

CSG LIMITED ANNUAL REPORT 2008

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CSG welcomes you to its 2008 Annual Report.

An exciting first full year as an ASX Listed company saw CSG:

- Grow Revenue by 74%
- Grow Staff Numbers by 35%

chairman's letter

continuing our track record of strong performance and growth

My Fellow Shareholders,

I am pleased to present to you the Annual Report of CSG Limited (CSG) in its first full financial year as an ASX listed company.

This past year has seen CSG once again exceed forecast results and continue our track record of strong performance and growth in all businesses. Overall revenue grew by 74% to \$132.6 million over the previous financial year whilst profit before tax increased to \$26.687 million -growth of 80%.

The 2008 financial year has seen CSG acquire 5 additional businesses, expanding our geographical operations into most States of Australia. In addition we have had further contract successes in the Managed Services business thus maintaining and building on our core strength

of delivering outstanding customer service in both urban and country Australia.

On behalf of the Board of Directors I would like to congratulate the management team on another successful year. Momentum is strong as we move into 2008/9 and our expectations are for further strong growth across the business. Our focus will continue to be on sustainable growth that can be maintained and improved.

The Board and management team will continue to focus on strong growth both organic and through further acquisitions, with the emphasis remaining on the delivery of outstanding customer experiences achieved through highly motivated and professional staff thus driving increased value for

shareholders. I would like to thank all of our customers and shareholders for their continued support of CSG Limited.

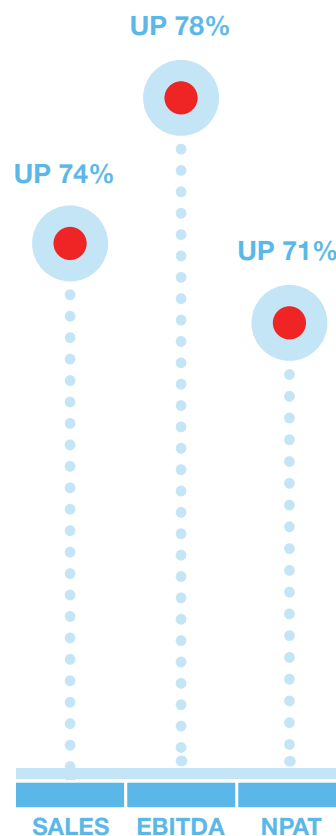


Philip C. Chambers,
Chairman

The 2008 financial year has seen CSG acquire 5 additional businesses, expanding our geographical operations into most States of Australia.



Philip Chambers
Chairman



managing director's report

**Additional business acquisitions combined
with continued organic growth**



Welcome to CSG Limited's second annual report as an ASX listed company. The last twelve months have seen CSG continue to grow and perform strongly. Additional business acquisitions in Victoria, Western Australia and Queensland combined with continued organic growth have resulted in CSG outperforming both its prospectus forecasts and 2007 financial year results.

managing director's report (continued)

The 2008 financial year has been tremendous for CSG. CSG has again exceeded its prospectus forecasts and exceeded its 2007 financial year results through its determined focus on organic and acquisitive growth.

Financial Highlights

- Revenue of \$132.6m million ; 74% above 2007 results
- EBITDA of \$33.5 million; 78% above 2007 results
- NPAT of \$18.8 million; 71% above 2007 results
- Earnings per share growth of 70%.
- Staff numbers of 618; an additional 160 over 2007

Operational Highlights

- Awarded and commenced delivery of the Northern Territory Department of Education and Training's IT infrastructure outsourcing contract
- Grew our Xerox Business Centres business through the acquisition of the Xerox Business Centres in Toowoomba and Cairns
- Grew and expanded geographically our Enterprise Services business through the acquisition of three businesses:
 - Anadex Pty Ltd (in Melbourne),
 - Bexton Professional Pty Ltd (in Melbourne); and
 - Change Corporation Pty Ltd (in Perth).
- Achieved organic growth in areas of the business.

We have continued our carefully planned organic growth and acquisitive growth strategies and they remain the fundamental drivers of our business into the future.

CSG continues to be an Information Technology and Office Supplies and Services company headquartered in the Northern Territory. CSG now has more than 600 staff delivering IT services to a diverse customer group that includes Governments, Corporates and Small and Medium Enterprises.

The 2008 year was our first full year as an ASX listed company and I am extremely pleased with our results. We have again achieved and exceeded our prospectus forecasts giving market credibility to our company, our staff and our business model.

CSG undertook five acquisitions in the 2008 financial year in accordance with our acquisitive growth strategy. We also turned down several acquisition opportunities as we are determined to only acquire businesses that fit our defined investment criteria. The acquisitions we did further extend our geographic reach into Victoria and regional Queensland and achieved growth in our service offering in Western Australia. CSG now has operations in the Northern Territory, Western Australia, Queensland (Brisbane, Maroochydore, Cairns and Toowoomba), Victoria and since balance date, the ACT.

CSG also continued our planned organic growth in all businesses with contract wins during 2008. The full year effect of these wins will be seen from financial year 2009 onwards. We will continue the process of leveraging customers across our business divisions and this will be one of our focuses in the 2009 financial year.

It is pleasing that CSG's financial results and forecasts continue to benefit from quality locked in income streams across our business, with a large proportion of CSG's revenue for 2009 locked in with fixed term contracts in most areas of CSG's business.

I am delighted that CSG has performed well above expectations in the first full year as a listed company, particularly given the challenging environment in Australia in the last half of the financial year which has not affected CSG's operations.

While we are still one integrated CSG, we are managed in three businesses and I have commented on the performance of these businesses in 2008 and their focus for performance in 2009 below.

Managed Services

This business continues to be focused on providing desktop, midrange server, LAN and WAN services, messaging and help desk services to clients under large multi-year contracts.

The business has had volume and revenue growth this year. CSG won the Northern Territory Department of Education's IT outsourcing contract during 2008. This sees CSG being the provider to the Northern Territory Government of four key IT services. Two of these services are provided by CSG in its own right and two are provided by CSG as a subcontractor to a multi-national organisation.

CSG appointed a new dedicated Group General Manager to this business in June 2008 and the growth prospects for this business are exciting. CSG is well placed to win upcoming tenders with the trend still being for customers to multi-source their IT needs. While the sales cycles are long in this business, the contracted revenue streams are long once a tender has been won.

CSG will continue to assess large acquisition opportunities in this business which either add to existing geographical space or create new market opportunities.

managing director's report (continued)

CSG's acquisition of ATI Group Pty Ltd in August 2008 has facilitated our expansion into the Canberra market.

Print Services

CSG now has Xerox Business Centres in the Northern Territory, Brisbane, Maroochydore, Cairns and Toowoomba.

The Brisbane Xerox Business Centre continues to be the largest Xerox Business Centre in Australia and achieved 28% growth year on year during 2008.

Clients' businesses are continuing to benefit from greater use of multi function devices (a device that prints, faxes, copies, scans and performs other document management functions) and the shift from black and white printing to colour printing is ongoing. The replacement of printers with multi-function devices provides a sound platform for increased market share and organic growth in this business.

During 2008 the business has focused on market share in each location and will continue to focus on the churn to colour devices in 2009. In 2009 CSG will add Managed Print Services to the operations of this division allowing CSG to manage all of a customer's in-house

printing needs. Managed Print Services is an exciting addition to our product offering and will enhance CSG's ability to capture more prints on which we earn revenue.

Enterprise Services

Our most notable acquisitive growth in 2008 has been in this business. Growth has been driven by our strategic acquisitions of two Melbourne based businesses, Anadex Pty Ltd and Bexton Professional Pty Ltd and a second Perth based business, Change Corporation Pty Ltd. Our strong base in Perth now positions CSG well to capitalise on the resources sector spend in the Western Australian market. CSG now employs over 200 people in Perth making CSG one of the largest IT employers in the state. Our businesses in Victoria add to the skill sets of the business with a focus on the utilities industry which is undergoing significant regulatory change. The business is also gearing itself for emerging opportunities in Green IT as well as the anticipated continued replacement of core systems under many large transformation projects. The enterprise services business, as a result, now has a broader service offering such as pre-packaged application sales and integration,

high end consulting, IT services and bespoke application development. A new dedicated group general manager was appointed to this business in August 2008 who will help create and drive integration for further growth. The business is well placed to continue to grow organically within its current customer base in Western Australia and Victoria as well as by leveraging the opportunities created by building synergies and sharing knowledge with the other CSG businesses. As such, in 2009 Enterprise Services will focus on building synergies with the other CSG businesses as well as utilising its geographic reach and seeking out cross selling opportunities.

Our Staff

We place high value upon securing and retaining outstanding staff. Our staff are the differentiators in our business and the foundation of our successes.

CSG recognises the need to attract and retain innovative, focused and highly skilled professional staff.

Again the acquisitive growth that has occurred in 2008 has seen our staff numbers increase by 160 or 35% during this financial year. I am extremely pleased that we have a focused, dedicated and ambitious team

of professionals continuing to deliver service to our valued clients and I wish to thank them for their contribution to achieving a successful 2008.

Financial Results

	FY 2006	FY 2007	Growth	FY 2008	Growth
	\$ million	\$ million	%	\$ million	%
Revenue	32.7	76.2	133%	132.7	74%
EBITDA	7.8	18.8	141%	33.5	78%
PBT	5.2	14.9	187%	26.7	79%
NPAT	3.5	11.0	214%	18.8	71%

Our growth has been very exciting and is our continued focus. The last 3 years reported numbers validate our strategy for growth and the hard work and dedication of all our staff. The board and management team of CSG are more excited than ever about the opportunities to continue this growth into the future. We will continue to work on opportunities that will provide step change growth in our company particularly in terms of earnings per share accretion.

Notwithstanding any further developments, 2009 is already set for continue growth in the business. We are yet to see in our results the full year effect of some of our acquisitions and contract wins. Many of the initiatives around organic growth will also add to revenue and profit in 2009 across all our businesses.

This growth however requires continued change and strengthening of our management team. I am very pleased with two recent appointments of new Group General Managers to manage our Managed Services and Enterprise Services businesses.

Looking Forward

The outlook for CSG is exciting and continued strategic acquisitive growth and organic growth remain our key business drivers. Our approach to acquisitive growth will be selective and directed towards opportunities that fit within our defined criteria.

Our acquisition of ATI in Canberra in 2009 will add significant annuity streams to our printing and document management business over time and will form the basis of expansion of our Managed Services division into the Federal Government space.

Approximately 60% of our revenue rolls forward and an even higher percentage of our profit is locked in and rolls forward. This quality locked in earnings is a sought after feature of our business that helps protect against down turns. CSG has predictable cash flows and accumulating multi-year contract revenue across all our business.

Case Study

Business transformation using services oriented architecture drives profit and efficiency.

