of a corporate scorecard will occur during 2014. This scorecard will be used to measure a component of all STI entitlements.

For the 2013 financial year, the Board set one or more of the following Company performance objectives for each of the Executive Management Team under the STI plan:

Category	Type	Examples
Financial	Profit	Achieve Group Underlying EBITDA of \$23m
	Revenue	Revenue growth second half on first half
	Cash flow conversion	Conversion of EBITDA to operating cash
Non-Financial	Operational	Roll out of the three year Group Strategic Plan
	Staff engagement	Improve employee satisfaction score
	Customer	Improve customer satisfaction score

From time to time, other fees in addition to the STI may be provided to the Executive Management Team to reward performance that is considered exceptional in terms of shareholder return or Company performance. These fees are approved at the discretion of the N&R Committee.

During 2013, other fees were paid to Non-Executive Directors as detailed below. These amounts were paid to compensate the Non-Executive Directors for the exceptional effort, additional workload and support provided to the Executive Management Team in relation to the sale of the Technology Solutions division in July 2012.

## 15.3 Long Term Incentives (LTI)

- While STI reward past performance, the Board considers it essential that the Executive Management Team and other management have reward incentives linked to longer-term Company performance and to value creation for shareholders
- In June 2013, the CEO and Executive Management Team were issued with performance rights under the CSG LTIP (LTIP Issue 5, 6 & LTIP Issue 7). Each performance right represents an option to receive one ordinary share in the Company, subject to the satisfaction of the relevant vesting conditions
- The final stage of the current LTIP will expire in November 2017 and has been implemented to provide a reward to key personnel during the Company's turnaround phase. The Board will consider the long term plan beyond the current LTIP at a time in the future
- The performance hurdle for the grants made is growth in Total Shareholder Return (TSR) and the Company share price
- TSR was chosen as a performance hurdle as it is an indicator of shareholder wealth creation
- The Company share price was chosen in order to align with shareholder wealth objectives

## Directors' Report (Continued)

### 15.4 LTIP Issue 5 – CEO – Julie-Ann Kerin

**Eligibility** – On 28 June 2013, Performance Rights were issued to the Chief Executive Officer (CEO).

**Consideration** – No consideration is payable for the grant of the Performance Rights. Furthermore, there is no consideration to be paid on the vesting of the Performance Rights.

**Performance Hurdle** – The performance hurdles for the grants is growth in TSR and share price for the period June 2013 to June 2018 and is based on the following vesting schedule:

	Share Price (1)	TSR CAGR (2)	Vesting Date (3)	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

(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.

(2) Calculation used at the time of 2012 Annual General Meeting vote by shareholders using measure against the share price on 16 October 2012.

(3) The structure of the LTIP was formulated in January 2012 upon appointment of the CEO. The structure of the LTIP was subsequently approved by the shareholders at the Annual General Meeting in November 2012. The Performance Rights will have 2, 3 and 4 year vesting periods with vesting dates on the second, third and fourth anniversaries of the offer date.

**Expiry Date** – All unvested Performance Rights will automatically lapse between 3 and 5 years from the grant date of the Performance Right, unless an earlier lapsing date applies (as set out below).

**Termination/forfeiture** – A Performance Right may also lapse where, in the opinion of the Board, a participant has acted fraudulently, acted dishonestly or willfully breached his/her duties to the Company, or if the participant becomes insolvent.

On cessation of employment:

(a) If a participant is a "bad leaver" (as defined in the rules of the LTIP), any Performance Rights will (unless otherwise determined by the Board) automatically lapse; and

(b) If a participant is a "good leaver" (as defined in the rules of the LTIP), the participant will retain the Performance Rights which have met the vesting conditions.

**Change of Control** – If a change of control event occurs, the Board may in its discretion determine the manner in which any or all of a participant's Performance Rights will be dealt with.

### 15.5 LTIP Issue 6 – CEO Retention Award

	Number of Performance Rights	Vesting Conditions	Multiple of share price	TSR	Vesting Date	Expiry Date
Retention Award	606,061	Remains employed by the Company until 1 August 2015	N/A	N/A	1/8/15	1/12/15

### 15.6 LTIP Issue 7 – Executive Management Team

**Eligibility** – On 28 June 2013, Performance Rights were issued to the Executive Management Team and other key employees, as determined by the Board.

**Consideration** – No consideration is payable for the grant of the Performance Rights. Furthermore, there is no consideration to be paid on the vesting of the Performance Rights.

**Performance Hurdle** – The performance hurdles for the grants is growth in TSR and share price for the period June 2013 to June 2018 and is based on the following vesting schedule:

	Share Price (1)	TSR CAGR (2)	Vesting Date (3)	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

(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.

(2) Calculation used at the time of 2012 Annual General Meeting vote by shareholders using measure against the share price on 16 October 2012.

(3) The structure of the LTIP was formulated in January 2012 upon appointment of the CEO. The structure of the LTIP was subsequently approved by the shareholders at the Annual General Meeting in November 2012. The Performance Rights will have 2, 3 and 4 year vesting periods with vesting dates on the second, third and fourth anniversaries of the offer date.

**Expiry Date** – All unvested Performance Rights will automatically lapse between 3 and 5 years from the grant date of the Performance Right, unless an earlier lapsing date applies (as set out below).

**Termination/forfeiture** – A Performance Right may also lapse where, in the opinion of the Board, a participant has acted fraudulently, acted dishonestly or willfully breached his/her duties to the Company, or if the participant becomes insolvent.

On cessation of employment:

(a) If a participant is a "bad leaver" (as defined in the rules of the LTIP), any Performance Rights will (unless otherwise determined by the Board) automatically lapse; and

(b) If a participant is a "good leaver" (as defined in the rules of the LTIP), the participant will retain the Performance Rights which have met the vesting conditions.

**Change of Control** – If a change of control event occurs, the Board may in its discretion determine the manner in which any or all of a participant's Performance Rights will be dealt with.

## 15.7 Previous Long Term Incentive Plans

### Options

Certain senior executives were granted options in the 2011 and 2012 financial year, as per the details listed in the tables below (refer also to Options Note 21):

Plan	Number Remaining
<b>Options</b>	
LTIP 1	200,000
LTIP 2	820,000
LTIP 3	750,000
<b>Performance Rights</b>	
LTIP 4	229,213

The numbers listed above are net of adjustments due to forfeiture as a result of termination of employment.

### Plan LTIP 1

#### Details

The CEO (in a former role) was granted options in the 2011 financial year under LTIP 1. The terms of the grant were:

- Issued on 4 May 2011, vesting equally over three years
- Subject to Board discretion, the participant must be employed by the CSG Group throughout the vesting period
- LTIP 1 has an exercise price of \$1.09
- The expiry date for exercise of vested options is 1 January 2014

### Plan LTIP 2

#### Details

Certain senior executives (excluding the CEO) were granted options in the 2011 financial year under LTIP 2. The terms of the grant were:

- Issued on 4 May 2011, vesting equally over three years
- Subject to board discretion, the participants must be employed by the CSG Group throughout the vesting period
- LTIP 2 has an exercise price of \$1.14
- The expiry date for exercise of vested options is 1 January 2014

### Plan LTIP 3

#### Details

The former CFO was granted options in the 2012 financial year under LTIP 3 to support the business during an on-market takeover bid that was made after he had submitted his resignation to ensure that he supported the Company during this period. The terms of the grant were:

- Issued on 15 September 2011, vesting equally over two years
- There are no performance conditions attached to these options and the participant does not need to be employed by the CSG Group
- LTIP 3 has an exercise price of \$0.75
- The expiry date for exercise of vested options is 15 September 2014

### Plan LTIP 4

#### Details

Certain senior executives (including the current CEO, in a former role) were granted zero rated performance rights in the 2012 financial year under LTIP 4. The terms of the grant were:

- Issued on 9 September 2011, the performance period covers the three years from 1 July 2011 to 30 June 2014
- The vesting outcome at the end of the performance period is to be based on the following schedule:

EPS Growth by Year	Entitlement
10%	100% of entitlement
Between 5 –10%	50% of entitlement on a linear scale
Less than 5%	Nil entitlement

- Subject to Board discretion, the participant must also be employed by the CSG Group throughout the performance period
- The expiry date for the exercise of vested rights is 30 June 2014

## 15.8 Staff Incentive Share Plans

There are two Staff Incentive Share Plans that were approved at the 2012 Annual General Meeting to assist the Company to recruit, reward, retain and to generate increased engagement in its employees that are not part of the CSG Executive LTIP. Both plans are currently in the process of being implemented and are listed below:

1. The CSG Tax Exempt Share Plan (Australia) ("AUS Tax Exempt Plan")
2. The CSG Tax Exempt Share Plan (New Zealand) ("NZ Tax Exempt Plan")

The terms of the plans are as follows:

### AUS Tax Exempt Plan

#### Description

- Eligible Australian employees may be offered up to \$AUD1,000 worth of ordinary shares in the Company on a tax free basis ("Participants")
- The Participants who will be invited to participate will include at least 75 per cent of permanent employees of the Company and its subsidiaries with at least three years' service
- The shares are held in a trust and are subject to a three year holding lock
- The Board will invite Participants to participate from time to time
- No consideration is payable by Participants for the grant of ordinary shares
- There will be no additional vesting conditions or forfeiture conditions in respect of the plan other than that required by law

## Directors' Report (Continued)

### NZ Tax Exempt Plan

#### Description

- Eligible New Zealand employees may be offered up to \$AUD1,000 worth of ordinary shares in the Company on a tax free basis ("Participants")
- The Participants who will be invited to participate will include all of the permanent New Zealand based employees of the Company
- The shares are held in a trust and subject to a three year holding lock
- The Board will invite Participants to participate from time to time
- Nominal consideration (\$NZD 1) will be payable by Participants for the grant of ordinary shares
- There will be no additional vesting conditions or forfeiture conditions in respect of the plan other than that required by law.

### 16 Non-Executive Director Remuneration

The available remuneration pool for Non-Executive Directors as approved at the 2011 Annual General Meeting is \$465,000 (all inclusive). Non-Executive Directors' fees are determined by the Board and are based on market comparison or remuneration paid to Non-Executive Directors in a comparable group of similar sized companies. Non-Executive Directors fees were last increased in 2011.

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

- The Chairman is paid an all-inclusive fee regardless of Committee positions
- Board members are paid a base fee plus additional fees for each Committee Chair role (as per 2011 AGM notice – Audit Committee Chairman (\$20,000) and Remuneration Committee Chairman (\$15,000) per annum)

- Superannuation is paid on all fees at the statutory rates (increased to 9.25 per cent for the 2014 financial year)
- The New Zealand Finance Company position is a requirement under one of the finance facilities for an independent New Zealand director. The position is currently filled by Martin Goldfinch of Auckland

2013	Board	Audit and Risk Management Committee	Nomination & Remuneration Committee
Chairman	\$127,500	\$20,000	\$15,000
Member	\$65,000	Nil	Nil
NZ Finance Company	\$24,000	N/A	N/A

Given the size of the Board and the significant workload, especially for the Chairman, the Board has resolved to increase the total remuneration to \$150,000 per annum (inclusive of superannuation) and adjust the structure and amounts of Committee fees from 1 July 2013 onwards as set out below.

2013	Board	Audit and Risk Management Committee	Nomination & Remuneration Committee
Chairman	\$127,500	\$20,000	\$15,000
Member	\$65,000	\$3,000	\$3,000
NZ Finance Company	\$24,000	N/A	N/A

Total remuneration will be within current approved pool fee, and therefore there is no intention to seek an increase at the AGM. The Directors receive no other benefits from the Company in addition to the amounts listed above.

