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Financial Report

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“CSG has established a solid platform to grow Shareholder value through revenue and margin growth.”

Dear Shareholder

2011 has been a defining year for CSG. The Company met the challenges of transforming into a truly national operator and establishing Print Services throughout New Zealand. CSG now has a solid platform to grow shareholder value through revenue and margin growth.

The past year saw the natural disasters in Queensland and New Zealand have an earnings impact and cause organisational dislocation and disruption. The Fuji Xerox legal proceedings and moratorium also had an impact worse than expected. The tireless efforts of management and staff to ensure business continuity in both Brisbane and Christchurch, is both recognised and commended.

However, these issues are largely passed and the Canon acquisition has provided the opportunity to create a national platform in the Print Services sector.

Despite these challenges, strong growth was recorded over the 2011 year. Group revenue of \$388.6 million was 40% up over the prior year and Reported Net Profit After Tax of \$40.4 million, an increase of 26%.

The Board recognises an organisation depends on its staff and management for success – their technical skills, project management abilities and relationship management capabilities are all critical in achieving success in growing shareholder value. On behalf of the Board, I wish to acknowledge the tremendous efforts made by our staff over the past twelve months.

The efforts of my fellow directors is also acknowledged. We are focused on delivering shareholder value through continuing to strengthen strategy formulation and performance monitoring in a framework of risk management and strong corporate governance.

I would also like to recognise the work and dedication of fellow director Philip Chambers, who led the Company as Chairman since its listing on the ASX in April 2007. Mr Chambers' untiring efforts were critical in guiding the Company through its initial years as a publically listed entity.

Finally I wish to thank shareholders for their continuing support. Your Board is committed to improving their investment valuation through a clear focus on shareholder value enhancing strategies.

Josef Czyzewski
Chairman

This year has seen CSG Limited achieve a good financial result and is well positioned to continue its growth trajectory in the year ahead.

CSG's strategy to expand its footprint and reshape the business to better respond to national requirements has translated into solid results.

Two major factors assisted CSG in achieving our strategy of national growth:

- ▼ the subcontracting of Canon machines in the field, with new offices established in Sydney, Melbourne, Adelaide, Perth and Canberra; and
- ▼ a number of multi-year contract wins in Technology Solutions realising our investment in solutions development.

This national growth strategy in Print Services and Technology Solutions will continue to increase sales, improve margins and deliver long-term, sustainable organic growth for our shareholders.



Key Highlights:

▼ FY11 group revenue of;

\$388.6m

up 39.9%

▼ Reported EBITDA of;

\$70.3m

an increase of 18.5%

▼ Reported NPAT of;

\$40.4m

an increase of 26.2%

▼ Total FY11 dividend of;

5.5¢

per share

Well Positioned for Growth – Operational Highlights

Technology Solutions

Over the past year Technology Solutions has focused on integration, consolidation and building a solid platform and foundation for our national growth and future success.

The integration of our former Enterprise and Managed Services businesses was successfully completed creating Technology Solutions - an efficient and effective operating model that provides our customers a single interface for their infrastructure, applications and consulting needs.

As a business we have developed some very clear and unique differentiators within the market. Our focus on building industry based, replicable solutions, particularly for the education, engineering and construction, mining and resources and government sectors is delivering results with several multi-year contracts won in FY11 and a strong existing sales pipeline that continues to grow.

It is pleasing CSG was again recognised by our key software vendors, confirming our position as a leading partner. This year we were named 2011 Oracle Asia Pacific Business Intelligence and Enterprise Performance Management Partner of the Year, 2011 Microsoft Dynamics CRM Partner of the Year as well as 2011 Microsoft Public Sector Solution Partner of the Year for projects successfully delivered over the last twelve months. Such awards demonstrate that CSG's unique solutions are solving critical business challenges and achieving very positive outcomes for our customers.

Print Services

The full integration of Canon dealerships in Australia into the Print Services division has been a priority for CSG in the past year. With a sales force now operating across all mainland capital cities, Print Services has established a truly national footprint.

Several large contract wins during the year position us well for the year ahead. Print Services won two large managed print services contracts with major Australian universities. We are also the only Australian owned company of a total of four companies, to be included on the Federal Government's Major Office Machines Panel. This panel is mandatory for 105 Federal Government Departments and Agencies and may also be used by another 86 government bodies.

Other achievements include the establishment of a call centre based in our Fairburn office in Canberra and the win of a significant contract with international financial service provider, State Street Corporation.