Fortron

GENERATOR eBusiness Platform

Industry - Financial Services

SUCCESS STORY

change 
corporation
A CSG COMPANY

GENERATOR eBusiness Platform

Industry Financial Services
Capabilities Business Consulting, Information Management, Value Chain,
Application Development



“Together we have developed a technology enabled business transformation program that has delivered outstanding results and dramatically improved our competitive position in the insurance market.”

Laurie Holder, Managing Director
Fortron Insurance Group

About the Client

Fortron Insurance Group offers insurance products to the Motor and related industries delivered through a national sales channel of over 300 dealers and agents.

Client Requirements

Fortron engaged with Change Corporation to deliver a solution that would Web enable their sales channel, align their business with their IT systems, automate and streamline their back office systems, transform their paper-based records to electronic and provide a reliable platform delivering business agility so that they could innovate more effectively and respond better to changing market forces.

Our Solution

Change Corporation embarked on an SOA transformation for Fortron, which involved transforming not only its IT systems but also its business processes. The existing business processes were centred around manual paper-based processes, supported by three legacy systems that were not workflow enabled and were poorly aligned with the business. This prevented Fortron from evolving and optimising its business processes to best meet the needs of each business unit.

The solution also involved the delivery of a Web-based sales portal called FASTR. This system enabled Fortron's car dealership network to get instant quotations and to create insurance proposals online. This electronic self-serve approach meant that dealers no longer needed to fill out lengthy insurance proposal forms, and Fortron no longer needed to manually key these proposals into the system.

The FASTR system also provided an automatic risk assessment engine, meaning that dealers knew immediately on the spot whether their proposals would be approved.

Once the insurance proposals were approved, back office systems then automatically handle writing the policy, registering the insured party in the CRM, raising the invoice for the purchase of the policy and the allocation of the commissions to the dealer and agent for the sale of the policy.

This straight through processing approach meant that the volume of policies that could be written by Fortron was increased by an order of magnitude, without having to increase the number of people on staff.

The system automatically detects any outlying situation and sidelines the item to be reviewed by a staff member. A fully integrated human workflow system assigns work items to groups of workers. An available worker then takes the next available task of the work queue and completes the task. When the task is completed, the system then resumes its original process before the outlier was detected.

This solution won three categories at the 2008 State iAwards including the e-logistics, financial applications and general applications categories.

Business Benefits

- > Increased business agility – the time taken to introduce a new product was in some cases reduced from months to days
- > Automation of business processes – decreased the time taken to receive and process an insurance proposal from up to a month to minutes. This considerably reduced Fortron's exposure to risk, whilst also reducing the cost of human labour and eliminating the associated errors. This in combination with a human workflow system also allowed Fortron to specialise its workforce so that risk assessment could be assigned to highly skilled risk assessors, while day-to-day customer support tasks could be assigned to customer service operators.
- > Increased the quality of business written – The automated risk assessment process meant that far fewer high risk policies were approved.
- > Better reuse of IT investments – SOA has enabled Fortron to implement business logic in support of core business processes once, and then reuse that logic as new product lines are introduced.
- > Better performance and reliability – The services comprising Fortron's architecture are designed in such a way that any one service failing does not impact the operation of any other service.
- > Integration into legacy systems further reduced the amount of manual effort needed, further streamlining their business processes.



board of directors



Mr Philip Chambers
Non-Executive Chairman



Mr Denis Mackenzie
Managing Director



Mr Michael Brodie
Non-Executive Director



Mr Andrew Kroger
Non-Executive Director



Mr Ian Kew
Non-Executive Director

corporate governance statement

The Board of the 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 and 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, Continue Disclosure and External Communications and Securities Trading. Copies of these charters and policies are available to shareholders on request.

This corporate governance statement is referenced against the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council in August 2007.

PRINCIPLE 1: 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 formally adopted 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 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 for information to the Board) to support the agreed strategic plans; and
- monitoring and reviewing the performance of the Company against the agreed strategic plans and goals.

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 Managing Director must consult the Board on matters that are sensitive, extraordinary or of a strategic nature.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The Board presently comprises five Directors, three of whom, including the Chairman, are non-executive and independent Directors. Michael Brodie is a non-executive Director, but is not regarded as independent, having regard to the principles set out below. The Managing Director is an executive Director. Profiles of the Directors are set out on pages 18 and 19 of this Annual Report.

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 his terms of engagement.

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

The Majority of Directors ought to be independent

To be independent, a Director ought to 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;

corporate governance statement (continued)

- 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% of the advisor's or consultant's total annual billings or greater than 5% of the Company's annual (before tax) profit;
- not be a supplier or customer whose annual revenues from the group represent more than 5% of the Company's annual (before tax) profit or more than 5% 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; and
- 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.

Director Selection

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 to consider for Board membership. A selection procedure is then completed, which includes a review of the candidates' independence, and the Board appoints the most suitable candidate who, in accordance with clause 13.9 of the Company's constitution, must retire but

may stand for re-election at the next annual general meeting of shareholders.

Board Committees

The Board has established an Audit Committee and a Nomination and Remuneration Committee, which operate under formal Charters (see Principle 4 and Principle 5). The Board has not established a separate risk management committee, as the Board has determined that these matters are appropriately addressed by the full Board.

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.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION- MAKING

Code of Conduct

The Company has developed a Code of Conduct to guide of 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.

These codes of conduct embrace such areas as:

- conflicts of interest;
- use of information or position;
- use of Company property;

- confidentiality;
- fair dealing;
- compliance with the law;
- whistle blowing; and
- political contributions and activities.

Share trading policy

The Company has adopted a formal Securities Trading Policy, which applies to Directors, the Company Secretary and to all executives 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 6 week period after the release to the ASX of the half-yearly and annual results, the end of the AGM or 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.

An Officer may trade in securities at other times only if they are personally satisfied that they are not in possession of inside information and, with respect to Directors and senior executives, 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 Chairman for the purpose.

Directors and all senior executives 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.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board established a formal Audit Committee on 1 March 2007 under a separate charter. A majority of the members of the Committee are independent non-executive Directors and the chairman of the Committee is not the chairman of the Board. As the Managing Director is a member of the Audit Committee, an element of ASX Corporate Governance Council Best Practice Recommendation 4.3, with respect to only non-executive Directors sit on an audit committee, is not met. However, the Board believes that the Managing Director should form part of the Audit Committee, given his knowledge of the various Company business units. Meetings of the Committee may be attended by invitation by the Chief Financial Officer.

All members of the Committee are financially literate (ie they are able to read and understand financial statements) and have an understanding of the industry in which the Company operates. The Directors do not believe that at this stage the Company is of a size or has affairs of such complexity to warrant the appointment of a Director who is a qualified accountant or financial professional. However, the Board will monitor that position regularly and assess the composition of the Audit Committee if circumstances change. Further, the Board envisages that the Chief Financial Officer, who is a Fellow of CPA Australia, will work actively with the Audit Committee.

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; and
- approving internal audit plans including identified risk areas.

The Board will require 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 operational results and are in accordance with relevant accounting standards. 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 implements the policies adopted by the Board.

PRINCIPLE 5: 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.

In demonstration of this commitment, the Company has adopted a formal Continuous Disclosure and External Communications Policy. 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 Listing Rule 3.1, except where such information is not required to be disclosed in accordance with the exception provisions of the Listing Rules.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communications 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 Company's Continuous Disclosure and External Communications Policy, the Board seeks to empower shareholders by:

- communicating effectively with shareholders;

corporate governance statement (continued)

- enabling shareholders access to balanced and understandable information about the Company, its operations and proposals; and
- assisting shareholders participation in general meetings.

All shareholders are entitled to receive a copy of the Company's annual and half-yearly reports.

Participation in meetings

The Board is committed to assisting shareholders participation in meetings. In particular, and in accordance with the Company's Continuous Disclosure and External Communications Policy, the Company will ensure that a representative of the Company's external auditor, subject to availability, 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.

PRINCIPLE 7: 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 (as required by Recommendation 7.1), which is available to shareholders on request. 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.

Under the Company's Risk Management Policy, and as outlined under Principle 4, 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 implements the policies adopted by the Board.

The board is developing a program to identify particular areas of risk and mitigation actions flowing from that.

PRINCIPLE 8: 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.

Accordingly, and as noted previously, the Board has established a Nomination and Remuneration Committee, which, amongst other matters, is responsible for the following:

- 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; and
 - reviewing and approving appropriate disclosures to be included in the Company's annual report regarding the Committee, its activities and performance.
- reviewing and approving the appropriate remuneration of Directors, the Managing Director and senior executives 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;

directors' report

The directors present their report together with the financial report of the consolidated entity consisting of CSG Limited and the entities it controlled, ("CSG" or "the Company") for the financial year ended 30 June 2008 and auditor's report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

Principal Activities

The principal activities of the consolidated entity during the financial year were provision of information technology and office supply and services.

There has been no significant change in the nature of these activities during the financial year, other than the acquisitions as detailed at Note 24.

Results

The consolidated profit after income tax attributable to the members of CSG was \$18.8m (2007: \$10.97m).

Review of Operations

The 2008 financial year saw continued growth and change in our company. We combined our existing, implemented and proven organic growth strategy with a carefully developed acquisitive growth strategy. Organic growth and acquisitive growth are now the fundamental drivers of our business going forward.

Financial Highlights

- Revenue 33% above prospectus forecast.
- EBITDA of \$33.5 million; 31% above prospectus forecast.
- Net profit after tax of \$18.8 million; 34% above prospectus forecast.
- Earnings per share growth of 70% and 33% above prospectus forecast.
- Staff numbers of 618; compared to 458 in 2007.

Operational Highlights

- Purchased the companies that operate the Xerox Business Centres in Toowoomba and Cairns.
- Purchased Anadex Pty Ltd, a Melbourne based software and services provider.
- Purchased Bexton Professional Pty Ltd, a Melbourne based IT Services business.

- Purchased Change Corporation Pty Ltd, a Perth based IT Consulting and Services business.
- Appointed as contractor for the Northern Territory's Department of Education and Training infrastructure outsourcing contract.

Significant Changes in the State of Affairs

During the year, the company purchased the subsidiaries listed in the Review of Operations section of this report. The company issued 2,133,383 shares as consideration for acquisitions.

Other than the above, there have been no significant changes in the consolidated entity's state of affairs during the financial year.

After Balance Date Events

Other than the matters disclosed in Note 27, there are no material after balance date events.