### 17 Link to 2013 Financial Year Performance

#### 17.1 Company Performance

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

	2013	2012	2011 <sup>(1)</sup>	2010 <sup>(1)</sup>	2009 <sup>(1)</sup>
Revenue (\$m)	184.6	202.8	388.6	277.8	197.3
Net profit/(loss) after tax (\$m)	8.7	(22.2)	40.4	32.1	23.2
Share price (\$)	0.94	0.79	1.00	1.84	0.84
Change in share price (\$)	0.15	(0.21)	(0.84)	1.00	(0.14)
Dividends paid (\$) <sup>#</sup>	0.29	0.055	0.055	0.05	0.04
Total Shareholder Return (TSR)	56%	(16%)	(43%)	125%	(10%)
Earnings per Share (cents)	3.1	(7.9)	15.6	15.8	13.3

# Includes 9.0 cents per share return of capital paid in April 2013 (1) Results include Technology Solutions division, sold in 2012

(1) Results include Technology Solutions division, sold in 2012

## 17.2 STI Outcomes

Due to the significant changes to the business following the sale of the Technology Solutions division in 2012, the 2013 financial year has been a transition year for the CSG Group. A balanced scorecard will be introduced for the Executive Management Team in the 2014 financial year with the following allocations:

Scorecard Measure	Scorecard Weighting
Financial targets	35%
Cash flow conversion	25%
Operational targets	20%
Staff engagement	10%
Customer satisfaction	10%

During the current year, the Executive Management Team had performance score cards based on their respective positions which incorporated the scorecard measures relevant to the particular positions. STI payments were made based on these measures and paid in cash.

## 17.3 LTI Outcomes

The movement in options issued and performance rights under previous LTI plans during the year ended 30 June 2013 is summarised below:

LTIP	Opening	Cancelled <sup>(i)</sup>	Lapsed <sup>(ii)</sup>	Closing
Issue 1	200,000	–	–	200,000
Issue 2	3,559,500	749,500	1,990,000	820,000
Issue 3	750,000	–	–	750,000
Issue 4	229,213	–	–	229,213
<b>Total</b>	<b>4,738,713</b>	<b>749,500</b>	<b>1,990,000</b>	<b>1,999,213</b>

(i) Options were cancelled due to the sale of Technology Solutions division in July 2012.

(ii) Options were 100 per cent vested but lapsed due to non-exercise.

## 18 Remuneration Tables and Disclosures

### 18.1 Directors' Remuneration

	Cash, Salary and Fees	STI and Other fees	Termination Payments	Post- employment super	LTI	Total	Performance related %
<b>2013</b>							
<b>Non-Executive Directors</b>							
Mr. Thomas Cowan	125,351	30,000	–	4,995	–	160,346	–
Mr. Philip Bullock	73,398	–	–	6,606	–	80,004	–
Mr. Ian Kew	78,398	–	–	7,056	–	85,454	–
Mr. Josef Czyzewski <sup>(i)</sup>	14,599	30,000	–	4,014	–	48,613	–
<b>Total</b>	<b>291,746</b>	<b>60,000</b>	<b>–</b>	<b>22,671</b>	<b>–</b>	<b>374,417</b>	<b>–</b>
<b>Executive Directors</b>							
Ms. Julie – Ann Kerin	591,116	200,000	–	25,000	6,196	822,312	24%
Mr. Philip Chambers <sup>(ii)</sup>	–	–	26,129	–	–	26,129	–
<b>Total</b>	<b>591,116</b>	<b>200,000</b>	<b>26,129</b>	<b>25,000</b>	<b>6,196</b>	<b>848,441</b>	<b>24%</b>

(i) Resigned 15 August 2012 (ii) Resigned 26 July 2012

### 2012

<b>Non-Executive Directors</b>							
Mr. Thomas Cowan	24,011	–	–	2,161	–	26,172	–
Mr. Philip Bullock	67,357	–	–	6,062	–	73,419	–
Mr. Ian Kew	70,342	–	–	6,330	–	76,672	–
Mr. Josef Czyzewski <sup>(i)</sup>	81,596	–	–	35,200	–	116,796	–
<b>Total</b>	<b>243,306</b>	<b>–</b>	<b>–</b>	<b>49,753</b>	<b>–</b>	<b>293,059</b>	<b>–</b>
<b>Executive Director</b>							
Ms. Julie – Ann Kerin	464,583	749,987	–	22,916	–	1,237,486	61%
Mr. Denis Mackenzie <sup>(ii)</sup>	470,860	–	247,470	11,831	–	730,161	–
Mr. Philip Chambers <sup>(iii)</sup>	304,326	50,000	–	30,753	–	385,079	13%
<b>Total</b>	<b>1,239,769</b>	<b>799,987</b>	<b>247,470</b>	<b>65,500</b>	<b>–</b>	<b>2,352,726</b>	<b>34%</b>

(i) Resigned 15 August 2012 (ii) Resigned 31 January 2012 (iii) Resigned 26 July, 2012



## 18.2 Group Executive Remuneration

### Total Remuneration

	Cash, Salary and Fees	STI	Termination Payments	Post- employment super	LTI	Total	Performance related %
<b>2013</b>							
Mr. Neil Lynch	323,876	120,000	–	16,470	2,478	462,824	26%
Mr. Duncan Powell <sup>(i)</sup>	72,877	–	–	–	2,478	75,355	–
Mr. Warwick Beban <sup>(ii)</sup>	254,525	80,228	–	8,705	1,239	344,697	23%
Mr. Evan Johnson <sup>(iii)</sup>	249,533	513,888	602,066	–	–	1,365,487	38%
Mr. Declan Ramsay	316,085	100,000	–	17,724	1,239	435,048	23%
<b>Total</b>	<b>1,216,896</b>	<b>814,116</b>	<b>602,066</b>	<b>42,899</b>	<b>7,434</b>	<b>2,683,411</b>	<b>30%</b>

(i) Appointed 15 April 2013

(ii) Appointed 20 March 2013

(iii) Resigned 3 May 2013, cash bonus was paid as part of a retention scheme related to the acquisition of the New Zealand business.

### 2012

Mr. Neil Lynch <sup>(i)</sup>	228,845	150,000	–	11,831	–	390,676	38%
Mr. David Ward <sup>(ii)</sup>	432,500	–	–	–	–	432,500	0%
Mr. Evan Johnson	239,700	500,000	–	–	–	739,700	65%
Mr. Kevin McLaine <sup>(iii)</sup>	100,000	–	–	–	71,287	171,287	4%
<b>Total</b>	<b>1,001,045</b>	<b>650,000</b>	<b>–</b>	<b>11,831</b>	<b>71,287</b>	<b>1,734,163</b>	<b>37%</b>

(i) Appointed 10 October 2011

(ii) Resigned 27 January 2012

(iii) Resigned 30 September 2011

### 18.3 LTIP Issue 5, 6 & 7 – 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 LTI plans.

	Date Granted	Balance at beginning of year	Granted in year	Vested	Forfeited in year	Lapsed in year	Balance at end of year
<b>2013</b>							
Ms. Julie-Ann Kerin	28/6/2013	136,612	5,177,489	–	–	–	5,314,101
Mr. Neil Lynch	28/6/2013	92,601	1,828,571	–	–	–	1,921,172
Mr. Duncan Powell	28/6/2013	–	1,828,571	–	–	–	1,828,571
Mr. Warwick Beban	28/6/2013	–	914,286	–	–	–	914,286
Mr. Declan Ramsay	28/6/2013	–	914,286	–	–	–	914,286
<b>Total</b>		<b>229,213</b>	<b>10,663,203</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,892,416</b>

	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 forfeited in year (c)	Value of rights lapsed in year (c)	Financial years in which grant vests	Expiry Date
<b>2013</b>									
Ms. Julie-Ann Kerin*	0.6649	–	–	–	2,159	–	–	2015	30/11/2015
	0.5451	–	–	–	2,528	–	–	2016	30/11/2016
	0.4646	–	–	–	1,508	–	–	2017	30/11/2017
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,195</b>	<b>–</b>	<b>–</b>		
Mr. Neil Lynch	0.6649	–	–	–	864	–	–	2015	30/11/2015
	0.5451	–	–	–	1,011	–	–	2016	30/11/2016
	0.4646	–	–	–	603	–	–	2017	30/11/2017
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,478</b>	<b>–</b>	<b>–</b>		
Mr. Duncan Powell	0.6649	–	–	–	864	–	–	2015	30/11/2015
	0.5451	–	–	–	1,011	–	–	2016	30/11/2016
	0.4646	–	–	–	603	–	–	2017	30/11/2017
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,478</b>	<b>–</b>	<b>–</b>		
Mr. Warwick Beban	0.6649	–	–	–	432	–	–	2015	30/11/2015
	0.5451	–	–	–	506	–	–	2016	30/11/2016
	0.4646	–	–	–	302	–	–	2017	30/11/2017
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,240</b>	<b>–</b>	<b>–</b>		
Mr. Declan Ramsay	0.6649	–	–	–	432	–	–	2015	30/11/2015
	0.5451	–	–	–	506	–	–	2016	30/11/2016
	0.4646	–	–	–	302	–	–	2017	30/11/2017
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,240</b>	<b>–</b>	<b>–</b>		

\* Excluding retention rights

Details of the performance criteria attached to each of the performance rights are included in the LTI discussion above and in note 21 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 assumptions underlying the Black-Scholes methodology to produce 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.

**18.4 Previous Long Term Incentive Plans – Options**

**Total Remuneration**

	Plan Issue	Date Granted	Balance at beginning of year	Granted in year	Vested	Forfeited in year	Lapsed in year	Balance
<b>2013</b>								
Ms. Julie-Ann Kerin	1	4/5/2011	133,333	–	66,667	–	–	66,667

	Fair value per right at grant date	Exercise price per right	% Vested in year (a)	% Lapsed in year (c)	Value of rights granted in year (b)	Value of rights forfeited in year (c)	Value of rights lapsed in year (c)	Financial years in which grant vests (i)	Expiry Date
	\$	\$	%	%	(b)	(c)	(c)	(i)	
<b>2013</b>									
Ms. Julie-Ann Kerin	0.05	1.09	33	–	–	–	–	2011, 2012, 2013	1/1/2014

(i) Options vest equally in 2011, 2012 and 2013

**19 Service Agreements**

	Expiry	Termination Notice	Termination Payment
<b>Executive Director</b>			
Ms. Julie-Ann Kerin	31 January 2015	6 months	6 months
<b>Executive Management Team</b>			
Mr. Neil Lynch	N/A	6 months	6 months
Mr. Duncan Powell <sup>(i)</sup>	N/A	3 months	3 months
Mr. Warwick Beban <sup>(ii)</sup>	N/A	1 month	1 month
Mr. Evan Johnson <sup>(iii)</sup>	N/A	9 months	9 months
Mr. Declan Ramsay	N/A	1 month <sup>(iv)</sup>	1 month

(i) Appointed 15 April 2013 (ii) Appointed 20 March 2013 (iii) Resigned 3 May 2013 (iv) Effective 1 July 2013

## 20 Environmental Regulation

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

## 21 Proceedings on Behalf of the Consolidated Entity

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

## 22 State of Affairs

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

## 23 Dividends

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

	Consolidated entity	
	2013 \$'000	2012 \$'000
<b>Dividends paid during the year:</b>		
Current year interim: Franked dividends nil (2.5 cents per share)	–	7,064
Previous year final: Franked dividends (20 cents per share) paid out of the proceeds from the sale of the Technology Solutions division.	56,513	8,477

## 24 Directors' Interests

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

	Ordinary shares of CSG	Options over shares in CSG
Thomas Cowan	19,924,622	–
Ian Kew	69,730	–
Philip Bullock	37,927	–
Julie-Ann Kerin	–	5,380,768
	20,032,279	5,380,768

## 25 Directors' Interests in Contracts

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

## 26 Share Options

Options issued by the Company during the year are detailed in Note 21 in the attached financial report. Details of options granted to Directors and the Executive Management Team are included in the Remuneration Report.