Likely Developments

The company will continue to pursue its operating strategy to create shareholder value. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

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

Dividend Paid, Recommended and Declared

A 2 cents per share interim dividend was paid in April 2008 and directors have announced a final dividend of 2 cents per share to be paid in October 2008. The dividends paid or declared since the start of the are as follows:

directors' report (continued)

Dividend Paid, Recommended and Declared (continued)

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Dividends paid during the year				
(i) Current year interim Franked dividends (2 cents per share)	3,420	–	3,420	–
(ii) Previous year Dividends paid to vendor shareholders prior to listing	–	8,006	–	–
(b) Dividends proposed and not recognised as a liability				
Franked dividends (2 cents per share)	3,420	–	3,420	–

Shares Under Option

Unissued ordinary shares of CSG Ltd under option at the date of this report are as follows:

Number of unissued ordinary shares under option	Exercise price of options	Expiry date of the options
2,500,000	\$1.25	Refer to Note 18

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.

Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity has paid a premium amounted to \$41,887 insuring all the directors and the officers against judgements, settlements, investigative costs, defence costs and costs to appear at inquiries or investigations.

Proceedings on Behalf of the Consolidated Entity

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

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of CSG Ltd 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 Philip Chambers Non-Executive Chairman

Philip joined the board in February 2007. Philip 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. Philip has a Bachelor of Science degree from Bristol University, England.

Philip is a member of the Audit and Nomination and Remuneration Committees.

Mr Denis Mackenzie Managing Director

Denis is a foundation shareholder and Managing Director of CSG. Denis has worked in CSG since 1996. Denis has run the business since 2001 and has been responsible for and delivered the organic and acquisitive growth of the business during that time. Denis continues to develop and implement strategy to grow the business and diversify into other jurisdictions throughout Australia. Prior to CSG, Denis worked at Macquarie Bank and Coopers and Lybrand. Denis has a commerce degree and a first class honours degree in

finance obtained from the University of Queensland. Denis is a member of the AIIA Northern Territory branch committee.

Denis is a member of the Audit and Nomination and Remuneration Committees.

Mr Michael Brodie
Non-Executive Director

Michael started employment with the Brisbane Xerox Business Centre as a salesman and was promoted to Sales Manager, General Manager and then Managing Director. Over the last 20 years he has developed a successful Xerox copier business based on document applications and customer satisfaction, focusing on the SME market. Michael grew the Brisbane Xerox Business Centre to be the largest Xerox Copier dealer in Australia over the last 5 years. Michael holds a Bachelor of Business Accountancy from Queensland University of Technology and was appointed to the board of CSG in March 2007.

Mr Andrew Kroger
Non-Executive Director

Andrew has had a career in stockbroking, law and general management including two years running Forsayth Limited in 1990 which was Australia's ninth largest gold producer at that time. Andrew is currently a Director of a listed investment fund, Strategic Pooled Development Limited, and Managing Director of Process Wastewater Technologies Limited, a company with its major business being in wastewater in the United States. Andrew was appointed to the CSG board in March 2007.

Andrew is Chairman of the Nomination and Remuneration Committee.

Mr Ian Kew
Non-Executive Director

Ian is the Chief Executive Officer for Airport Development Group Pty Ltd which has interests in Darwin International, Alice Springs and Tennant Creek Airports. Ian spent 20 years working for Shell in a variety of oil marketing, operations, change management and special project positions. Ian is on the Board of the Darwin Symphony Orchestra and the Australian Airports Association. Ian has an economics degree from Monash University and was appointed to the board in March 2007.

Ian is Chairman of the Audit Committee.

Barbara Jensen
Company Secretary

Barbara is an experienced finance executive and has been with the company for four years. She has held various management positions in finance and accounting over the past 30 years, having worked in Australia, Thailand and Hong Kong.

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

Directors	Board Meetings		Audit Committee		Nomination and Remuneration Committee	
	(i)	(ii)	(i)	(ii)	(i)	(ii)
Mr. Philip Chambers	13	12	3	3		
Mr. Denis Mackenzie	13	13	3	3	1	1
Mr. Michael Brodie	13	12				
Mr. Ian Kew	13	13	3	3	1	1
Mr. Andrew Kroger	13	12			1	1

(i) Number of meetings held during the year

(ii) Number of meetings attended

Directors' Interests in Shares or Options

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

	Ordinary Shares of CSG	Options over shares in CSG
Denis Mackenzie	50,791,495	Nil
Michael Brodie	20,391,053	250,000
Andrew Kroger	1,000,000	250,000
Philip Chambers	100,000	250,000
Ian Kew	Nil	250,000

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 22 to the financial statements.

directors' report (continued)

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-Audit Services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, 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 by any entity that is part of the consolidated entity for:	2008 \$'000	2007 \$'000
Investigating Accountant's Report	–	255
Due diligence on acquisitions and other assurance	118	–

Remuneration Report

Remuneration Policies

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole. The board has established a Nomination and Remuneration Committee, which, amongst other matters, is responsible for the following:

- reviewing and approving the appropriate remuneration of Directors, the Managing Director and senior executives 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; and
- reviewing and approving appropriate disclosures to be included in the Company's annual report regarding the Committee, its activities and performance.

The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

For key management personnel, the company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment thereby aligning director and shareholder interests. The remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the company for shareholders.

Non-executive directors receive fees and options.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution.

The names and positions of each person who held the position of director at any time during the financial year is provided above. The five named executives in the consolidated group who are in decision making positions for the financial year are listed below. It is deemed that no other executives meet the definition of executive officer.

Executives

Mr. David Ward
Mr. Bruce Dinsdale
Mr. Kevin McLaine
Mr. Brian Lee
Mr. Trevor Oliver

Position

Group General Manager
Group General Manager
Chief Financial Officer
Group General Manager
General Manager

Contracts of employment

	Expiry	Termination notice	Termination payment
Directors			
Mr Denis Mackenzie	Not specified	6 months	6 months
Executives			
Mr. David Ward	Not specified	1 week	1 week
Mr. Bruce Dinsdale	Not specified	4 weeks	4 weeks
Mr. Brian Lee	Not specified	4 weeks	4 weeks
Mr. Kevin McLaine	1–Jan–10	9 months	9 months
Mr. Trevor Oliver	Not specified	4 weeks	4 weeks

Share Options

Options over unissued ordinary shares granted by CSG Ltd during or since the end of the financial year to directors and the 5 highest paid executives as part of their remuneration were as follows:

	Issued	Cancelled	Remaining
Directors			
Denis Mackenzie	500,000	500,000	–
Executives			
Kevin McLaine	1,000,000	500,000	500,000
David Ward	400,000	200,000	200,000
Bruce Dinsdale	350,000	200,000	150,000
Trevor Oliver	200,000	100,000	100,000

Directors decided to cancel 1,500,000 and re-issue 950,000 options due to the options having lost their incentive value due to fall in the price of the shares.

Incentive payments

Performance Incentive payments have been made to Trevor Oliver during the year to 30 June 2008.

The performance condition is achievement of budgeted profit before tax amounts agreed prior to the commencement of the financial year. The performance incentive is paid upon achieving quarterly budgeted results. This is deemed to be the appropriate measure for Mr. Oliver as he has profit and loss responsibility and management of a profit centre. He was paid 100% of the bonus as all targets were achieved.

directors' report (continued)

Directors' Remuneration

	Short-Term		Post	Share-based		TOTAL	TOTAL	Paid in
	Salary	Cash	employment	payments			PERFORMANCE	Options
	fees	Bonus	Super	Options			RELATED	
	\$	\$	\$	\$	\$	%	%	%
2008								
Mr Philip Chambers	91,743	–	7,637	14,810	114,190	0%	13%	
Mr Denis Mackenzie (i)	321,100	–	28,899	43,629	393,628	0%	11%	
Mr Michael Brodie	55,046	–	4,954	14,810	74,810	0%	20%	
Mr Ian Kew	55,046	–	4,954	14,810	74,810	0%	20%	
Mr Andrew Kroger	55,046	–	4,954	14,810	74,810	0%	20%	
	577,981	–	51,398	102,869	732,248			14%
2007								
Mr Philip Chambers	22,873	–	2,059	14,356	39,288	0%	37%	
Mr Denis Mackenzie (ii)	207,625	545,000	42,385	–	795,010	0%	0%	
Mr Michael Brodie	13,724	–	1,235	14,356	29,315	0%	49%	
Mr Ian Kew	13,724	–	1,235	14,356	29,315	0%	49%	
Mr Andrew Kroger	13,724	–	1,235	14,356	29,315	0%	49%	
	271,670	545,000	48,149	57,424	922,243			6%

(i) The options granted were subsequently cancelled. Refer to the table on page 24.

(ii) This cash bonus was not performance related.

Executives' Remuneration

	Short-Term		Post employment Super \$	Share-based payments Options \$	TOTAL \$	TOTAL PERFORMANCE RELATED %	Paid in Options %
	Salary fees \$	Cash Bonus \$					
2008							
Mr. David Ward	252,200	–	–	1,101	253,301	0%	0%
Mr. Bruce Dinsdale (i)	218,650	–	12,119	5,778	236,547	0%	2%
Mr. Brian Lee (ii)	9,615	–	865	–	10,480	0%	0%
Mr. Kevin McLaine	225,000	–	–	2,752	227,752	0%	1%
Mr. Trevor Oliver	138,440	100,000	15,351	550	254,341	39%	0%
	843,905	100,000	28,335	10,181	982,421		1%
2007							
Mr. David Ward	242,727	–	–	–	242,727	0%	0%
Mr. Bruce Dinsdale	80,891	–	9,707	–	90,598	0%	0%
Mr. Kevin McLaine	30,000	–	–	14,356	44,356	0%	32%
Mr. Trevor Oliver	138,440	105,000	17,860	–	261,300	40%	0%
	492,058	105,000	27,567	14,356	638,981		2%

(i) Option expense includes 200,000 options cancelled. Refer to table on page 24.

(ii) Employed for part of the relevant year. Mr. Brian Lee commenced employment in June 2008.

Options granted as remuneration are subject to the company option plan. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments.

Performance Related: Performance based bonus above is payable on certain earnings targets set for executive's profit centre responsibilities. The bonuses paid in 2007 and 2008 were structured on achievement of the relevant earnings targets.

directors' report (continued)

Options

(a) Compensation Options: Granted and vested during the year

				Value per option at grant date	Terms and conditions for each grant				
					Exercise Price \$	Expiry Date	First Exercise Date	Last Exercise Date	Cancel date
Directors									
Mr Denis Mackenzie	–	500,000	1/08/2007	\$0.13	1.60	1/08/2010	1/08/2008	31/07/2010	25/06/2008
Executives									
Mr. David Ward	–	200,000	1/08/2007	\$0.13	1.60	1/08/2010	1/08/2008	31/07/2010	25/06/2008
Mr. Bruce Dinsdale	–	150,000	25/06/2008	\$0.05	1.25	30/06/2008	22/02/2008	30/06/2009	
Mr. Bruce Dinsdale	–	200,000	1/08/2007	\$0.13	1.60	1/08/2010	1/08/2008	31/07/2010	25/06/2008
Mr. Kevin McLaine	–	500,000	1/08/2007	\$0.13	1.60	1/08/2010	1/08/2008	31/07/2010	25/06/2008
Mr. Trevor Oliver	–	100,000	1/08/2007	\$0.13	1.60	1/08/2010	1/08/2008	31/07/2010	25/06/2008
Mr. David Ward	–	200,000	25/06/2008	\$0.04	1.25	1/08/2010	1/08/2008	31/07/2010	
Mr. Kevin McLaine	–	500,000	25/06/2008	\$0.04	1.25	1/08/2010	1/08/2008	31/07/2010	
Mr. Trevor Oliver	–	100,000	25/06/2008	\$0.04	1.25	1/08/2010	1/08/2008	1/08/2010	
	–	2,450,000							

The cost of options has been calculated using the Black-Scholes method of calculation. Refer to Note 18.

Value of options granted as remuneration that have been exercised or lapsed during the year:

	Balance 1/07/07 \$	Value Granted \$	Value Exercised \$	Value Lapsed \$	Balance 30/06/08 \$
Directors					
Mr Philip Chambers	14,356	–	–	–	14,356
Mr Denis Mackenzie (i)	–	43,629	–	(43,629)	–
Mr Michael Brodie	14,356	–	–	–	14,356
Mr Ian Kew	14,356	–	–	–	14,356
Mr Andrew Kroger	14,356	–	–	–	14,356
	57,424	43,629	–	(43,629)	57,424
Executives					
Mr. David Ward	–	1,101	–	–	1,101
Mr. Bruce Dinsdale	–	5,778	–	(4,363)	1,415
Mr. Brian Lee	–	–	–	–	–
Mr. Kevin McLaine	14,356	2,752	–	–	17,108
Mr. Trevor Oliver	–	550	–	–	550
	14,356	10,181	–	(4,363)	20,174

(i) Options granted were subsequently cancelled.

(b) Options granted as remuneration that have been exercised or lapsed during the financial year :

	Balance 01/07/2007	Granted as remuneration	Options exercised	Net change other	Balance 30/06/2008	Total vested 30/06/08	Total Exercisable 30/06/08	Total Unexercisable 30/06/2008
Directors								
Mr. Philip Chambers	250,000	-	-	-	250,000	-	83,333	166,667
Mr Denis Mackenzie	-	500,000	-	(500,000)	-	-	-	-
Mr Michael Brodie	250,000	-	-	-	250,000	-	83,333	166,667
Mr Ian Kew	250,000	-	-	-	250,000	-	83,333	166,667
Mr Andrew Kroger	250,000	-	-	-	250,000	-	83,333	166,667
	1,000,000	500,000	-	(500,000)	1,000,000	-	333,332	666,668
Executives								
Mr. David Ward	-	400,000	-	(200,000)	200,000	-	-	200,000
Mr. Bruce Dinsdale	-	350,000	-	(200,000)	150,000	-	37,500	112,500
Mr. Kevin McLaine	200,000	1,000,000	-	(500,000)	700,000	-	66,667	633,333
Mr. Trevor Oliver	-	200,000	-	(100,000)	100,000	-	-	100,000
	200,000	1,950,000	-	(1,000,000)	1,150,000	-	104,167	1,045,833

*Note: Net change includes options forfeit and cancellation.

Rounding of Amounts

The amounts contained in the report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



Mr Denis Mackenzie
Director

Darwin

26 September 2008



PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of CSG Limited

In relation to the independent audit for the year ended 30 June 2008, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001.
- (ii) No contraventions of any applicable code of professional conduct.

T J BENFOLD
Partner
26 September 2008

PITCHER PARTNERS
Melbourne

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financial report for the year ended 30 june 2008

consolidated income statement for the year ended 30 june 2008

	Notes	Consolidated Entity		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from continuing operations	4	132,676	76,167	8,356	3,624
Cost of goods sold	5	(47,023)	(24,145)	-	-
Gross Profit		85,653	52,022	8,356	3,624
Other revenue	4	845	792	5,274	103
Marketing expenses		(692)	(63)	(25)	-
Occupancy expenses		(3,249)	(1,374)	(676)	(2)
Administration expenses		(6,725)	(605)	(543)	(160)
Depreciation and amortisation	5	(4,174)	(2,977)	(2)	-
Finance costs	5	(2,661)	(960)	(1,782)	(169)
Employee benefits	5	(38,846)	(25,163)	(1,422)	(262)
Sub-contract expenses		(2,989)	(3,416)	(235)	(31)
Other expenses		(475)	(3,377)	(63)	(27)
Share of net loss of associates accounted for using equity method		-	(27)	-	-
Profit before income tax		26,687	14,852	8,882	3,076
Income tax expense	6	(7,888)	(3,878)	(1,283)	(940)
Profit from continuing operations	5	18,799	10,974	7,599	2,136
Basic earnings per share	23	\$0.11083	\$0.06500		
Diluted earnings per share	23	\$0.11006	\$0.06450		

The accompanying notes form part of these financial statements

consolidated balance sheet as at 30 june 2008

	Notes	Consolidated Entity		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
CURRENT ASSETS					
Cash and cash equivalents	8	8,289	13,406	274	6,946
Receivables	9	21,490	11,291	11,288	3,624
Inventories	10	1,824	1,590	–	
Other	11	563	366	209	145
TOTAL CURRENT ASSETS		32,166	26,653	11,771	10,715
NON CURRENT ASSETS					
Receivables	9	122	5	123	–
Other financial assets	12	1,006	3	1,006	–
Investments in controlled entities		–	–	57,523	14,079
Deferred Tax Assets	6	1,971	841	1,971	323
Property, plant and equipment	13	14,790	11,243	7	–
Intangible assets	14	93,861	50,088	29,390	29,390
TOTAL NON CURRENT ASSETS		111,750	62,180	90,020	43,792
TOTAL ASSETS		143,916	88,833	101,791	54,507
CURRENT LIABILITIES					
Payables	15	27,834	17,757	8,227	2
Short Term borrowings	16	218	4,679	–	–
Payable to Related Parties		–	–	10,144	5,568
Current tax payable	6	3,629	2,302	3,629	1,263
Provisions	17	2,296	1,407	62	16
TOTAL CURRENT LIABILITIES		33,977	26,145	22,062	6,849
NON CURRENT LIABILITIES					
Payables	15	5,499	1,000	5,499	–
Long term borrowings	16	38,489	16,332	23,872	6,400
Provisions	17	749	451	3	–
TOTAL NON CURRENT LIABILITIES		44,737	17,783	29,374	6,400
TOTAL LIABILITIES		78,714	43,928	51,436	13,249
NET ASSETS		65,202	44,905	50,355	41,258
EQUITY					
Contributed equity	18	43,907	39,051	43,907	39,051
Reserves	19	133	71	133	71
Retained earnings	19	21,162	5,783	6,315	2,136
TOTAL EQUITY		65,202	44,905	50,355	41,258

The accompanying notes form part of these financial statements

consolidated statement of changes in equity for the year ended 30 june 2008

	Notes	Consolidated Entity		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
TOTAL EQUITY AT THE BEGINNING OF THE YEAR		44,905	3,721	41,258	–
Employee Share Options	19	62	71	62	71
Net Income recognised directly in equity		62	71	62	71
Profit for the year after income tax		18,799	10,974	7,599	2,136
Total recognised income and expense for the period		18,861	11,045	7,661	2,207
Attributable to:					
Members of parent		18,861	11,018	7,661	2,207
Share of net loss of associates		–	27	–	–
		18,861	11,045	7,661	2,207
Transactions with equity holders in their capacity as equity holders:					
Original share capital eliminated on corporate restructure		–	(906)	–	–
Dividends/distributions paid	7	(3,420)	(8,006)	(3,420)	–
Share capital issued on corporate restructure	18	–	6,506	–	6,506
Share capital issued to public via float	18	–	16,672	–	16,672
Acquisition of Flemdale Pty Ltd and Xstream Pty Ltd	18	–	20,391	–	20,391
Acquisition of Bexton Professional Pty Ltd	18	1,500	–	1,500	–
Acquisition of Power Accounting Pty Ltd	18	2,000	–	2,000	–
Capital raising costs	18	–	(4,518)	–	(4,518)
Deferred tax asset on capital raising costs incurred in prior year	18	1,356	–	1,356	–
		1,436	30,139	1,436	39,051
TOTAL EQUITY AT THE END OF THE YEAR		65,202	44,905	50,355	41,258

The accompanying notes form part of these financial statements

consolidated statement of cash flows for the year ended 30 june 2008

		Consolidated Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		140,562	73,525	110	–
Payments to suppliers, employees and others		(107,609)	(54,855)	(2,989)	(383)
Interest income		350	291	274	103
Borrowing costs paid		(2,661)	(960)	(1,782)	(169)
Income tax paid		(7,178)	(2,259)	(1,023)	–
Net cash flows from (used in) operating activities	20(a)	23,464	15,742	(5,410)	(449)
CASH FLOW FROM INVESTING ACTIVITIES					
Payments for investments		(1,006)	(1,100)	(1,006)	–
Payments for licenses		(2,258)	(897)	–	–
Payments for property, plant & equipment		(7,260)	(7,157)	(9)	–
Proceeds from property, plant & equipment		432	3,754	–	–
Payments for businesses	24	(32,605)	(20,450)	(26,598)	(14,078)
Net cash flows used in investing activities		(42,697)	(25,850)	(27,613)	(14,078)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issue of equity securities		–	60,532	–	60,532
Payment for share issue costs		–	(4,518)	–	(4,518)
Payment to Vendor shareholders		–	(43,861)	–	(43,861)
Proceeds from borrowings		21,144	16,707	17,472	9,320
Loans Repaid		(2,891)	(808)	–	–
Intercompany Loan		–	–	12,299	–
Dividends and reserve distributions		(3,420)	(8,006)	(3,420)	–
Net cash flows from financing activities		14,833	20,046	26,351	21,473
Net increase/(decrease) in cash held		(4,400)	9,938	(6,672)	6,946
Cash/(overdraft) at the beginning of the financial year		12,689	2,751	6,946	–
Cash/(overdraft) at the end of the financial year	20(b)	8,289	12,689	274	6,946

The accompanying notes form part of these financial statements

notes to the financial statements 30 june 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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 financial report covers CSG Ltd as an individual parent entity and CSG Ltd and controlled entities as a consolidated entity. CSG Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the directors on 26 September 2008.