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

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

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

## 27 Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity has paid a premium amounting to \$282,523 insuring all the directors and the officers against judgments, settlements, investigative costs, defence costs and costs to appear at inquiries or investigations.

## 28 Non-Audit Services

Non-audit services are approved by resolution of the Audit and Risk Management Committee and approval is provided in writing to the Board. Non-audit services provided by the auditors of 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*.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:	2013 \$'000	2012 \$'000
Other assurance services	12	72
Other advice – Overseas subsidiaries	–	9

## 29 Auditor's Independence Declaration

The lead auditor's independence declaration in relation to the audit for the financial year is set out on page 32 of this report.

## 30 Events Subsequent to Reporting Date

There have been no other significant events between the year end and the date of approval of these accounts which would require a change to or disclosure in the accounts (refer to Note 32).

## 31 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.

## 32 Rounding of Amounts

The CSG Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 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.



**Ms. Julie-Ann Kerin**

Director

Sydney, 20 August 2013

# Auditors' Independence Statement



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

To: the directors of CSG Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

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

*KPMG*

KPMG

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

Scott Guse  
*Partner*

Brisbane

20 August 2013



CSG Limited

# Financial Statements 2012–13

# Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the year ended 30 June 2013

		Consolidated entity	
	Notes	2013 \$'000	2012 \$'000
Revenue from continuing operations	7	172,639	198,373
Interest income		3,370	75
Other income	7	8,630	4,357
		184,639	202,805
Changes in inventories of finished goods	8	96,034	122,730
Marketing expenses		2,201	5,420
Occupancy expenses		5,575	6,598
Administration expenses		17,052	18,966
Deferred consideration and legal expenses	8	3,580	9,312
Employee benefits expenses		36,390	44,132
Consulting expenses		1,233	1,542
Other expenses	8	1,779	11,092
Depreciation and amortisation	8	6,275	5,597
Finance costs	8	920	10,853
		171,039	236,242
<b>Profit/(loss) before income tax</b>		13,600	(33,437)
Income tax (expense)/recovery	9	(4,883)	11,203
<b>Profit/(loss) from continuing operations</b>		8,717	(22,234)

## Discontinued operations

Profit from discontinued operations (net of tax)	29	-	73,912
<b>Profit for year</b>		8,717	51,678

## Items that may be reclassified subsequently to profit and loss:

Exchange differences on translation of foreign operations, net of tax	22	3,443	(62)
Share based transactions	22	-	71
<b>Other comprehensive income for the year</b>		3,443	9
<b>Total comprehensive income for the year</b>		12,160	51,687

## Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:

Basic earnings/(loss) per share	27	3.1	18.3
Basic earnings/(loss) per share for continuing operations (cents)	27	3.1	(7.9)
Diluted earnings/(loss) per share for continuing operations (cents)	27	3.1	(7.9)

The accompanying notes form part of these financial statements

# Consolidated Statement of Financial Position

as at 30 June 2013

	Notes	Consolidated entity 2013 \$'000	2012 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	11	40,017	25,881
Receivables	12	19,292	248,308
Lease receivables	12	39,465	35,573
Inventories	13	35,266	31,597
Other	14	3,473	1,727
<b>Total Current Assets</b>		<b>137,513</b>	<b>343,086</b>
<b>Non Current Assets</b>			
Lease receivables	12	76,060	63,872
Other financial assets	15	-	125
Deferred tax assets	9	2,122	4,907
Property, plant and equipment	16	5,077	7,163
Intangible assets	17	188,771	191,614
<b>Total Non Current Assets</b>		<b>272,030</b>	<b>267,681</b>
<b>Total Assets</b>		<b>409,543</b>	<b>610,767</b>
<b>Current Liabilities</b>			
Payables	18	45,846	51,738
Deferred consideration	28	-	16,133
Deferred income		862	1,071
Short term borrowings	19	675	91,137
Current tax payable	9	1,613	22,270
Provisions	20	2,762	5,349
Debt associated with lease receivables	19	35,172	7,825
<b>Total Current Liabilities</b>		<b>86,930</b>	<b>195,523</b>
<b>Non Current Liabilities</b>			
Long term borrowings	19	31	94
Provisions	20	1,831	357
Debt associated with lease receivables	19	62,370	83,028
<b>Total Non Current Liabilities</b>		<b>64,232</b>	<b>83,479</b>
<b>Total Liabilities</b>		<b>151,162</b>	<b>279,002</b>
<b>Net Assets</b>		<b>258,381</b>	<b>331,765</b>
<b>Equity</b>			
Contributed equity	21	172,250	200,724
Reserves	22	3,135	(308)
Retained earnings	22	71,402	120,351
Equity attributable to owners of CSG Limited		246,787	320,767
Non-Controlling interest		11,594	10,998
<b>Total Equity</b>		<b>258,381</b>	<b>331,765</b>

The accompanying notes form part of these financial statements

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

Consolidated entity	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Non-controlling interest \$'000	Total Equity \$'000
<b>Balance as at 1 July 2011</b>	200,736	(317)	84,682	10,531	295,632
Profit for the year	-	-	51,211	467	51,678
Exchange differences on translation of foreign operations, net of tax	-	(61)	-	-	(61)
Share based transactions	-	71	-	-	71
<b>Total comprehensive income for the year</b>	-	9	51,211	467	51,687
<b>Transactions with owners in their capacity as owners:</b>					
Capital raising cost	(17)	-	-	-	(17)
Capital raising costs deferred tax asset	5	-	-	-	5
Dividends paid	-	-	(15,541)	-	(15,541)
<b>Balance as at 30 June 2012</b>	<b>200,724</b>	<b>(308)</b>	<b>120,351</b>	<b>10,998</b>	<b>331,765</b>
<b>Balance as at 1 July 2012</b>	<b>200,724</b>	<b>(308)</b>	<b>120,351</b>	<b>10,998</b>	<b>331,765</b>
Profit for the year	-	-	8,121	596	8,717
Exchange differences on translation of foreign operations, net of tax	-	3,443	-	-	3,443
Share based transactions	-	-	(557)	-	(557)
<b>Total comprehensive income for the year</b>	-	<b>3,443</b>	<b>7,564</b>	<b>596</b>	<b>11,603</b>
<b>Transactions with owners in their capacity as owners:</b>					
Capital distribution	(25,000)	-	-	-	(25,000)
Dividends paid	-	-	(56,513)	-	(56,513)
Share buy – back	(2,141)	-	-	-	(2,141)
Capital raising costs deferred tax asset	(1,333)	-	-	-	(1,333)
<b>Balance as at 30 June 2013</b>	<b>172,250</b>	<b>3,135</b>	<b>71,402</b>	<b>11,594</b>	<b>258,381</b>

# Consolidated Statement of Cash Flows

for the year ended 30 June 2013

		Consolidated entity	
	Notes	2013 \$'000	2012 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		190,962	205,571
Payments to suppliers, employees and others		(195,934)	(207,110)
Interest income		3,370	119
Interest expense	8	(920)	(10,853)
Income tax paid	9 <sup>(c)</sup>	(23,413)	9,595
<b>Net cash (used in) operating activities</b>	<b>23<sup>(a)</sup></b>	<b>(25,935)</b>	<b>(2,678)</b>
<b>Cash Flows From Investing Activities</b>			
Payment for intangibles		(1,883)	(305)
Payments for investments		-	(125)
Payments for property, plant and equipment		(2,175)	(2,877)
Proceeds from the sale of property, plant and equipment		136	136
Proceeds from sale of Technology business	29	227,500	-
Payments for businesses		(9,800)	(21,086)
<b>Net cash from/(used in) investing activities</b>		<b>213,778</b>	<b>(24,257)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from borrowings		4,500	22,633
Repayment of borrowings		(95,658)	(9,254)
Payment of capital service costs		-	(17)
Transfers from discontinued operations		-	34,609
On-market share buy-backs	21	(2,141)	-
Capital distributions	21	(25,000)	-
Dividend distributions	10	(56,513)	(15,541)
<b>Net cash flows provided by/(used in) financing activities</b>		<b>(174,812)</b>	<b>32,429</b>
<b>Net increase in cash held</b>		<b>13,031</b>	<b>5,494</b>
<b>Cash at the beginning of the financial year</b>		<b>25,881</b>	<b>20,090</b>
Foreign exchange difference on cash holdings		1,105	297
<b>Cash and cash equivalents at end of year</b>	<b>23<sup>(b)</sup></b>	<b>40,017</b>	<b>25,881</b>

The accompanying notes form part of these financial statements



# Notes to the Financial Statements 30 June 2013

---

## 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 252 Montague Road West End, Brisbane, QLD, Australia 4101. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 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 related sales and service and financing of office equipment.

---

## Note 2: Basis Of Preparation

### Statement of Compliance

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

The financial report was authorised for issue by the Directors on 20 August 2013.

### (a) 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.

### (b) Functional and presentation currency

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

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

### (c) 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:

### (d) Assessing impairment of goodwill

Goodwill is allocated to cash generating units (CGUs) according to applicable business operations. The CGUs are aligned at

the segment level. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected financial forecasts and projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a post-tax discount rate of 11.6 per cent for the Australia CGU and 9.4 per cent for the NZ CGU to determine value-in-use.

### (e) 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.

### (f) 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.

### (g) 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.

### (h) 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.

### (i) Inventory – obsolescence

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

---

## Note 3: Summary of Significant Accounting Policies

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

### (a) Basis of Consolidation

#### *i. Business combinations*

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

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the 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 Group are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. All resulting exchange differences arising on settlement or restatement are recognised as 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
- 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.

### Note 3: Summary of Significant Accounting Policies (Continued)

#### Financial assets at fair value through profit or loss

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

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

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

#### Loans and receivables

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

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

#### Cash and cash equivalents

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

#### ii. Non-derivative financial liabilities

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

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

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

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

#### iii. Share capital

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

#### iv. 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 Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that are not designated hedges are accounted for as held for trading instruments.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 per cent. 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 immediately in the statement of comprehensive income or as described below.

#### Cash flow hedges

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

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting,

expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

#### (d) Revenue Recognition

##### *Sale of Goods*

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

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

##### *Rendering of Services*

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

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

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

##### *Interest Income*

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

##### *Operating Lease Revenue*

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

##### *Equipment Sales under Financing Arrangement*

Equipment which is subject to rental agreements with customers may be sold to a finance company prior to the commencement of the rental agreement. Rental payments are collected by the relevant Group entity and passed on to the finance company. A sale is recognised when goods have been dispatched to a customer pursuant to a rental agreement and a sales invoice has been issued to the finance company. Under these arrangements the risks of ownership of the equipment passes to the customer

upon delivery of the equipment to the customer and the credit risk in relation to the rental stream passes to the finance company. In these circumstances the Group entity guarantees to buy back the equipment for a nominal amount at the end of the rental agreement (or upon termination of the agreement) based on the term of the agreement.

##### *Other Income*

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

#### (e) Receivables

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

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

#### (f) Inventories

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

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

#### (g) Property, plant and equipment

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

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

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



### Note 3: Summary of Significant Accounting Policies (Continued)

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

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

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

Assets	Rate	Method
Leasehold improvements	2.5%–20%	Diminishing value and straight line
Plant and equipment	5%–50%	Diminishing value and straight line
Motor vehicles	8.75%–25%	Diminishing value and straight line
Office computer equipment	15%–50%	Diminishing value and straight line
Furniture and fittings	5%–37.5%	Diminishing value and straight line
Leased plant and equipment	20%	Straight-line

#### (h) Intangible Assets

##### i. Goodwill

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

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

##### ii. Licenses and other Intangible Assets

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

#### (i) Impairment

##### i. Non-derivative financial assets

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

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

##### ii. Non-financial assets

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

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

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

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



### *iii. Trade and other Payables*

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

### **(j) Borrowings**

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

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

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

### **(k) Employee benefits**

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

#### *i. Share-based Payments*

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

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

### **(l) Provisions**

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

### *i. Restructuring*

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

### *ii. Onerous contracts*

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

### **(m) Leases**

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

#### *i. Finance Leases*

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

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

#### *ii. Operating 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.

### **(n) Finance income and finance costs**

Finance income comprises interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement 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. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

### Note 3: Summary of Significant Accounting Policies (Continued)

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 as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

#### (o) Income Tax

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

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

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

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

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

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

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

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

#### i. Tax Consolidation

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

#### (p) Research & Development

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

#### (q) Discontinued operations

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

#### (r) Segment reporting

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

---

## Note 4: New Accounting Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements.

### 1 AASB 9 Financial Instruments (December 2010) (includes financial assets and financial liability requirements) (effective 1 January 2015, previously 1 January 2013).

In December 2010, the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The Group does not expect the new standard to have a significant effect on existing financial assets and financial liabilities.

### 2 AASB 10 Consolidated Financial Statements (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The Group does not expect the new standard to have a significant effect on disclosures.

### 3 AASB 12 Disclosures of Interests in Other Entities (effective 1 January 2013)

AASB 12 contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Group does not expect the new standard to have a significant effect on disclosures.

### 4 AASB 13 Fair Value Measurement (effective 1 January 2013)

AASB 13 provides a single source of guidance on how to measure fair value and aims to enhance fair value disclosures and expands the disclosure requirements for all assets or liabilities carried at fair value. The Group does not expect the new standard to have a significant effect on disclosures.

### 5 AASB 119 Employee Benefits (effective 1 January 2013)

AASB 119, amended September 2011, changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. The standard also makes changes to defined benefit plans and subtle changes to termination benefits. The Group does not have any defined benefit plans. Therefore, these amendments will not have a significant impact.

---

## Note 5: Determination of Fair Values

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

### (a) Equity and debt securities

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

### (b) Trade and other receivables

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

### (c) Forward exchange contracts and interest rate swaps

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

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

### (d) Other non-derivative financial liabilities

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

## Note 5: Determination of Fair Values (Continued)

### (e) Share-based payment transactions

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

### (f) Contingent consideration

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

## Note 6: Financial Risk Management

The major financial instruments entered into by the Group comprise short term trade receivables and payables, loans and receivables, loans and borrowings and long term borrowings. The 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
- fair values

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

### (a) Interest rate risk

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.

During the year the Group entered into a new Senior Debt Facility Agreement with the Commonwealth Bank of Australia ("CBA") for a maximum facility amount of \$25m (2012:\$nil) with a maturity date of 4 July 2016. This Facility is primarily to be used for working capital and general corporate purposes but also provides for a business card facility and a lease finance facility. At balance date there are no amounts outstanding under this Facility. Interest on the Facility is charged at a floating rate plus a margin.

The Group's Commonwealth Bank of Australia New Zealand funding facility ("NZ CBA"), securitised by finance lease receivables, ("Securitisation Facility") matures on 8 July 2014. The maximum funding limit under this facility is \$84.2m (NZ\$100m) (2012: \$78.3m (NZ\$100m)). Interest on the Securitisation Facility is charged at a floating rate plus a margin, and re-prices on a monthly basis. As the finance lease receivables are predominantly fixed rate in nature, the Group enters into interest rate swaps to fix these floating rate exposures.

In addition to the NZ CBA facility above the Group has funded leasing activities in New Zealand by way of finance leases with CBA through a Cash Advance Facility, also secured by finance lease receivables (previously funded by Equigroup Finance Limited). The facility limit is \$23.2m (NZ\$27.5m) (2012:\$21.5m (NZ\$27.5m)). Interest on the facility is charged at a floating rate plus a margin and re-prices at specified short-term intervals.

During March 2013, CSG Finance Australia Pty Ltd was established to provide leasing products to Australian customers. The operations are funded by a new facility with the CBA and are provided to its subsidiary CSG Group Receivables Pty Ltd. The facility limit is \$25m (2012:\$nil) and the debt is secured by the finance lease receivables. This facility matures on 20 June 2016. Interest on the facility is charged at a floating rate plus a margin and re-prices at specified short-term intervals.

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

Interest Rate Sensitivity Analysis	2013		2012	
		\$000's		\$000's
	Impact on Income Statement	Impact on Equity	Impact on Income Statement	Impact on Equity
	Increase/ (decrease) on profit	Increase/ (decrease) on equity	Increase/ (decrease) on profit	Increase/ (decrease) on equity
<b>Interest Rates:</b>				
<b>100 bps increase:</b>				
<i>Cash flow sensitivity:</i>				
Impact on interest income on bank balances	262	262	213	213
Impact on management fee charges	3	3	3	3
Impact on interest expense on loans	(825)	(825)	(731)	(731)
Impact on cash flows from derivative	799	799	806	806
Impact on interest expense on finance leases	(1)	(1)	(30)	(30)
<i>Fair value sensitivity:</i>				
Impact on derivative fair value at balance date	1,109	1,109	1,188	1,188
<b>Total impact</b>	<b>1,347</b>	<b>1,347</b>	<b>1,449</b>	<b>1,449</b>

<b>Interest Rates:</b>				
<b>100 bps decrease:</b>				
<i>Cash flow sensitivity:</i>				
Impact on interest income on bank balances	(262)	(262)	(213)	(213)
Impact on management fee charges	(3)	(3)	(3)	(3)
Impact on interest expense on loans	825	825	731	731
Impact on cash flows from derivative	(799)	(799)	(806)	(806)
Impact on interest expense on finance leases	1	1	30	30
<i>Fair value sensitivity:</i>				
Impact on derivative fair value at balance date	(1,139)	(1,139)	(1,222)	(1,222)
<b>Total impact</b>	<b>(1,377)</b>	<b>(1,377)</b>	<b>(1,483)</b>	<b>(1,483)</b>

## Note 6: Financial Risk Management (Continued)

### (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. To date, there has been one instance where the Company has been required to buy back a loan.

#### i. 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 businesses have a broad range of clients across all sectors of the economy, and spread throughout all regions of Australia and New Zealand. The leasing business has a wide spread of clients across all economic sectors and regions of New Zealand. The 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.

### (c) Liquidity Risk

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

Financial Instruments	Floating Interest Rate		Fixed Interest Rate Maturing in :			
	2013 \$'000	2012 \$'000	1 year or less		1 – 5 years	
			2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>(i) Financial Assets</b>						
Cash and Cash Equivalents	40,002	25,864	-	-	-	-
Trade Receivables	-	-	-	-	-	-
Finance Lease Receivables	-	-	39,465	35,573	76,060	63,872
Sundry Debtors	-	-	-	-	-	-
Income Tax Receivable	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>40,002</b>	<b>25,864</b>	<b>39,465</b>	<b>35,573</b>	<b>76,060</b>	<b>63,872</b>
<b>(ii) Financial Liabilities</b>						
Trade Payables	-	-	-	-	-	-
Other Payables and deferred income	-	-	-	-	-	-
Finance Lease & Hire Purchase Liability	-	-	70	70	31	94
Debt Associated with Finance Leases	-	-	33,860	5,683	61,711	81,879
Derivatives – interest rate swaps	-	-	1,312	2,142	614	1,149
Current Tax Liability	-	-	-	-	-	-
Deferred Consideration	-	7,000	-	-	-	-
Term Debt/Bills Payable	-	43,943	605	47,124	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>50,943</b>	<b>35,847</b>	<b>55,019</b>	<b>62,356</b>	<b>83,122</b>



As part of the arrangements regarding the Facilities in New Zealand (NZ CBA Securitisation Facility and the Cash Advance Facility), the Group is required to contribute towards credit protection reserves. The credit protection reserve of the NZ CBA Securitisation Facility has to be maintained at a minimum calculated percentage of the net pool balance of securitised finance leases. The minimum calculated percentage is based on historical bad debt and charge off rates. At 30 June 2013 the required percentage was 9.40 per cent (2012: 9.40 per cent). The cash reserve has to be maintained at 2 per cent of the lease book value (2012: 2 per cent). The credit protection reserve of the Cash Advance Facility is a cash reserve maintained at 10 per cent of the lease book value (2012:10 per cent).

The credit protection reserve for the leasing facility in Australia has to be maintained at the greater of \$4.6m or a minimum calculated percentage which is based on historical arrears rates. The cash reserve has to be maintained at the greater of 2 per cent loan book value or \$0.4m. At 30 June 2013 the cash reserve provided is \$0.4m (2012: \$nil) and the credit protection provided is \$4.6m which is invested in leased assets.

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

Cash reserve accounts and enhancement deposit accounts are restricted under the securitisation arrangements. The funds will be repaid to the Group on request if the Company has paid more

than required for the Credit Protection. Once a month funds paid into the bank accounts, by the lessees, which do not relate to repayment of principal balances, will be returned to the Group.

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

#### (e) Fair values

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

	> 5 years		Non-Interest bearing		Total carrying amount as per Balance Sheet		Weighted Average Effective Interest Rate	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
	-	-	15	17	40,017	25,881	2.88%	2.08%
	-	-	17,498	18,586	17,498	18,586	-	-
	-	-	-	-	115,525	99,446	11.33%	13.58%
	-	-	1,794	223,051	1,794	223,051	-	-
	-	-	-	-	-	-	-	-
	-	-	-	125	-	125	-	-
	-	-	19,307	241,779	174,834	367,089	-	-
	-	-	22,301	18,044	22,301	18,044	-	-
	-	-	24,407	27,138	24,407	27,138	-	-
	-	-	-	-	101	164	11.85%	10.53%
	-	-	-	-	95,571	87,562	4.05%	4.78%
	45	-	-	-	1,971	3,291	4.88%	5.44%
	-	-	1,613	22,270	1,613	22,270	-	-
	-	-	-	9,132	-	16,133	-	8.48%
	-	-	-	-	605	91,067	4.31%	7.25%
	45	-	48,321	76,584	146,569	265,665	-	-

## Note 7: Revenue

	Consolidated entity	
	2013 \$'000	2012 \$'000
<b>Revenues from Continuing Operations</b>		
<b>Sales revenue</b>		
Revenue from sales of goods	71,242	86,075
Revenue from services	85,655	96,185
Interest Income	15,742	16,113
	172,639	198,373
<b>Other Income</b>		
Sundry	6,958	3,030
Interest rate swap income	1,478	960
Gain on foreign exchange	126	(7)
Profit on sale of fixed assets	68	374
	8,630	4,357