The following is a summary of material accounting policies which have been adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

Historical Cost Convention

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

(a) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all of the entities, which CSG Ltd controlled from time to time during the year and at balance date. Details of the controlled entities are contained in Note 22.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

(b) Business Combinations

The directors identified for the 2007 financial statements that the business combination, encompassing the restructure of CSG that occurred in March 2007 constituted a reverse acquisition as defined under AASB 3: Business Combinations. Accordingly, the consolidated financial statements have been issued under the name of the new legal parent entity, CSG Limited, but reflect a continuation of the financial statements of the aggregated CSG Group with common control that existed prior to the restructure of the group.

For business combinations involving entities under common control, which are outside the scope of AASB 3: Business Combinations, the company applies the purchase method of accounting by the legal entity.

The cost of business combinations is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by CSG in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

(c) 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 has passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Rendering of Services

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

- (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.

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 CSG entity and passed onto the finance company. A sale is recognised when goods have been despatched 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 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.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

Distributions are recognised when the right to receive the distribution has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(e) Receivables

All trade receivables are recognised initially at fair value, and subsequently at amortised cost, less a provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables 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 provision 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 provision is recognised in the income statement.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion.

(g) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and 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 other 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 income statement.

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.

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:

notes to the financial statements 30 june 2008 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset	Rate	Method
Leasehold improvements	2.5% – 4%	Diminishing value and straight line
Planes	2.5% – 37.7%	Diminishing value and straight line
Plant and Equipment	5% – 50%	Diminishing value and straight line
Motor Vehicles	8.75% – 25%	Diminishing value
Office Computer Equipment	15% – 50%	Diminishing value and straight line
Furniture and Fittings	7.5% – 37.5%	Diminishing value and straight line
Leased Plant and Equipment	20% – 50%	Straight line

(h) Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share 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 business combination is not amortised. Instead, 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 if goodwill relating to the entity is sold.

Licences

Licences 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 licences over their estimated useful life.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the company 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 income statement 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 prepayments 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.

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 Income Statement 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 Black-Scholes option 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.

(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.

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, unless they are directly attributable to qualifying assets.

Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Lease Income

Lease income from operating leases is recognised on a straight line basis over the term of the relevant lease, except to the extent that another systematic basis is more representative of the pattern in which economic benefits derived from the leased asset are consumed.

(n) Contributed equity

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 share or for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

(o) Income tax

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.

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 assets are recognised for 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

CSG Limited and its 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.

The economic entity has not yet determined the financial impact on the deferred tax asset and liability balances at 30 June 2008, however there is expected to be no material adjustments on consolidation.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

notes to the financial statements 30 june 2008 (continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments

Classification

The entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification of financial instruments depends on the purpose for which the financial instrument was acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets

Investments in listed securities are carried at fair value through profit and loss. Financial instruments 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. Fair value of listed investments are based on current bid prices. Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Loans and Receivables

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost,

comprising original debt less principal payments and amortisation.

(r) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(s) Rounding Amounts

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.

(t) New Accounting Standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Estimated impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable

amount of a CGU is based on value-in-use calculations. These calculations are based on projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a discount rate of between 9.5% – 10% to determine value-in-use.

(b) 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.

(c) 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.

(d) 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.

NOTE 3: FINANCIAL RISK MANAGEMENT

The major financial instruments entered into by the group comprise short term trade receivables and payables and long-term borrowings. The consolidated entity 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 consolidated entity is exposed to a variety of financial risks comprising:

- (a) Interest rate risk
- (b) Credit risk
- (c) Liquidity risk
- (d) Fair values

The board of directors has overall responsibility for identifying and managing operational and financial risks.

(a) Interest rate risk

The consolidated entity'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 as follows:

Financial Instruments	Floating Interest Rate		Fixed Interest Rate Maturing in :							Non Interest bearing		Total carrying amount as per Balance Sheet		Weighted Average Effective Interest Rate	
			1 year or less		1 – 5 years		> 5 years								
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 %	2007 %	
(i) Financial Assets															
Cash and Cash Equivalents	8,283	13,402	–	–	–	–	–	–	6	4	8,289	13,406	6.00%	4.20%	
Trade Receivables	–	–	–	–	–	–	–	–	18,502	8,752	18,502	8,752			
Sundry Debtors	–	–	–	–	–	–	–	–	2,988	2,539	2,988	2,539			
Other financial assets	–	–	–	–	–	–	–	–	1,006	3	1,006	3			
Other receivables	–	–	–	–	–	–	–	–	122	5	122	5			
Total Financial Assets	8,283	13,402	–	–	–	–	–	–	22,624	11,303	30,907	24,705			
(ii) Financial Liabilities															
Bank overdraft	–	717	–	–	–	–	–	–	–	–	–	717	9.82%	7.75%	
Trade Payables	–	–	–	–	–	–	–	–	8,803	6,009	8,803	6,009			
Other Payables	–	–	–	–	–	–	–	–	10,064	5,653	10,064	5,653			
Finance Lease & Hire Purchase Liability	–	–	218	3,453	7,182	6,839	–	–	–	–	7,400	10,292	7.69%	8.10%	
Current Tax Liability	–	–	–	–	–	–	–	–	3,629	2,302	3,629	2,302			
Deferred Consideration	–	–	–	–	–	–	–	–	14,466	7,095	14,466	7,095			
Bank loans	–	–	–	306	3,012	735	–	–	–	–	3,012	1,041	9.68%	7.45%	
Bills Payable	8,295	–	–	203	20,000	8,758	–	–	–	–	28,295	8,961	7.69%	6.15%	
Total Financial Liabilities	8,295	717	218	3,962	30,194	16,332	–	–	36,962	21,059	75,669	42,070			

notes to the financial statements 30 june 2008 (continued)

NOTE 3: **FINANCIAL RISK** **MANAGEMENT (continued)**

(a) Interest rate risk (continued)

Interest rate transactions entered into by the consolidated entity exchange variable and fixed interest payment obligations to protect long term borrowings from the risk of increasing interest rates. The entity has both variable and fixed rate debt and entered into swap contracts to fix the interest rate on \$10,000,000 of borrowings until 1 January 2011 at 7.73% and to cap the interest rate on a further \$10,000,000 of borrowings until 1 December 2009 at 7.5%.

(b) Credit risk exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in Balance Sheet and Notes to the Financial Statements.

The consolidated entity 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.

Concentrations of credit risk

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

(c) Liquidity Risk

The operating business produces excess cash on an ongoing basis. Refer to note 20(c) for details on the unused banking facility.

(d) Fair values

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

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 4: REVENUE				
Revenues from continuing operations				
<i>Sales Revenue</i>				
Revenue from sale of goods	42,955	42,671	–	–
Revenue from services	89,721	33,194	–	–
Distributions	–	–	8,356	3,624
Other	–	302	–	–
	132,676	76,167	8,356	3,624
<i>Other Revenue</i>				
Interest	350	291	274	103
Dividends	–	–	5,000	–
Sundry	420	142	–	–
Rental	45	22	–	–
Profit on sale of fixed assets	30	337	–	–
	845	792	5,274	103

notes to the financial statements 30 june 2008 (continued)

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 5: PROFIT FROM CONTINUING OPERATIONS				
Profit from continuing operations before income tax has been determined after the following specific expenses:				
<i>Cost of goods sold</i>				
Cost of services	13,486	–	–	–
3rd party products	33,537	24,145	–	–
Cost of goods sold	47,023	24,145	–	–
<i>Employee benefits expense</i>				
Share based payments	62	71	62	71
Other employee benefits	38,784	25,092	1,360	191
Employee benefits expense	38,846	25,163	1,422	262
<i>Depreciation/Amortisation of non-current assets</i>				
Property, plant and equipment	3,560	2,791	2	–
Leased property, plant and equipment	144	186	–	–
Amortisation of license costs	470	–	–	–
Total depreciation/amortisation of non-current assets	4,174	2,977	2	–
<i>Other</i>				
Movement in provision for doubtful debts	–	25	–	–
Bad debts	67	65	–	–
Operating lease rental	974	698	–	–
<i>Finance costs expensed</i>				
Interest and charges	2,661	960	1,782	169
Total finance costs expensed	2,661	960	1,782	169

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 6: INCOME TAX				
(a) The components of tax expense:				
Current tax	7,848	4,215	1,111	1,263
Deferred tax	40	(337)	172	(323)
Total income tax expense	7,888	3,878	1,283	940
(b) The Prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit before tax	26,687	14,852	8,882	3,076
Share of net loss of associates accounted for using the equity method	–	27	–	–
Profit from operations	26,687	14,879	8,882	3,076
Less: unit trust distributions to vendor shareholders prior to listing	–	(2,000)	–	–
Taxable profit from operations	26,687	12,879	8,882	3,076
Income tax calculated at 30%	8,006	3,864	2,265	923
Non deductible expenses, net	104	130	30	3
Other	(222)	(116)	(1,012)	14
Income tax expense	7,888	3,878	1,283	940
(c) Current tax liabilities				
Current tax liabilities	3,629	2,302	809	1,263
Inter-company tax balance	–	–	2,820	–
	3,629	2,302	3,629	1,263
(d) Deferred tax balances				
Deferred tax assets comprise:				
Temporary differences	1,971	841	990	323
Inter-company tax balance	–	–	981	–
	1,971	841	1,971	323

notes to the financial statements 30 june 2008 (continued)

NOTE 6: INCOME TAX (continued)

Consolidated Entity 2008	Opening Balance	Business combinations	Charged to income	Charged to equity	Closing balance
Gross deferred tax liabilities:					
Property, plant and equipment	(183)	–	(123)	–	(306)
Other	(15)	–	3	–	(12)
	(198)	–	(120)	–	(318)
Gross deferred tax assets:					
Doubtful debts	14	–	6	–	20
Accrued expenses	141	87	7	–	235
Provision for annual and long service leave	306	125	276	–	707
Other	314	71	(76)	–	309
Investment in CSGS Unit Trust	264	–	(115)	–	149
Investment in Anadex Trust	–	26	(18)	–	8
Blackhole Deductions	–	–	–	861	861
	1,039	309	80	861	2,289
Net Deferred Tax Asset/(Liabilities)	841	309	(40)	861	1,971

Parent Entity 2008	Opening Balance	Business Combinations	Charged to Income	Charged to Equity	Closing balance
Gross deferred tax assets:					
Accrued expenses	54	–	(54)	–	–
Provision for annual and long service leave	5	–	15	–	20
Investment in CSGS Unit Trust	264	–	(115)	–	149
Investment in Anadex Trust	–	26	(18)	–	8
Blackhole Deductions	–	–	–	813	813
	323	26	(172)	813	990

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses – revenue	–	356	–	–
Tax losses – capital	346	346	346	–
	346	702	346	–