## Note 8: Profit From Continuing Operations

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

	Consolidated entity	
	2013 \$'000	2012 \$'000
<b>Changes in Inventories of Finished Goods</b>		
Cost of goods	40,527	51,673
Cost of sales – service	32,831	42,559
Cost of sales service (employee benefits)	15,552	20,044
Finance lease interest expense	7,124	8,454
<b>Total changes in inventories of finished goods</b>	<b>96,034</b>	<b>122,730</b>
<b>Deferred Consideration And Legal Expenses</b>		
Deferred consideration	(4,000)	2,800
Litigation settlements <sup>(1)</sup>	4,500	-
Working capital adjustment <sup>(2)</sup>	1,900	5,600
Associated legal and advisor costs	1,180	912
<b>Total deferred consideration and legal expenses</b>	<b>3,580</b>	<b>9,312</b>
<b>Other Expenses</b>		
Bad debts expense	525	1,913
Acquisition costs expensed	-	711
Impairment of non-listed investments	-	1,112
Restructuring and impairment	1,211	6,717
Other	43	639
<b>Total other expenses</b>	<b>1,779</b>	<b>11,092</b>
<b>Depreciation and Amortisation</b>		
Plant and equipment	2,856	2,830
Leased property, plant and equipment	523	-
Leasehold improvements	508	312
Amortisation of customer contracts/relationships	2,266	2,266
Amortisation of intangible assets	122	189
<b>Total depreciation and amortisation</b>	<b>6,275</b>	<b>5,597</b>
<b>Finance Costs</b>		
Interest and charges	920	10,853
<b>Total finance costs</b>	<b>920</b>	<b>10,853</b>

<sup>1</sup> Settlement relates to the Fuji Xerox Australia and Fuji Xerox Finance litigation

<sup>2</sup> Amount relates to a working capital adjustment that arose as part of the sale of the Technology Solutions division

## Note 9: Income Tax

	Consolidated entity	
	2013	2012
	\$'000	\$'000
<b>(a) Components of tax expense:</b>		
Current tax expense in respect of the current year:	3,015	(10,714)
Deferred tax expense recognised in the current year	2,415	622
Adjustments recognised in the current year in relation to the prior year	(547)	-
<b>Tax expense/(income) excluding sale from continuing operations</b>	<b>4,883</b>	<b>(10,092)</b>
Tax expense from continuing operations	4,883	(11,203)
Tax expense from discontinued operations	-	1,111
	4,883	(10,092)
Tax on gain on sale of discontinued operations	-	27,998
<b>Total tax expense</b>	<b>4,883</b>	<b>17,906</b>
<b>(b) Prima facie tax payable</b>		
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	13,600	(33,437)
Prima facie income tax payable on profit before income tax at 30.0% (2012: 30.0%)	4,080	(10,031)
Add tax effect of:		
• other non-allowable items	722	829
• effect of different tax rates in other jurisdictions (i)	(182)	7
• under provision for income tax in prior years	430	523
	5050	(8,671)
Less tax effect of:		
share-based payments	-	(21)
other non-assessable items	(167)	3
deferred tax asset not previously brought to account	-	-
recognition of deductible expense – cost based adjustment	-	(1,403)
	970	(8,671)
Income tax expense attributable to profit	4,883	(10,092)
<b>(c) Current tax</b>		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	22,270	(4,455)
Income tax	3,015	17,284
Tax refunds/(payments)	(23,413)	9,595
Under / (over) provisions	(736)	-
Exchange rate impact	(29)	(195)
Other	506	41
<b>Current tax liabilities (assets)</b>	<b>1,613</b>	<b>22,270</b>

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

## Note 9: Income Tax (Continued)

	Consolidated entity	
	2013	2012
	\$'000	\$'000
<b>(d) Deferred tax</b>		
Deferred tax relates to the following:		
<b>Deferred tax assets</b>		
The balance comprises:		
Inventories	493	546
Investments	-	334
Doubtful debts	445	474
Property, plant and equipment	243	-
Accrued expenses	399	2,627
Provision for annual and long service leave	878	1,024
Other provisions	384	904
Other	42	401
Blackhole deductions	824	75
<b>Total deferred tax assets</b>	<b>3,708</b>	<b>5,933</b>
<b>Deferred tax liabilities</b>		
The balance comprises:		
Accrued revenue	(1,508)	-
Property, plant and equipment	-	(500)
Capital raising costs	-	(526)
Other	(78)	-
<b>Total deferred tax liabilities</b>	<b>(1,586)</b>	<b>(1,026)</b>
<b>Net Deferred tax assets</b>	<b>2,122</b>	<b>4,907</b>
<b>(e) Deferred income tax (revenue)/expense included in income tax expense comprises</b>		
Decrease / (increase) in deferred tax assets	738	1,648
(Decrease) / increase in deferred tax liabilities	1,677	(1,026)
<b>Total</b>	<b>2,415</b>	<b>622</b>
(Decrease) / increase in DTA for discontinued operations	-	(2,478)
<b>(f) Deferred income tax related to items charged or credited directly to equity</b>		
Blackhole deductions	360	-
<b>Total</b>	<b>360</b>	<b>-</b>

## Note 10: Dividends on Ordinary Shares

	Consolidated entity	
	2013	2012
	\$'000	\$'000
<b>(a) Dividends paid during the year</b>		
<b>(i) Current Year Interim</b>		
Franked dividends (\$nil cents per share) (2012: 2.5 cents per share)	-	7,064
<b>(ii) Prior Year Final</b>		
Franked dividends (20 cents per share) (2012: 3 cents per share) paid out of the proceeds from the sale of the Technology business.	56,513	8,477
	<b>56,513</b>	<b>15,541</b>
<b>(b) Dividends proposed and not recognised as a liability</b>		
Franked dividends (\$nil cents per share) (2012: 20 cents per share)	-	-
<b>(c) Franking credit balance</b>		
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:	788	23,512
Impact of the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end	-	(24,219)
	<b>788</b>	<b>(707)</b>

## Note 11: Cash And Cash Equivalents

	Consolidated entity	
	2013 \$'000	2012 \$'000
Cash at bank	18,803	20,143
Restricted cash (i)	21,199	5,721
Cash on hand	15	17
	40,017	25,881

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

## Note 12: Receivables

	Consolidated entity	
	2013 \$'000	2012 \$'000
<b>Current</b>		
Trade receivables	17,835	19,823
Impairment	(337)	(166)
Staff and sundry loans	–	29
Receivable for sale of discontinued operation	–	227,500
Sundry debtors	1,794	1,122
	19,292	248,308
<b>Finance Lease receivables</b>		
Current	39,465	35,573
Non –current	76,060	63,872
	115,525	99,445

## Note 13: Inventories

	Consolidated entity	
	2013 \$'000	2012 \$'000
Finished goods	11,672	9,967
Consumables	9,453	8,854
Toner in Field	14,141	12,776
	35,266	31,597

Finished goods comprises of multi-function devices, printers and related accessories.

Toner in field comprises of unutilized toner held at customer premises.

During the year ended 30 June 2013, consumables valued at \$0.9m were written down to zero to account for consumables related to certain machine models that are no longer sold and not considered recoverable by the Group.

## Note 14: Other Current Assets

	Consolidated entity	
	2013 \$'000	2012 \$'000
Prepayments	1,453	770
Other	2,020	957
	3,473	1,727

## Note 15: Other Financial Assets

	Note	Consolidated entity	
		2013 \$'000	2012 \$'000
<b>Financial assets at fair value through profit and loss</b>			
Shares in listed corporations		–	125
		–	125

## Note 16: Property, Plant And Equipment

	Note	Consolidated entity	
		2013 \$'000	2012 \$'000
<b>Leasehold improvements</b>			
At Cost		3,096	2,675
Accumulated depreciation		(2,403)	(1,805)
	16 <sup>(a)</sup>	693	870
<b>Plant and equipment</b>			
At Cost		992	5,849
Accumulated depreciation		(564)	(3,726)
	16 <sup>(a)</sup>	428	2,123
<b>Furniture and fittings</b>			
At Cost		3,572	4,537
Accumulated depreciation		(2,575)	(2,989)
	16 <sup>(a)</sup>	997	1,549
<b>Office computer equipment</b>			
At Cost		10,112	8,587
Accumulated depreciation		(8,398)	(6,846)
	16 <sup>(a)</sup>	1,714	1,741
<b>Motor vehicles</b>			
At Cost		1,296	1,375
Accumulated depreciation		(620)	(495)
	16 <sup>(a)</sup>	676	880
<b>Leased plant &amp; equipment</b>			
At Cost		1,348	–
Accumulated depreciation		(779)	–
	16 <sup>(a)</sup>	569	–
<b>Total written down value</b>		<b>5,077</b>	<b>7,163</b>

**(a) Reconciliation of the carrying amount of property, plant and equipment at the beginning of the year**

<b>Leasehold improvements</b>			
Carrying amount		870	2,772
Transfer between classes		88	–
Disposals		–	(326)
Additions for continued operations		258	183
Disposals for discontinued operation		–	(1,453)
Foreign currency translation		(15)	6
Depreciation expense		(508)	(312)
		693	870



## Note 16: Property, Plant And Equipment (Continued)

	<b>Consolidated entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant &amp; equipment</b>		
Carrying amount	2,123	10,918
Transfer between classes	(1,018)	-
Disposals	-	(840)
Additions for continued operations	35	1,102
Disposals for discontinued operation	-	(8,485)
Foreign currency translation	-	117
Depreciation expense	(712)	(689)
	<b>428</b>	<b>2,123</b>
<b>Furniture &amp; fittings</b>		
Carrying amount	1,549	3,056
Transfer between classes	(294)	-
Disposals	(152)	(535)
Additions for continued operations	330	472
Disposals for discontinued operation	-	(620)
Foreign currency translation	(25)	18
Depreciation expense	(411)	(842)
	<b>997</b>	<b>1,549</b>
<b>Office computer equipment</b>		
Carrying amount	1,741	3,011
Transfer between classes	558	-
Disposals	(168)	-
Additions for discontinued operation	-	188
Additions for continued operations	1,199	815
Disposals for discontinued operation	-	(1,223)
Depreciation expense	(1,568)	(1,066)
Foreign currency translation	(48)	16
	<b>1,714</b>	<b>1,741</b>
<b>Motor Vehicles</b>		
Carrying amount	880	1,291
Transfer between classes	-	-
Disposals	(44)	(184)
Additions for continued operations	-	96
Disposals for discontinued operation	-	(90)
Depreciation expense	(160)	(233)
	<b>676</b>	<b>880</b>
<b>Leased plant &amp; equipment</b>		
Carrying amount	-	-
Transfer between classes	793	-
Disposals	(15)	-
Additions for continued operations	353	-
Disposals for discontinued operation	-	-
Depreciation expense	(523)	-
Foreign currency translation	(39)	-
	<b>569</b>	<b>-</b>

## Note 16: Property, Plant And Equipment (Continued)

### Change in estimates

During the year, the Group conducted a review of assets which resulted in changes in the expected usage of certain items. Certain office computer equipment, leasehold improvements and furniture and fittings are now considered no longer in use and as a result, the expected useful life of these assets has decreased. The effect of these changes on actual and expected depreciation expense in current and future years is as follows:

	2013 \$'000s	2014 \$'000s	2015 \$'000s	2016 \$'000s	Later \$'000s
Office Computer Equipment	512	(184)	(174)	(92)	(62)
Leasehold Improvements	230	(6)	(6)	(6)	(213)
Furniture and Fittings	23	(4)	(4)	(4)	(10)
<b>Total</b>	<b>765</b>	<b>(194)</b>	<b>(184)</b>	<b>(102)</b>	<b>(285)</b>

## Note 17: Intangibles

	Consolidated entity	
	2013 \$'000	2012 \$'000
<b>Goodwill</b>		
Goodwill on consolidation	111,794	114,127
Goodwill at cost	50,663	50,663
<b>Net carrying amount</b>	<b>162,457</b>	<b>164,790</b>
<b>Opening net book amount</b>	<b>164,790</b>	<b>237,035</b>
Adjustment to prior period acquisitions <sup>1</sup>	(2,333)	-
Disposals for discontinued operation	-	(72,245)
<b>Closing net book value</b>	<b>162,457</b>	<b>164,790</b>
<b>Customer Contracts\Relationships</b>		
Customer Contracts\Relationships on consolidation	31,727	31,727
Accumulated amortisation	(7,467)	(5,201)
<b>Net carrying amount</b>	<b>24,260</b>	<b>26,526</b>
Opening net book amount	26,526	28,792
Amortisation expense	(2,266)	(2,266)
<b>Closing net book value</b>	<b>24,260</b>	<b>26,526</b>
<b>Licenses and other intangibles assets</b>		
Licenses and other intangibles at cost	2,511	660
Accumulated amortisation	(457)	(361)
<b>Net carrying amount</b>	<b>2,054</b>	<b>299</b>
Opening net book amount	299	25,892
Additions for continued operations	1,882	305
Disposals for discontinued operation	-	(1,072)
Disposals	-	(24,637)
Amortisation expense	(127)	(189)
<b>Closing net book value</b>	<b>2,054</b>	<b>299</b>
<b>Total</b>	<b>188,771</b>	<b>191,614</b>

<sup>1</sup> Related to pre 1 July 2009 acquisition

## Note 17: Intangibles (Continued)

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:

	Consolidated entity	
	2013 \$'000	2012 \$'000
Business Solutions Australia	68,483	70,816
Business Solutions New Zealand	93,974	93,974
	162,457	164,790

The recoverable amounts of the CGUs are based on their value in use, determined by discounting the future cash flows covering a five year period, based on financial budgets approved by the Board.

Key assumptions used in the calculation of value in use were discount rate and the EBITDA growth rate, which are listed in the table below.

	Terminal Growth Rate		Discount Rate	
	2013	2012	2013	2012
Business Solutions Australia	2.5%	2.5%	11.6%	10.5%
Business Solutions New Zealand	2.5%	2.5%	9.4%	10.5%

The discount rate applied was a pre-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.

The Board has determined there are no reasonably possible changes that could occur in the two key assumptions that would cause the carrying amount of these CGUs to exceed their recoverable amount.

## Note 18: Payables

	Consolidated entity	
	2013 \$'000	2012 \$'000
<b>Current</b>		
Trade payables	22,301	18,044
Other payables	23,545	33,694
	45,846	51,738

## Note 19: Borrowings

		Consolidated entity	
	Note	2013 \$'000	2012 \$'000
<b>Current</b>			
<b>Secured</b>			
Term Debt		–	91,067
Lease and hire purchase liabilities <sup>(1)</sup>	24	70	70
Other		605	–
		675	91,137
<b>Non Current</b>			
<b>Secured</b>			
Lease and hire purchase liabilities <sup>(1)</sup>	24	31	94
		31	94

(1) Lease and hire purchase liabilities are secured by assets leased or under hire purchase.

## Debt Associated With Finance Lease Receivables

<b>Current</b>			
Loans and borrowings		33,860	5,683
Derivatives – Interest rate swaps		1,312	2,142
		35,172	7,825
<b>Non-Current</b>			
Loans and borrowings		61,711	81,879
Derivatives – Interest rate swaps		659	1,149
		62,370	83,028

Information about interest rate risk is detailed in Note 6.

## Note 20: Provisions

		Consolidated entity	
	Note	2013 \$'000	2012 \$'000
<b>Current</b>			
Employee Benefits		2,503	3,334
Other		259	2,015
		2,762	5,349
<b>Non Current</b>			
Employee Benefits		683	357
Other		1,148	–
		1,831	357

## Note 21: Contributed Equity

	Note	Consolidated entity	
		2013 \$'000	2012 \$'000
<b>(a) Issued and paid up capital</b>			
Ordinary shares fully paid		172,250	200,724
		172,250	200,724

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

	2013		2012	
	No. of shares	\$'000	No. of shares	\$'000
Beginning of the financial year	282,567,499	200,724	282,567,499	200,736
On-market share buy-backs	(4,412,022)	(2,141)	-	-
Capital distribution	-	(25,000)	-	-
Capital raising cost	-	-	-	(17)
Capital raising costs deferred tax asset	-	(1,333)	-	5
Balance at the end of the year	278,155,477	172,250	282,567,499	200,724

### (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) Options

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

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

During the 2013 financial year there were no additional options granted to employees or Directors.

#### Options on issue 30 June 2013:

Issued date	Expiry date	Exercise price	Opening 01/07/2012	Issued	Exercised	Lapsed	Closing 30/06/2013
ESOP Various	31/08/2012	\$0.68 – \$1.76	1,154,500	-	-	(1,154,500)	-
ESOP Various	31/08/2012	\$1.98	1,000,000	-	-	(1,000,000)	-
ESOP Various	31/08/2012	\$1.16	100,000	-	-	(100,000)	-
LTIP Issue 1 and 2	01/01/2014	\$1.09 – \$1.14	1,505,000	-	-	(485,000)	1,020,000
LTIP Issue 3	15/09/2014	\$0.75	750,000	-	-	-	750,000
			4,509,500	-	-	(2,739,500)	1,770,000

## Note 21: Contributed Equity (Continued)

Options on issue 30 June 2012:

Issued date	Expiry date	Exercise price	Opening 01/07/2011	Issued	Exercised	Lapsed	Closing 30/06/2012
ESOP Various	31/08/2012	\$0.68 – \$1.76	2,663,500	–	–	(1,509,000)	1,154,500
ESOP Various	31/08/2012	\$1.98	1,000,000	–	–	–	1,000,000
ESOP Various	31/08/2012	\$1.16	100,000	–	–	–	100,000
LTIP Issue 1 and 2	01/01/2014	\$1.18 – \$1.23	1,825,000	–	–	(320,000)	1,505,000
LTIP Issue 3	15/09/2014	\$0.84	–	750,000	–	–	750,000
<b>Total</b>		–	<b>5,588,500</b>	<b>750,000</b>	–	<b>(1,829,000)</b>	<b>4,509,500</b>

## (e) Performance Rights

On 28 June 2013 the Group granted 15,166,053 performance rights to the Executive Management Team and key management personnel (Refer to the Remuneration Report, LTIP Issue 5, 6 and 7). Each performance right represents an option 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 2013:

Issued Date	Performance Hurdle Date	Opening 01/07/2012	Issued	Lapsed	Closing 30/06/2013
LTIP Issue 5 & 7	01/07/2016	–	4,600,327	–	4,600,327
LTIP Issue 5 & 7	01/07/2017	–	5,859,333	–	5,859,333
LTIP Issue 5 & 7	01/07/2018	–	4,100,332	–	4,100,332
LTIP Issue 6	01/12/2015	–	606,061	–	606,061
LTIP Issue 4	01/07/2014	229,213	–	–	229,213
<b>Total</b>		<b>229,213</b>	<b>15,166,053</b>	–	<b>15,395,266</b>

Performance rights on issue at 30 June 2012:

Issued Date	Performance Hurdle Date	Opening 01/07/2011	Issued	Lapsed	Closing 30/06/2012
Various 2012	01/07/2013	–	40,000	(40,000)	–
LTIP Issue 4	01/07/2014	–	417,094	(187,881)	229,213
<b>Total</b>		–	<b>457,094</b>	<b>(227,881)</b>	<b>229,213</b>



## Note 22: Reserves and Retained Earnings

	Note	Consolidated entity	
		2013 \$'000	2012 \$'000
Share-based payment reserve	22 <sup>(a)</sup>	654	654
Foreign currency translation reserve	22 <sup>(b)</sup>	2,481	(961)
		3,135	(308)
<b>Retained earnings</b>	22 <sup>(c)</sup>	<b>71,402</b>	<b>120,351</b>

### (a) Share-based payment reserve

#### (i) Nature and purpose of reserve

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

#### (ii) Movements in reserve

Balance at beginning of year		654	583
Share based payments	8	–	71
<b>Balance at end of year</b>		<b>654</b>	<b>654</b>

### (b) Foreign currency translation reserve

#### (i) Nature and purpose of reserve

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

#### (ii) Movements in reserve

Balance at beginning of year		(961)	(900)
Exchange differences on translation of foreign operations		3,442	(61)
<b>Balance at end of year</b>		<b>2,481</b>	<b>(961)</b>

### (c) Retained Earnings

Balance at beginning of year		120,351	84,682
Net profit attributable to members		8,121	51,211
Share based payments		(557)	–
Total available for appropriation		127,915	135,893
Dividends paid	10	(56,513)	(15,541)
<b>Balance at end of year</b>		<b>71,402</b>	<b>120,351</b>

## Note 23: Cashflow Information

	Consolidated entity	
	2013	2012
	\$'000	\$'000
<b>(a) Reconciliation of cash flow from operations with profit after income tax</b>		
Profit/(loss) from ordinary activities after income tax	8,717	51,678
(Profit)/loss from discontinued operation	–	(73,912)
<b>Profit/(loss) from continued operations after income tax</b>	<b>8,717</b>	<b>(22,234)</b>
<b>Non-cash items</b>		
Profit/(loss) on sales of assets	(68)	(374)
Amortisation of intangibles	2,388	2,455
Depreciation of property, plant and equipment	3,887	3,142
Share based payments	–	71
Loan forgiveness	–	(17,004)
	<b>6,207</b>	<b>(11,710)</b>
<b>(Increase)/decrease in assets</b>		
Receivables	(1,516)	9,202
Prepayments	(1,621)	2,390
Inventories	(3,669)	4,897
Deferred tax assets	2,785	165
Lease receivables	(16,079)	8,568
<b>Increase/(decrease) in liabilities</b>		
Payables	(8,128)	(6,991)
Provisions	(1,113)	1,360
Debt associated with lease receivables	6,689	2,963
Tax provision	2,756	9,970
Tax (paid)/received	(23,413)	9,595
Interest paid/(received)	2,450	(10,853)
<b>Net cash flow from operating activities</b>	<b>(25,935)</b>	<b>(2,678)</b>
<b>(b) Reconciliation of cash</b>		
<b>Cash balance comprises:</b>		
Cash at bank	40,017	25,881
<b>Closing cash balance</b>	<b>40,017</b>	<b>25,881</b>
<b>(c) Credit stand-by arrangements and loan facilities</b>		
<b>Facilities</b>		
Multi-function facility <sup>(i)</sup>	25,000	121,602
Securitisation and lease finance facilities – NZ <sup>(ii) (iii)</sup>	107,405	99,836
Securitisation and lease finance facilities – Australia <sup>(iv)</sup>	25,000	–
	<b>157,405</b>	<b>221,438</b>
<b>Facilities Used</b>		
Multi-function facility	1,963	91,151
Securitisation and lease finance facility – NZ	91,290	87,562
Securitisation and lease finance facilities – Australia	5,408	–
	<b>98,661</b>	<b>178,713</b>
<b>Facilities Unused</b>		
Multi-function facility	23,037	18,663
Securitisation and lease finance facility – NZ	16,115	12,273
Securitisation and lease finance facilities – Australia	19,592	–
	<b>58,744</b>	<b>30,936</b>

(i) The Company has a multi-function facility with the Commonwealth Bank (Australian Senior Debt Facility). Debt facilities include bank bills, business loans, overdraft, equipment finance and contingent liabilities and are available to all members of the consolidated group including the parent. The multi-function facility includes an amount of \$1.3m in relation to various guarantees and security deposits provided by the bank on behalf of the Company.

(ii) The Group's Commonwealth Bank of Australia New Zealand funding facility ("NZ CBA"), securitised by finance lease receivables, ("Securitisation Facility") matures on 8 July 2014.