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 7: DIVIDENDS ON ORDINARY SHARES				
(a) Dividends paid during the year				
<i>(i) Current year interim</i>				
Franked dividends (2 cents per share)	3,420	–	3,420	–
<i>(ii) Previous year</i>				
Dividends paid to vendor shareholders prior to listing	–	8,006	–	–
(b) Dividends proposed and not recognised as a liability				
Franked dividends (2 cents per share)	3,420	–	3,420	–
(c) Franking credit balance				
Balance of franking account at year–end adjusted for franking credits arising from payment of provision for income tax and deducting franking credits to be used in payment of proposed dividends:	13,877	6,678	13,877	1,276
Impact of the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end	(1,466)	–	(1,466)	–
	12,411	6,678	12,411	1,276
NOTE 8: CASH AND CASH EQUIVALENTS				
Cash at Bank	6,986	6,643	274	187
Cash on Hand	6	4	–	–
Short term Deposits	1,297	6,759	–	6,759
	8,289	13,406	274	6,946

notes to the financial statements 30 june 2008 (continued)

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 9: RECEIVABLES				
CURRENT				
Trade receivables	18,549	8,799	275	–
Receivables from related parties	–	–	10,995	3,624
Sundry debtors	2,988	2,539	18	–
Provision for doubtful debts	(47)	(47)	–	–
	21,490	11,291	11,288	3,624
NON CURRENT				
Other receivables	122	5	123	–
	21,612	11,296	11,411	3,624
NOTE 10: INVENTORIES				
Finished goods – at cost	1,824	1,590	–	–
	1,824	1,590	–	–
NOTE 11: OTHER CURRENT ASSETS				
Prepayments	563	366	209	145
	563	366	209	145
NOTE 12: OTHER FINANCIAL ASSETS				
NON CURRENT				
Non listed investments at cost	1,006	–	1,006	–
Listed shares	–	3	–	–
	1,006	3	1,006	–

		Consolidated Entity		Parent Entity	
	Note	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 13: PROPERTY, PLANT AND EQUIPMENT					
Leasehold improvements					
At Cost		1,775	570	–	–
Accumulated Amortisation		(169)	(73)	–	–
	13(b)	1,606	497	–	–
Plant and Equipment					
At Cost		17,607	11,543	–	–
Accumulated Depreciation		(7,540)	(3,824)	–	–
	13(b)	10,067	7,719	–	–
Planes					
At Cost		907	942	–	–
Accumulated Depreciation		(190)	(147)	–	–
	13(b)	717	795	–	–
Furniture and Fittings					
At Cost		1,470	1,135	–	–
Accumulated Depreciation		(429)	(332)	–	–
	13(b)	1,041	803	–	–
Office Computer Equipment					
At Cost		2,195	2,293	9	–
Accumulated Depreciation		(1,284)	(1,429)	(2)	–
	13(b)	911	864	7	–
Motor Vehicles at Cost					
At Cost		621	639	–	–
Accumulated Depreciation		(282)	(237)	–	–
	13(b)	339	402	–	–
Leased Plant and Equipment					
At Cost		208	238	–	–
Accumulated Amortisation		(99)	(75)	–	–
	13(b)	109	163	–	–
Total Property, Plant and Equipment					
Cost		24,783	17,360	9	–
Accumulated Depreciation and Amortisation		(9,993)	(6,117)	(2)	–
Total written down amount		14,790	11,243	7	–

notes to the financial statements 30 june 2008 (continued)

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 13: PROPERTY, PLANT AND EQUIPMENT (continued)				
(b) Reconciliations of the carrying amounts of property, plant and equipment at the beginning of the year.				
Leasehold improvements				
Carrying amount	497	397	-	-
Additions	933	103	-	-
Transfer between classes	96	-	-	-
Additions through Acquisitions	155	30	-	-
Amortisation expense	(75)	(33)	-	-
	1,606	497	-	-
Plant and Equipment				
Carrying amount	7,719	2,760	-	-
Additions	4,811	6,581	-	-
Transfer between classes	445	-	-	-
Disposals	(7)	(100)	-	-
Additions through Acquisitions	-	637	-	-
Depreciation expense	(2,901)	(2,159)	-	-
	10,067	7,719	-	-
Planes				
Carrying amount	795	663	-	-
Additions	228	276	-	-
Disposals	(228)	(53)	-	-
Depreciation expense	(78)	(91)	-	-
	717	795	-	-
Furniture and Fittings				
Carrying amount	803	766	-	-
Additions	431	21	-	-
Disposals	(96)	-	-	-
Additions through Acquisitions	79	153	-	-
Depreciation expense	(176)	(137)	-	-
	1,041	803	-	-
Office Computer Equipment				
Carrying amount	864	940	-	-
Additions	759	177	9	-
Transfer between classes	(544)	-	-	-
Disposals	-	(38)	-	-
Additions through Acquisitions	157	103	-	-
Depreciation expense	(325)	(318)	(2)	-
	911	864	7	-

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 13: PROPERTY, PLANT AND EQUIPMENT (continued)				
Motor Vehicles				
Carrying amount	402	220	–	–
Additions	94	76	–	–
Transfer between classes	(10)	–	–	–
Disposals	(67)	(13)	–	–
Additions through Acquisitions	–	205	–	–
Depreciation expense	(80)	(86)	–	–
	339	402	–	–
Leased plant and Equipment				
Carrying amount	163	3,068	–	–
Additions	4	16	–	–
Transfer between classes	13	–	–	–
Disposals	(2)	(2,940)	–	–
Additions through Acquisitions	–	172	–	–
Amortisation expense	(69)	(153)	–	–
	109	163	–	–
NOTE 14: INTANGIBLES				
Goodwill				
Goodwill on Consolidation	60,643	48,978	–	–
Goodwill at cost	30,533	213	29,390	29,390
Net carrying amount	91,176	49,191	29,390	29,390
Opening net book amount	49,191	–	29,390	–
Additions	41,985	49,191	–	29,390
Closing net book value	91,176	49,191	29,390	29,390
Licences				
Licences at cost	3,155	897	–	–
Amortisation	(470)	–	–	–
Net carrying amount	2,685	897	–	–
Opening net book amount	897	–	–	–
Additions	2,258	897	–	–
Amortisation charge	(470)	–	–	–
Closing net book value	2,685	897	–	–
Total	93,861	50,088	29,390	29,390

notes to the financial statements 30 june 2008 (continued)

		Consolidated Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 15: PAYABLES					
CURRENT					
Trade payables		8,803	6,009	337	2
Other payables		10,064	5,653	43	–
Deferred consideration	24	8,967	6,095	7,847	–
		27,834	17,757	8,227	2
NON CURRENT					
Deferred consideration	24	5,499	1,000	5,499	–
		5,499	1,000	5,499	–
NOTE 16: BORROWINGS					
CURRENT					
<i>Secured</i>					
Lease and hire purchase liability (ii)	21	218	3,453	–	–
Borrowings (i)		–	509	–	–
Bank overdraft (i)		–	717	–	–
		218	4,679	–	–
NON CURRENT					
<i>Secured</i>					
Lease and hire purchase liability (ii)	21	7,182	6,839	–	–
Borrowings (i)		31,307	9,493	23,872	6,400
		38,489	16,332	23,872	6,400

(a) Terms and conditions relating to the above financial instruments

- (i) Bank loans and commercial bills are secured by mortgage over the assets of the companies, unit trust and trusts and various undertakings. The facility is due for renewal in July 2011.
- (ii) Lease and Hire Purchase liabilities are secured by assets leased or under hire purchase.

(b) Information about interest rate risk is detailed in Note 3.

		Consolidated Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 17: PROVISIONS					
CURRENT					
Employee benefits		2,296	1,407	62	16
NON CURRENT					
Employee benefits		749	451	3	–
Aggregate employee benefits liability		3,045	1,858	65	16
NOTE 18: CONTRIBUTED EQUITY					
(a) Issued and paid capital					
Ordinary shares fully paid	18(b)	43,907	39,051	43,907	39,051
		43,907	39,051	43,907	39,051

Fully paid ordinary shares carry one vote per share and carry the right to dividends

(b) Movements in shares on issue

	Parent and Consolidated Entity 2008		Parent and Consolidated Entity 2007	
	No. of shares	\$'000	No. of shares	\$'000
Beginning of financial year	168,851,052	39,051	–	–
Share capital issued on corporate restructure	–	–	60,800,000	6,506
Restructure of share capital/share split	–	–	70,988,304	–
Shares issued to public via float	–	–	16,671,695	16,672
Acquisition of Flemdale Pty Ltd and Xstream Pty Ltd	–	–	20,391,053	20,391
Acquisition of Power Accounting Pty Ltd (i)	1,098,901	2,000	–	–
Acquisition of Bexton Professional Pty Ltd (ii)	1,034,482	1,500	–	–
Less capital raising costs	–	–	–	(4,518)
Less capital raising costs deferred tax asset	–	1,356	–	–
Balance at the end of the year	170,984,435	43,907	168,851,052	39,051

The following is a summary of the transactions that have occurred during the year ended 30 June 2008:

- (i) Issue of 1,034,482 shares and the payment of \$1,500,000 to acquire Bexton Professional Pty Ltd.
- (ii) Issue of 1,098,901 shares and the payment of \$2,000,000 earn-out consideration to acquire Power Accounting Pty Ltd.

notes to the financial statements 30 june 2008 (continued)

NOTE 18: **CONTRIBUTED EQUITY** (continued)

(c) Share options

Options over ordinary shares

Employee Share Scheme

The company 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.

The current option plans have the following specifications:

The options issued in 3 series are governed by the terms of the Plan:

Series 1 options, comprising 25% of total options granted, are only exercisable following the announcement of the CSG's end of half year results to December 2007, at an Exercise Price of \$1.25 per Option, and will automatically lapse if they are not exercised within 6 months of this date.

Series 2 options, comprising 25% of total options granted, are only exercisable following the announcement of the CSG's end of full year results to June 2008, at an Exercise Price of \$1.25 per Option, and will automatically lapse if they are not exercised within 6 months of this date.

Series 3 options, comprising 50% of total options granted, are only exercisable following the announcement of the CSG's end of half year results to December 2008, at an Exercise Price of \$1.25 per Option, and will automatically lapse if they are not exercised within 6 months of this date.

During or since the end of financial year, 150,000 (2007: 1,200,000 options) have been granted under this scheme.

The options issued in 1 series are governed by the terms of the Plan:

Series 1 options, comprising 100% of total options granted, are only exercisable following 1 August 2008, at an Exercise Price of \$1.60 per Option, and will automatically lapse if they are not exercised within 2 years of this date.

During or since the end of financial year, 3,150,000 (2007: Nil options) have been granted under this scheme.

During the year these options (1,850,000) were cancelled and 1,350,000 were re-issued on the same terms at an Exercise Price of \$1.25 per Option.