(iii) In January 2013 the Group refinanced the debt with Commonwealth Bank of Australia Asset Finance (NZ) Ltd ("Equigroup") and established a new Cash Advance Facility with Commonwealth Bank, secured by finance lease receivables, which matures on 24 January 2015.

(iv) During March 2013, CSG Finance Australia Pty Ltd was established to provide leasing products to Australian customers. The operations are funded by a new facility with the Commonwealth Bank of Australia and are provided to its subsidiary CSG Group Receivables Pty Ltd. This facility matures on 20 June 2016.

## Note 24: Lease Commitments

	Note	Consolidated entity	
		2013 \$'000	2012 \$'000
Lease expenditure commitments			
<b>(a) Operating Leases (non-cancellable)</b>			
(i) Operating leases relate to the lease of land, buildings and office computer equipment.			
(ii) Minimum lease payments.			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
No later than one year		5,280	4,919
Later than one year but not later than five years		10,717	11,496
Later than five years		1,205	1,604
		<b>17,202</b>	<b>18,019</b>

### (b) Finance leases

- (i) Finance leases relates to computer equipment, motor vehicles, furniture, and other office equipment. Lease terms vary from two to five years. Various lease arrangements in place have the option to purchase the assets for a nominal amount at the conclusion of the lease agreement.
- (ii) Future minimum lease payment and present value of the net minimum lease payment.

Not later than one year		77	81
Later than one year but not later than five years		33	103
Total minimum lease payments		110	184
Future finance charges		(9)	(20)
Present value of minimum lease payments		101	164
Included in financial statements as:			
Current liability	19	70	70
Non current liability	19	31	94
		<b>101</b>	<b>164</b>

Finance lease receivable

### (c) Finance leases

Finance lease receivable relates to assets held under finance leases recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments.

No later than one year	12	39,465	35,573
Later than one year but not later than five years	12	76,060	63,872
		<b>115,525</b>	<b>99,445</b>

## Note 25: Related Party Disclosures

### (a) Key Management Personnel Compensation

The key management personnel compensation comprised:

	Consolidated entity	
	2013 \$'000	2012 \$'000
Short-term employee benefits	3,173,874	3,934,107
Post-employment benefits	90,570	131,723
Termination benefits	628,195	247,470
Other long-term benefits	13,631	71,287
	<b>3,906,270</b>	<b>4,384,587</b>

## Note 25: Related Party Disclosures (Continued)

### (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 note, 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) Loans to related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant year.

	<b>Consolidated entity</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Loans made by CSG Limited to controlled entities under normal terms and conditions.		
The aggregate amounts receivable/(payable) from controlled entities by the parent entity at the end of the reporting period were :	67,244,429	47,705,000

### (d) Movements in Shares

The number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	<b>Held at 1 July 2012</b>	<b>Purchases</b>	<b>Received on exercise of options</b>	<b>Sales</b>	<b>Ceased as a KMP</b>	<b>Held at 30 June 2013</b>
<b>Directors</b>						
Mr. Thomas Cowan	19,924,622	–	–	–	–	19,924,622
Mr. Philip Bullock	37,927	–	–	–	–	37,927
Mr. Ian Kew	69,730	–	–	–	–	69,730
Mr. Philip Chambers	206,788	–	–	–	(206,788)	–
Mr. Josef Czyzewski	68,334	–	–	–	(68,334)	–
	<b>20,307,401</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(275,122)</b>	<b>20,032,279</b>

	<b>Held at 1 July 2011</b>	<b>Purchases</b>	<b>Received on exercise of options</b>	<b>Sales</b>	<b>Held at 30 June 2012</b>
<b>Directors</b>					
Mr. Thomas Cowan	19,924,622	–	–	–	19,924,622
Mr. Philip Bullock	37,927	–	–	–	37,927
Mr. Ian Kew	69,730	–	–	–	69,730
Mr. Philip Chambers	206,788	–	–	–	206,788
Mr. Denis Mackenzie	57,891,495	–	–	–	57,891,495
Mr. Josef Czyzewski	33,334	35,000	–	–	68,334
	<b>78,163,896</b>	<b>35,000</b>	<b>–</b>	<b>–</b>	<b>78,198,896</b>

### Executives

Mr. Kevin McLaine	1,157,240	–	–	(665,000)	492,240
	<b>1,157,240</b>	<b>–</b>	<b>–</b>	<b>(665,000)</b>	<b>492,240</b>

### (e) Group Entities

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

	Country of Incorporation	Ownership interest	
		2013 %	2012 %
<b>Parent Entity</b>			
CSG Limited <sup>(i)</sup>	Australia		
<b>Subsidiaries of CSG Limited</b>			
CSG Communications Pty Ltd	Australia	100	100
CSG Finance Pty Ltd	Australia	100	100
CSG Print Services NZ Limited <sup>(ii)</sup>	New Zealand	100	100
Anadex Pty Ltd ATF Anadex Trust	Australia	100	100
Bexton Professional Pty Ltd	Australia	100	100
Change Corporation Pty Ltd	Australia	100	100
CSG Enterprise Print Services Pty Ltd	Australia	100	100
A.C.N. 126 840 542 Pty Ltd	Australia	100	100
CSG Education Pty Ltd	Australia	100	100
Delexian Pty Ltd	Australia	100	100
Aaromba Technologies Pty Ltd	Australia	100	100
Aaromba Technologies WA Pty Ltd	Australia	100	100
CSG Management Services NZ Limited <sup>(iii)</sup>	New Zealand	100	100
<b>Subsidiaries of CSG Communications Pty Ltd</b>			
Connected Solutions Group Pty Ltd	Australia	100	100
CSG Print Services Pty Ltd	Australia	100	100
Sunshine Coast Office Equipment Pty Ltd	Australia	100	100
Haloid Holdings Pty Ltd	Australia	100	100
Seeakay Pty Ltd	Australia	100	100
<b>Subsidiaries of CSG Finance Pty Ltd</b>			
Leasing Solutions Limited <sup>(iii)</sup>	New Zealand	100	100
CSG Finance Australia Pty Ltd <sup>(iv)</sup>	Australia	100	–
<b>Subsidiaries of CSG Finance Australia Pty Ltd</b>			
CSG Finance Group Receivables Pty Ltd <sup>(iv)</sup>	Australia	100	–
<b>Subsidiaries of CSG Print Services NZ Limited</b>			
Konica Minolta Business Solutions New Zealand Limited	New Zealand	90	90
Ubix Business Solutions Limited <sup>(iii)</sup>	New Zealand	100	100
<b>Subsidiaries of Leasing Solutions Limited</b>			
Onesource Finance Limited	New Zealand	100	100
Solutions Group Receivables Limited	New Zealand	100	100

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

(ii) CSG Print Services NZ and CSG Management Services NZ Limited are part of a tax consolidated group in New Zealand.

(iii) Leasing Solutions Limited and its subsidiaries and UBIX Business Solutions are part of a tax consolidated group in New Zealand.

(iv) Registered on November 14, 2012

## Note 26: Deed Of Cross Guarantee

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

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

The above companies represent a 'Closed Group' for the purpose of the Class Order, and there are no other parties to the Deed of Cross Guarantee that are controlled by CSG Limited, that also

represent the 'Extended Closed Group'. Those wholly owned subsidiaries which are included in the Deed of Cross Guarantee are exempt from preparing a financial report and Director's Report under the terms of ASIC Class Order 98/1418 and the Corporation Act 2001.

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

	2013 \$'000	2012 \$'000
<b>Income Statement</b>		
Revenue and income <sup>1</sup>	97,338	160,881
Operating expenses	(80,725)	(168,696)
<b>Profit/(loss) before income tax expense</b>	<b>16,613</b>	<b>(7,815)</b>
Income tax (expense)/benefit	(2,736)	15,482
<b>Net profit/(loss)</b>	<b>13,877</b>	<b>7,667</b>
Profit/(loss) from discontinued operations	-	73,912
<b>Net profit/(loss)</b>	<b>13,877</b>	<b>81,579</b>

### Statement of Other Comprehensive Income and Retained Earnings

Profit/(loss) for the period	13,877	81,579
Other comprehensive income	-	71
<b>Total comprehensive income for the period</b>	<b>13,877</b>	<b>81,650</b>
Retained profits at the beginning of the year	111,109	45,000
<b>Dividends distributed</b>	<b>(56,513)</b>	<b>(15,541)</b>
<b>Retained profits at the end of the year</b>	<b>68,473</b>	<b>111,109</b>

### Statement of Financial Position

#### Current assets

Cash and cash equivalents	18,481	11,815
Trade and other receivables	9,710	234,921
Inventories	19,992	14,837
Lease receivables	4,357	-
Other current assets	1,596	53
<b>Total current assets</b>	<b>54,136</b>	<b>261,626</b>

#### Non-current assets

Other financial assets	-	125
Lease receivables	10,785	-
Property, plant and equipment	2,161	3,918
Deferred tax assets	2,436	3,425
Intangible assets	26,314	26,824
Goodwill	68,521	70,853
Investment in subsidiaries	116,638	116,638
<b>Total non-current assets</b>	<b>226,855</b>	<b>221,783</b>
<b>Total assets</b>	<b>280,991</b>	<b>483,409</b>



## Note 26: Deed Of Cross Guarantee (Continued)

	2013 \$'000	2012 \$'000
<b>Current liabilities</b>		
Trade and other payables	28,566	39,405
Deferred consideration	–	16,133
Deferred income	863	1,070
Borrowings	605	91,067
Debt associated with lease receivables	1,002	–
Provisions	1,450	22,719
<b>Total current liabilities</b>	<b>32,486</b>	<b>170,394</b>
<b>Non-current liabilities</b>		
Debt associated with lease receivables	4,406	–
Provisions	3,279	358
<b>Total non-current liabilities</b>	<b>7,685</b>	<b>358</b>
<b>Total liabilities</b>	<b>40,171</b>	<b>170,752</b>
<b>Net assets</b>	<b>240,820</b>	<b>312,657</b>
<b>Equity</b>		
Share capital	172,250	200,724
Reserves	97	824
Retained profits	68,473	111,109
<b>Total equity</b>	<b>240,820</b>	<b>312,657</b>

(1) Income includes intercompany dividends distributed from subsidiaries outside the Class Order Group.

## Note 27: Earnings Per Share

	Consolidated entity	
	2013 \$'000	2012 \$'000
<b>The following reflects the income and share data used in the calculations of basic and diluted earnings per share:</b>		
Profit/(loss) from continuing operations:	8,717	(22,234)
	8,717	(22,234)
Weighted average number of ordinary shares used in calculating basic earnings per share	280,367,532	282,567,499
<b>Effect of dilutive securities:</b>		
Effect of performance rights issued	124,653	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	280,492,185	282,567,499

## Note 28: Business Combination

### (a) Changes in composition of the entity during the 2013 year:

There were no changes in composition of the Company during the year ended 30 June 2013.

### (b) Changes in composition of the entity during the 2012 year:

As discussed in Note 29, the Company sold its Technology Solutions division in July 2012.

No other transactions affecting business combinations took place during the year.

### (c) Deferred Consideration

Business	2013			2012		
	Current Liability \$'000	Non-Current Liability \$'000	Total Liability \$'000	Current Liability \$'000	Non-Current Liability \$'000	Total Liability \$'000
Canon <sup>(i)</sup>	-	-	-	7,000	-	7,000
Delexian <sup>(i)</sup>	-	-	-	2,800	-	2,800
ATI <sup>(i)</sup>	-	-	-	2,333	-	2,333
Cinglevue <sup>(ii)</sup>	-	-	-	4,000	-	4,000
<b>Total</b>	-	-	-	<b>16,133</b>	-	<b>16,133</b>

(i) The balance outstanding was paid in July 2012 with no further payments or settlements required.