The market value of CSG shares closed at \$0.98 on 30 June 2008. The cost of the options have been calculated using the Black-Scholes method of calculation and the key input assumptions are as follows:

Options issued in 3 series:

Volatility 35%

Risk Free rate 6.92%

Exercise multiple 1.5 times

Options issued in 1 series:

Volatility 35%

Risk Free rate 6.92%

Exercise multiple 1.1 times

Details of Options granted during the year:

						Share Option Valuation inputs			
	Grant Date	Granted Number	Value of option at grant date \$	Exercise price \$	Share price at grant \$	Days to expiration	Risk Free Rate	Expected Volatility	Expected Dividend
Series 1	25-Jun-08	1,150,000	0.04	1.25	0.90	767	6.92%	35%	5%
Series 3	25-Jun-08	150,000	0.05	1.25	0.90	422	6.92%	35%	5%
Cancelled	1-Aug-07	1,850,000	0.13	1.60	1.43	912	6.35%	35%	5%

Note: Options valued using Black-Scholes method. Risk free rate is determined using Reserve Bank of Australia bill rate. Volatility calculated using volatility of similar industry companies to CSG Ltd.

Movements in the number of options held under the Share Option Plan are as follows:

	2008	2007
Opening Balance	1,200,000	–
Granted	3,150,000	1,200,000
Exercised	–	–
Lapsed	–	–
Cancelled	(1,850,000)	–
Closing balance	2,500,000	1,200,000

No share options were exercised during the year.

notes to the financial statements 30 june 2008 (continued)

		Consolidated Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 19: RESERVES AND RETAINED EARNINGS					
Share based payment reserve	19(a)	133	71	133	71
Retained earnings	19(b)	21,162	5,783	6,315	2,136
(a) Share-based payment reserve					
<i>(i) Nature and purpose of reserve</i>					
This reserve is used to record the value of equity benefit provided to employees and directors as part of their remunerations.					
<i>(ii) Movements in reserve</i>					
Balance at beginning of year		71	–	71	–
Share based payments	5	62	71	62	71
Balance at end of year		133	71	133	71
(b) Retained earnings					
Balance at beginning of year		5,783	2,815	2,136	–
Net profit attributable to members		18,799	10,974	7,599	2,136
Total available for appropriation		24,582	13,789	9,735	2,136
Dividends paid		(3,420)	(8,006)	(3,420)	–
Balance at end of year		21,162	5,783	6,315	2,136

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 20: CASHFLOW INFORMATION				
a) Reconciliation of Net Profit after tax to cash flows from operations:				
Profit from ordinary activities after tax	18,799	10,974	7,599	2,136
Non cash items				
Profit on sale of assets	(30)	(337)	–	–
Amortisation of license costs	470	–	–	–
Depreciation and amortisation of property, plant and equipment	3,704	2,977	2	–
Share based payments	62	71	62	71
Intercompany distributions and dividends	–	–	(13,256)	(3,624)
(Increase)/Decrease in assets:				
Receivables	(5,594)	(1,463)	(293)	–
Prepayments	920	–	(64)	(146)
Inventories	182	1,164	–	–
Deferred Tax Assets	280	(538)	(2,132)	(323)
Other Receivables	(117)	–	(121)	–
Increase/(decrease) in liabilities:				
Payables	3,374	777	378	158
Provisions	87	533	49	16
Tax Provision	1,327	1,584	2,366	1,263
Net cash from operating activities	23,464	15,742	(5,410)	(449)
b) Reconciliation of cash				
Cash balance comprises:				
Cash at bank	8,289	13,406	274	6,946
Bank overdraft	–	(717)	–	–
Closing cash balance	8,289	12,689	274	6,946

Non-cash transactions relating to business combinations are disclosed in Note 24.

notes to the financial statements 30 june 2008 (continued)

NOTE 20: CASHFLOW INFORMATION (continued)

c) Credit stand-by arrangement and loan facilities

	Consolidated Entity	
	2008 \$'000	2007 \$'000
Facilities		
Multi function facility	52,500	–
Overdraft	–	1,210
Bank loans and facilities	1,004	26,574
Equipment finance	248	15,236
	53,752	43,020
Facilities Used		
Multi function facility (i)	40,152	–
Overdraft	–	717
Bank loans and facilities	1,004	10,002
Equipment finance	248	10,291
	41,404	21,010
Facilities Unused		
Multi function facility	12,348	–
Overdraft	–	493
Bank loans and facilities	–	16,572
Equipment finance	–	4,945
	12,348	22,010

(i) This amount includes contingent liabilities used of \$2.697m in relation to various guarantees and security deposits.

The company has a multi function facility with the Commonwealth Bank. 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.

In August 2008, the company increased the total facility to \$78.6m, resulting in a further \$25m of available funds to the company.

		Consolidated Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 21: LEASE COMMITMENTS					
Lease expenditure commitments					
(a) Operating leases (non-cancellable)					
<i>(i) Operating leases relate to the lease of land and buildings.</i>					
<i>(ii) Minimum lease payments</i>					
No later than one year		1,848	974	26	–
Later than one year and not later than five years		616	3,088	–	–
Later than five years		481	–	–	–
Aggregate lease expenditure contracted for at reporting date		2,945	4,062	26	–
(b) Finance leases					
<i>(i) Finance leases relate 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.</i>					
<i>(ii) Future minimum lease payment and present value of the net minimum lease payment</i>					
Not later than one year (iii)		4,056	4,071	–	–
Later than one year and not later than five years		3,772	7,434	–	–
Total minimum lease payments		7,828	11,505	–	–
Future finance charges		(428)	(1,213)	–	–
Present value of minimum lease payments		7,400	10,292	–	–
Included in financial statements as:					
Current liability	16	218	3,453	–	–
Non current liability	16	7,182	6,839	–	–
		7,400	10,292	–	–

(iii) In the 2009 year payments are due of \$4,056m however \$3,838m of these payments can be replaced by additional group borrowings. Therefore the current liability is only \$218k.

notes to the financial statements 30 june 2008 (continued)

NOTE 22: RELATED PARTY DISCLOSURES

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

	Country of incorporation	Ownership interest	
		2008 %	2007 %
Parent Entity			
CSG Limited (i)	Australia		
Subsidiaries of CSG Ltd			
CSG Services Pty Ltd	Australia	100	100
CSG Services Pty Ltd ATF CSGS Unit Trust	Australia	100	100
Connected Solutions Group Pty Ltd	Australia	100	100
Flemdale Pty Ltd	Australia	100	100
Xtream Pty Ltd	Australia	100	100
Sunshine Coast Office Equipment Pty Ltd	Australia	100	100
Power Accounting Pty Ltd	Australia	100	100
Haloid Pty Ltd	Australia	100	–
Seeakay Pty Ltd	Australia	100	–
Anadex Pty Ltd ATF Anadex Trust	Australia	100	–
CSG Finance Pty Ltd (ii)	Australia	100	–
Bexton Professional Pty Ltd	Australia	100	–
Change Corporation Pty Ltd	Australia	100	–

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

(ii) CSG Finance Pty Ltd was incorporated on 6 November 2007.

(b) The following table provides the total amount of transactions that were entered into with related parties for the relevant year:

Wholly owned group transactions

	2008 \$	2007 \$
CSG Services Pty Ltd		
Hire of Jet Aircraft and Helicopter from entity associated with Mr. Denis Mackenzie	659,920	277,713
Proceeds on sale of Hanger and Tow Tractor to entity associated with Mr. Denis Mackenzie	–	49,101
Rent paid to an entity associated with Mr. Denis Mackenzie	200,808	–
Connected Solutions Group Pty Ltd		
Rent paid to an entity associated with Mr. Denis Mackenzie	96,000	216,098
CSGS Unit Trust		
Rent paid to an entity associated with Mr. Denis Mackenzie	237,996	404,545
Sunshine Coast Office Equipment Pty Ltd		
Rent paid to an entity associated with Mr. Michael Brodie	72,000	18,000
Flemdale Pty Ltd		
Rent for artwork paid to an entity associated with Mr. Michael Brodie	10,000	–
There were no loans, payable to or receivable from, Director related entities at year end.		
Loans made by CSG Ltd 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:	851	(1,944)

notes to the financial statements 30 june 2008 (continued)

	Consolidated Entity	
	2008 \$'000	2007 \$'000
NOTE 23: EARNINGS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit after income tax	18,799	10,974
Adjustments:	-	-
Earnings used in calculating basic and diluted earnings per share	18,799	10,974
	2008 No of shares	2007 No of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	169,613,451	168,851,052
Effect of dilutive securities:		
Share options	1,201,084	1,200,000
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	170,814,535	170,051,052

NOTE 24: BUSINESS COMBINATIONS

Changes in the composition during the 2008 year:

- On 1 July 2007, CSG Ltd acquired 100% of the shares of Haloid Holdings Pty Ltd and Seeakay Pty Ltd.
- On 1 August 2007 CSG Ltd acquired 100% of the shares of Bexton Professional Pty Ltd.
- On 1 September 2007 CSG Ltd acquired 100% of the shares of Anadex Pty Ltd as trustee for the Anadex Trust.
- On 1 December 2007 CSG Ltd acquired 100% of the shares of Change Corporation Pty Ltd.

	Haloid Holdings Pty Ltd	Seeakay Pty Ltd	Anadex Pty Ltd atf Anadex Trust	Bexton Professional Pty Ltd	Change Corporation Pty Ltd	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consideration						
Shares issued as consideration	–	–	–	1,500	–	1,500
Cash paid under share sale agreement (b)	2,000	2,000	2,216	1,500	20,000	27,716
Acquisition Costs (b)	8	8	95	144	626	881
Deferred Consideration (a)	–	–	1,065	9,258	3,023	13,346
Total acquisition cost	2,008	2,008	3,376	12,402	23,649	43,443
Net assets acquired (d)						
Assets						
Cash and Cash Equivalents	533	265	69	235	1,027	2,129
Receivables	113	186	474	849	3,087	4,709
Inventory	147	268	–	–	–	415
Property, plant and equipment	37	78	18	8	250	391
Other Assets	1	621	(13)	22	290	921
Total Assets Acquired	831	1,418	548	1,114	4,654	8,565
Liabilities						
Trade and other payables	195	261	248	278	847	1,829
Borrowings	–	–	–	161	14	175
Provisions	22	35	19	203	2,506	2,785
Other Liabilities	437	151	93	159	369	1,209
Total Liabilities Acquired	654	447	360	801	3,736	5,998
Net assets acquired (d)	177	971	188	313	918	2,567
Goodwill on acquisition (c)	1,831	1,037	3,188	12,089	22,731	40,876

(a) Deferred consideration of \$1.120m relating to payments due for the acquisition of Power Accounting Pty Ltd bring the total deferred consideration to \$14.46m as per the financial statements.

notes to the financial statements 30 june 2008 (continued)

NOTE 24: BUSINESS COMBINATIONS (continued)

- (b) Payments for businesses in the Cash Flow Statement of \$32.605m are made up of the Cash paid under share sale agreement and Acquisition costs in Note 24 plus \$6.137m in payments made during the year relating to the acquisition of Power Accounting Pty Ltd less \$2.129m of cash held by the acquisitions listed in Note 24 at the time of acquisition.
- (c) The purchased goodwill is attributable to the high profitability of the acquired businesses and the synergies expected to arise post acquisition.
- (d) The net assets acquired represent a fair value for the carrying amount at acquisition.