(ii) There are no current legal claims or outstanding amounts due related to the purchase of this previously acquired business and therefore it is not considered necessary to provide for any amount in the financial statements. Refer note 34 on contingent liabilities.

## Note 29: Discontinued Operation

	Note	2013 \$'000	2012 \$'000
<b>Results of discontinued operation</b>			
Revenue		-	182,567
Expenses		-	(171,711)
Results from operating activities		-	<b>10,856</b>
Tax		-	(1,111)
Results from operating activities, net of tax		-	<b>9,745</b>
Gain on sale of discontinued operation		-	92,165
Tax on sale of discontinued operation	9	-	(27,998)
<b>Profit for the year</b>		-	<b>73,912</b>
Basic earnings per share (cents)		-	26.2
Diluted earnings per share (cents)		-	26.2

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

### Cash flows from (used in) discontinued operation

Net cash from operating activities	-	35,208
Net cash from investing activities	-	(9,870)
Net cash from financing activities	-	(34,626)
<b>Net cash flows for the year</b>	-	<b>(9,288)</b>

Cash flows from financing activities included transfers to the Parent Entity of \$34.6m.

## Note 29: Discontinued Operation (Continued)

2012  
\$'000

### Effect of disposal on financial position of the Group

Cash and cash equivalents	1,605
Trade and other receivables	41,653
Inventories	399
Property, plant and equipment	11,872
Goodwill	72,245
Intangible assets	24,367
Trade and other payables	(24,756)
Provisions	(5,909)
Net assets and liabilities	121,475
Total consideration receivable	227,500
Less: working capital adjustments and other transaction costs	(13,860)
<b>Net consideration receivable</b>	<b>213,640</b>

## Note 30: Auditors Remuneration

Consolidated  
2013  
\$'000

2012  
\$'000

### Auditors remuneration parent entity

Amount received or due and receivable to KPMG (2012: Pitcher Partners):

Statutory audits and reviews (excluding disbursements)	145,000	404,000
Other services (excl. disbursements)	12,000	72,000
	157,000	476,000

### Auditors remuneration overseas subsidiaries

Amount received or due and receivable to KPMG:

Statutory audits and reviews (excluding disbursements)	124,000	142,000
Other services (excl. disbursements)	–	9,000
	124,000	151,000

## Note 31: Segment Information

### (a) Description of Segments

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

#### Print Services

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

- Print Service business centres providing integration and convergence of voice, print and data

- Managed Print Services delivering and implementing holistic managed print solutions and document output solutions
- Finance solutions for print services equipment

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

Management has determined that the Australian and New Zealand businesses are 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.

## Note 31: Segment Information (Continued)

## (b) Segment Information

2013	Consolidated				Total \$'000
	Technology Solutions (discontinued) \$'000	Print Services \$'000	Other Segments \$'000	Eliminations \$'000	
<b>Segment revenue</b>					
External segment revenue	-	180,788	3,851	-	184,639
Inter - segment revenue	-		11,917	(11,917)	-
<b>Total</b>	<b>-</b>	<b>180,788</b>	<b>15,768</b>	<b>(11,917)</b>	<b>184,639</b>
<b>Segment result</b>					
Interest revenue	-	-	3,370	-	3,370
Interest expense	-	791	129	-	920
Depreciation & amortisation	-	4,038	2,237	-	6,275
Total segment Profit/(loss) before income tax	-	17,742	(4,142)	-	13,600
<b>Total Segment Assets (i)</b>	<b>-</b>	<b>395,351</b>	<b>14,192</b>	<b>-</b>	<b>409,543</b>
<b>Total Segment Liabilities (i)</b>	<b>-</b>	<b>140,324</b>	<b>10,838</b>	<b>-</b>	<b>151,162</b>

2012	Consolidated			Total \$'000
	Technology Solutions (discontinued) \$'000	Print Services \$'000	Other Segments \$'000	
<b>Segment revenue</b>				
External segment revenue	281,103	202,805	-	483,908
Inter-segment revenue	-	22,354	(22,354)	-
<b>Total</b>	<b>281,103</b>	<b>225,159</b>	<b>(22,354)</b>	<b>483,908</b>
<b>Segment result</b>				
Interest revenue	-	-	75	75
Interest expense	-	-	10,853	10,853
Depreciation & amortisation	1,856	1,714	2,027	5,597
Total segment Profit/(loss) before income tax	103,021	(3,618)	(29,819)	69,584
<b>Total Segment Assets (i)</b>	<b>152,142</b>	<b>360,977</b>	<b>242,162</b>	<b>755,281</b>
<b>Total Segment Liabilities (i)</b>	<b>30,665</b>	<b>133,061</b>	<b>138,314</b>	<b>302,040</b>

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

## c) Geographical Information

The Print Services segments are managed on a worldwide basis, but operate sales offices in Australia and New Zealand.

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.

	2013			Total \$'000
	Australia \$'000	Print Services New Zealand	Other Segments \$'000	
Revenue	85,493	99,146	-	184,639
Assets	409,750	351,959	(352,166)	409,543

## Note 31: Segment Information (Continued)

	2012			Total \$'000
	Australia \$'000	Print Services New Zealand	Other Segments \$'000	
Revenue	102,284	100,521	-	202,805
Assets	646,746	332,527	(368,506)	610,767

## Note 32: Subsequent Events

Subsequent to 30 June 2013, settlement of the working capital adjustment with NEC was finalised and an amount of \$7.5m was paid to NEC. There are no further payments due or receivable on the sale of the Technology Solutions division. This amount was provided for in full at 30 June 2013.

## Note 33: Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2013 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	
	2013 \$'000	2012 \$'000
<b>Result of the parent entity</b>		
Profit for the year <sup>1</sup>	9,049	114,512
Total profit and other comprehensive income for the year	9,049	114,512
<b>Financial position of parent entity at year end</b>		
Current assets	77,682	301,534
Total assets	256,341	471,758
Current Liabilities	19,342	158,413
Total liabilities	19,512	158,433
<b>Total equity of the parent entity comprising of:</b>		
Issued capital	172,250	200,724
Reserves	97	654
Retained earnings	64,482	111,946
Total equity	236,829	313,325

<sup>1</sup> Profit for the year includes intercompany dividend distributions.

### Note 34: Contingent Liabilities

During the year the Company has received correspondence regarding earn out payments under two historical purchase agreements. The agreements relate to the purchase of the Cinglevue and ATI businesses in 2008 and the maximum payments are capped at \$5.6m and \$2.3m respectively.

In relation to the ATI matter, there is currently no known or threatened claim against the Company and therefore no provision has been made.

In relation to the Cinglevue matter, the Company has complied with its order for inspection of documents. At this stage, the Company does not have clarity in relation to the nature of the potential claim and therefore no provision has been made.

There is a risk that the vendors may commence legal proceedings against the Company seeking the post completion payments.

# Directors' Declaration

## CSG Limited and Controlled Entities

### Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 34 to 72 in accordance with the *Corporations Act 2001*:

- (a) comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2013 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2013.

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



**Ms Julie-Ann Kerin**  
Director  
Sydney, 20 August 2013





## Independent auditor's report to the members of CSG Ltd

### Report on the financial report

We have audited the accompanying financial report of CSG Ltd ("the company"), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit and loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

### **Report on the remuneration report**

We have audited the Remuneration Report included in pages 16 to 29 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of CSG Ltd for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.



KPMG



Scott Guse  
*Partner*

Brisbane

20 August 2013

# Shareholding Information

as at 13 September 2013

In accordance with Listing Rule 4.10 of the Australian Stock Exchange Limited, the Directors provide the following shareholding information as at 13 September 2013.

## Substantial Shareholders

Name	Number of Shares	% of Shares
Caledonia (Private) Investments Pty Limited & its associates	60,914,624	21.84
Lynden Investments (NT) Pty Ltd in its own capacity and in its capacity as trustee of the Mackenzie Family Trust	30,117,937	10.80
TDM Asset Management Pty Limited & its associates	19,924,622	7.14
Paradice Investment Management Pty Ltd	19,092,972	6.85

## Voting Rights

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

## Distribution of Shareholding

Range	Total holders	Number of Shares	% of Issued Capital
1 – 1,000	432	136,517	0.05
1,001 – 5,000	740	2,269,711	0.81
5,001 – 10,000	410	3,244,132	1.16
10,001 – 100,000	607	18,784,290	6.74
100,001 – and over	103	254,438,425	91.24
<b>Total</b>	<b>2,292</b>	<b>278,873,075</b>	<b>100.00</b>

## Less than Marketable Parcels

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

## On-market Buy-back

As at the date of this report, there is no current on-market buy-back being undertaken by the Company.

## Twenty Largest Shareholders

Name	Number of Shares at 13 September 2013	% of Issued Capital
UBS Nominees Pty Ltd	45,619,023	16.36
HSBC Custody Nominees (Australia) Limited	43,217,849	15.50
Lynden Investments Nt Pty Ltd <The Mackenzie Family A/C>	30,066,190	10.78
UBS Wealth Management Australia Nominees Pty Ltd	19,738,803	7.08
National Nominees Limited	15,152,562	5.43
Aust Executor Trustees SA Ltd <Tea Custodians Limited>	13,812,068	4.95
RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	11,432,073	4.10
J P Morgan Nominees Australia Limited	8,443,231	3.03
Citicorp Nominees Pty Limited	8,148,969	2.92
Boltec Pty Ltd <Boller Family A/C>	6,956,915	2.49
Manderrah Pty Ltd <William Vicars S/Fund A/C>	6,352,055	2.28
CJH Holdings Pty Limited <CJ Howard Super Fund A/C>	4,656,779	1.67
J P Morgan Nominees Australia Limited <Cash Income A/C>	2,756,211	0.99
HSBC Custody Nominees (Australia) Limited <Nt-Comnwith Super Corp A/C>	2,655,588	0.95
HSBC Custody Nominees (Australia) Limited-Gsco Eca	2,608,068	0.94
QIC Limited	2,513,518	0.90
Glenmar NT Pty Ltd <The GM Phillips Family A/C>	2,279,915	0.82
Equity Trustees Limited <SGH IC2E>	1,472,981	0.53
AJA Investments Pty Limited <Foundation Invest Sf A/C>	1,444,904	0.52
Contemplator Pty Ltd <ARG Pension Fund A/C>	1,293,193	0.46
<b>Total</b>	<b>230,620,895</b>	<b>82.70%</b>

# Corporate Directory

CSG Limited ABN 64 123 989 631

---

## Registered Office

252 Montague Road  
West End QLD 4101  
**t** +61 7 3840 1234  
**f** +61 7 3840 1222  
**w** [www.csg.com.au](http://www.csg.com.au)

---

## Directors

**Tom Cowan**  
Non-Executive Chairman

**Ian Kew**  
Non-Executive Director

**Phil Bullock**  
Non-Executive Director

**Julie-Ann Kerin**  
Managing Director

---

## Company Secretary

**Jillian Bannan**

---

## Share Registry

**Computershare Investor Services  
Pty Limited**  
452 Johnston Street  
Abbotsford VIC 3067  
**t** 1300 850 505  
**w** [www.computershare.com](http://www.computershare.com)

---

## Auditor

**KPMG**  
71 Eagle St  
Brisbane QLD 4000



Printed on 100% post consumer waste recycled paper, made with a carbon neutral manufacturing process.



More than you expect.

[csg.com.au](http://csg.com.au)