The details of shares issued as consideration are as follows:

Bexton Professional Pty Ltd:

- 1,034,482 ordinary shares issued to satisfy consideration of \$1.5m.
- The number of shares was calculated using the volume weighted average share price of CSG Ltd shares for the 20 days prior to issue.

Power Accounting Pty Ltd:

- 1,098,901 ordinary shares issued to satisfy consideration of \$2m.
- The number of shares issued was calculated using the volume weighted average share price of CSG Ltd shares 20 days prior to issue.

- (e) Profit after tax of the acquisitions included in consolidated profit of the group since the relevant acquisition dates are as follows:

	Acquisition Date	Profit
		\$'000
Haloid Holdings Pty Ltd	1 July 07	269
Seeakay Pty Ltd	1 July 07	224
Anadex Pty Ltd atf Anadex Trust	1 September 07	695
Bexton Professional Pty Ltd	1 August 07	1,184
Change Corporation Pty Ltd	1 December 07	1,346

To disclose the results of combined entities for the period as though the acquisition date for acquisitions occurred at 1 July 2007 would be impracticable as; prior to acquisition the entities were not audited and did not prepare financial reports in accordance with international financial reporting standards.

- (f) ATI Group Pty Ltd was purchased in August 2008. Please refer to Note 27 for further details.

Changes in the composition during the 2007 year:

- On 1 December 2006, 100% of the share capital of Sunshine Coast Office Equipment Pty Ltd was acquired by common owners of the aggregate group.
- On 18 December 2006, 100% of the share capital of Power Accounting Pty Ltd was acquired by common owners of the aggregate group.
- On 1 April 2007, 40% of the share capital of Flemdale Pty Ltd and Xtream Pty Ltd was acquired by common owners of the aggregate group. The remaining 60% of the share capital was acquired by CSG Limited at the completion of the offer in April 2007.

	Flemdale Pty Ltd and Xstream Pty Ltd	Connected Solutions Group Pty Ltd	CSG Unit Trust	CSG Services Pty Ltd	Sunshine Coast Office Equipment Pty Ltd	Power Accounting Pty Ltd	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consideration							
Shares issued as consideration	23,391	906	–	–	–	–	24,297
Cash paid under share sale agreement	16,845	–	–	–	2,600	2,105	21,550
Equity accounted share of loss	(166)	–	–	–	–	–	(166)
Share of retained profit relating to OEI	–	–	–	–	(93)	–	(93)
Deferred Consideration	–	–	–	–	–	7,095	7,095
Total acquisition cost	40,070	906	–	–	2,507	9,200	52,683
Net assets acquired							
Assets							
Cash and cash equivalents	1,970	919	1,738	163	111	593	5,494
Receivables	3,377	1,328	2,752	3,492	280	1,403	12,632
Inventory	973	785	1,690	815	268	–	4,531
Property, plant and equipment	546	733	1,435	4,730	561	564	8,569
Other financial assets	–	–	9,186	–	2	–	9,188
Other assets	155	89	120	597	27	87	1,075
Total assets acquired	7,021	3,854	16,921	9,797	1,249	2,647	41,489
Liabilities							
Trade and other payables	5,327	1,349	11,866	2,163	239	816	21,760
Borrowings	166	511	3,637	5,682	356	51	10,403
Provisions	431	160	547	147	134	546	1,965
Other liabilities	52	45	871	1,328	–	–	2,296
Total liabilities acquired	5,976	2,065	16,921	9,320	729	1,413	36,424
Net assets acquired	1,045	1,789	–	477	520	1,234	5,065
Retained earnings transferred to parent	–	883	–	477	–	–	1,360
Goodwill on consolidation	39,025	–	–	–	1,987	7,966	48,978

notes to the financial statements 30 june 2008 (continued)

	Consolidated Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
NOTE 25: AUDITORS REMUNERATION				
Amount received or due and receivable by Pitcher Partners for:				
An audit review of the financial report entity and any other entity in the consolidated entity	174	120	174	120
Other non-audit services				
Investigating accountant's report	–	255	–	255
Due diligence on acquisitions and other assurance	118	–	118	–
	292	375	292	375
Amount received or due and receivable by other auditors for:				
An audit review of the financial report entity and any other entity in the consolidated entity	–	138	–	–
Other non-audit services				
Other services	–	199	–	40
	–	337	–	40

NOTE 26: SEGMENT INFORMATION

The consolidated entity operates in the IT and Office infrastructure supply and services in Australia

NOTE 27: SUBSEQUENT EVENTS

On 13 August 2008 the company completed the purchase of ATI Group Pty Ltd, a managed print services business based in Canberra. Purchase consideration was \$2,332,500 plus further amounts subject to certain milestones being achieved. The business had net assets of approximately \$100,000. The profit impact for the acquisition has not been quantified, as it is impractical to quantify because the entity was un-audited.

On 22 September 2008 the company issued 3,715,312 ordinary shares as further consideration for the purchase of Bexton Professional Pty Ltd.

NOTE 28: KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel compensation are contained within the Remuneration Report section of the Directors' Report.

NOTE 29: KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Details of key management personnel's equity holdings are:

	Balance 1/07/07	Received as remuneration	Options Exercised	Net Change other – includes market transactions	Balance 30/06/08
Directors					
Mr Philip Chambers	100,000	–	–	–	100,000
Mr Denis Mackenzie	50,691,495	–	–	100,000	50,791,495
Mr Michael Brodie	20,391,053	–	–	–	20,391,053
Mr Ian Kew	–	–	–	–	–
Mr Andrew Kroger	1,000,000	–	–	–	1,000,000
Total	72,182,548	–	–	100,000	72,282,548
Executives					
Mr. David Ward	200,000	–	–	–	200,000
Mr. Bruce Dinsdale	100,000	–	–	(100,000)	–
Mr. Brian Lee	–	–	–	–	–
Mr. Kevin McLaine	100,000	–	–	–	100,000
Mr. Trevor Oliver	–	–	–	–	–
Total	400,000	–	–	(100,000)	300,000

directors' declaration

CSG LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 28 to 63 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 company and the consolidated entity as at 30 June 2008 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 Ltd 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 2008.

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



Denis Mackenzie

Director

Darwin

26 September 2008

CSG LIMITED
ABN 64 123 989 631
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT

To the members of CSG Ltd

Report on the Financial Report

We have audited the accompanying financial report of CSG Limited and controlled entities. The financial report comprises the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 in 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 and fair presentation of the financial report 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CSG LIMITED
ABN 64 123 989 631
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT

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 CSG Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 25 of the Directors' Report for the year ended 30 June 2008. 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 Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of CSG Ltd and controlled entities for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.



T J BENFOLD
Partner
26 September 2008



PITCHER PARTNERS
Melbourne

shareholding analysis

As at 3 September 2008

In accordance with Listing Rule 4.10 of the Australian Stock Exchange Limited, the Directors provide the following shareholding information which was applicable as at 3 September 2008.

a. Distribution of Shareholding

Size of shareholding	Number of shareholders	%
1–1,000	86	7.2
1,001–5,000	493	41.1
5,001–10,000	269	22.4
10,001–100,000	306	25.5
100,001 and over	45	3.8
Total	1,199	

b. Less Than Marketable Parcels

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

c. Substantial Shareholders

The following are registered by the Company as substantial shareholders, having declared a relevant interest in the number of voting shares shown adjacent as at the date of giving the notice.

Shareholder	Number	%
Lynden Investments NT Pty Ltd (The Mackenzie Family a/c)	47,339,748	27.69
Icon Office Solutions Aust Pty Ltd (The Brodie Family a/c)	20,391,053	11.93
Boltec Pty Ltd (Boller Family a/c)	15,779,915	9.23
Glenmar NT Pty Ltd (The GM Phillips Family a/c)	15,779,915	9.23
National Nominees Limited	14,251,339	8.33
Cogent Nominees Pty Limited	11,915,865	6.97

shareholding analysis (continued)

d. Substantial Shareholders

The names of the twenty largest shareholders are:

Name	Number of Shares Held	% of Issued Shares
Lynden Investments NT Pty Ltd (The Mackenzie Family a/c)	47,339,748	27.69%
Icon Office Solutions Aust Pty Ltd (The Brodie Family a/c)	20,391,053	11.93%
Boltec Pty Ltd (Boller Family a/c)	15,779,915	9.23%
Glenmar NT Pty Ltd (The GM Phillips Family a/c)	15,779,915	9.23%
National Nominees Limited	14,251,339	8.33%
Cogent Nominees Pty Limited	11,915,865	6.97%
JP Morgan Nominees Australia Limited	4,341,886	2.54%
Lynden Investments NT Pty Ltd	3,451,747	2.02%
Equity Trustees Limited (SGH PI Smaller Co's Fund)	2,900,000	1.70%
Boltec Pty Ltd	2,838,169	1.66%
ANZ Nominees Limited (Cash Income a/c)	2,678,454	1.57%
Mr Glen Phillips	2,601,059	1.52%
JDV Limited (Ent Investment Fund)	1,577,938	0.92%
Invia Custodian Pty Limited (Black a/c)	1,016,076	0.59%
Hawk Capital Pty Ltd (Hawk Capital Family a/c)	1,009,970	0.59%
SHR Pty Ltd	1,000,000	0.58%
Jacquebrook Pty Ltd (Irving Family a/c)	934,066	0.55%
Berne No. 132 Nominees Pty Ltd	890,127	0.52%
Mr Blair Gowans (The Gowans Family a/c)	775,862	0.45%
TDM Asset Management Pty Ltd (FNL Invest STF S/F a/c)	632,705	0.37%
Total	152,105,894	88.96%

corporate directory

Company	CSG Limited ABN123 989 631 13 Cavenagh Street Darwin, NT 0800 www.csg.com.au
Directors	Phillip Chambers Chairman Denis Mackenzie Managing Director Michael Brodie Non Executive Director Andrew Kroger Non Executive Director Ian Kew Non Executive Director
Company Secretary	Barbara Jensen
Lawyers to the Company	DLA Phillips Fox Level 21, 140 William Street Melbourne, VIC 3000
Share Registry	Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford, VIC 3067
Auditor	Pitcher Partners Level 19, 15 William Street Melbourne, VIC 3000

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