Print Services in New Zealand is continuing to perform well. Although there was an impact on service revenue with the tragic Christchurch earthquakes, the resilience of the business and local leadership teams was demonstrated through increased revenue and earnings.

The business achieved substantial growth in the sale of new office colour machines as well as a large increase in sales in production equipment, which was augmented by the launch of the new Konica Minolta digital printing production product range.

“With a sales force now operating across all mainland capital cities, Print Services has established a truly national footprint.”

Over the past four years, CSG has delivered a track record of revenue and earnings growth. Although we have faced some challenges in the past 12 months, CSG's financial performance continues a generally upward trend in a number of areas.

Financial Performance

Our revenue grew by 39.9 per cent compared to the previous corresponding period which can be attributed to both our acquisitions and organic growth.

In Technology Solutions, revenue growth increased by 5 per cent in the full year, with significantly stronger growth in the second half. Print Services also saw a modest growth in equipment sales.

With the build of our replicable products now substantially complete as well as costs required for the tendering of major contracts reduced in the second half and the integration of Canon dealerships into our Print Services division, capital expenditure declined by 26.9 per cent over the full year, compared to the previous year.

Operating cash flow improved substantially in the fourth quarter to \$25 million. Previous quarters were impacted by the working capital requirements associated with establishing the national print business. It is anticipated that operating cash flow will return to historical levels as a percentage of earnings.

In April 2011, CSG undertook an equity raise of \$40.1 million which was strongly supported by existing and new institutional investors, to meet contracted capital payments and ensure CSG retained a prudent level of debt and funding headroom for operational flexibility.

CSG declared a fully franked final dividend of 3.0 cents per share, resulting in a full year dividend of 5.5 cents per share.

Outlook


Looking ahead, CSG remains firmly focused on delivering organic growth across both businesses. Our outlook is positive with multi-year contracts as the foundation of the business, providing earning stability and growth in the near to medium term.

With a number of active proposals and growing pipeline of sales, the Technology Solutions focus will be on increasing market share and expanding its presence nationally. We will leverage our investment in research and development and continue to develop our world class replicable vertical based solutions, many of which incorporate cloud based and hosted services.

The continued strategy to grow colour machine numbers in Australia and New Zealand with a focus on the commercial sector is anticipated to see revenue growth.

Over the past year, CSG has also seen a change in Chairman and I would like to thank Philip Chambers for his work as the previous chair and am pleased he is continuing on our Board. Josef Czyzewski was appointed in March 2011 and brings a wealth of financial and public company experience and is a welcome addition.

Finally, thank you to our shareholders and staff for their continued support.



Denis Mackenzie,
Managing Director



Philip Chambers

Executive Director
BSc (Soc Sci) Bristol, England

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. Since December 2009, Philip has been working three days per week in our print business. No other directorships of listed companies were held by Philip at any time during the three years prior to 30 June 2011.

Philip is a member of the Nomination and Remuneration Committee. He resigned from the Audit Committee on 25 November 2010.

Josef Czyzewski

Non Executive Chairman
BCom

Joe joined the Board in February 2011 and was appointed Chairman on 24 March 2011. Prior to retirement in July 2010, Joe held the position of Chief Financial Officer of Healthscope Ltd, a position he held for 6 years.

Prior to joining Healthscope, Joe held a number of senior accounting and finance roles, including Vice President Finance and Group Treasurer with his employer of 32 years, BHP Ltd. Joe has a Commerce Degree from the University of Newcastle and is a graduate of the Australian Institute of Company Directors. No other directorships of listed companies were held by Joe at any time during the three years prior to 30 June 2011.

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





Ian Kew

Non-Executive Director
BEc

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 Australia Ltd 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. No other directorships of listed companies were held by Ian at any time during the three years prior to 30 June 2011.

Ian is Chairman of the Audit Committee.

Philip Bullock

Non-Executive Director
BA, MBA, GAICD, Dip. Ed

Non-Executive Director

Philip is currently the Chair of Skills Australia, a Federal Government Advisory Board reporting to the Minister for Tertiary Education, Skills, Jobs and Workplace Relations. He is also a Non-Executive Director of Perpetual Limited, a long established provider of financial services.

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

He was appointed to the CSG Board on 1 August 2009. Philip has a BA, Dip Ed, MBA and is a graduate of the Australian Institute of Company Directors.

Philip is Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee.



Denis Mackenzie

Managing Director
BComm (Hons)

Denis is a foundation shareholder of CSG and joined the organisation in 1996. He was appointed Managing Director in 2001 and has since driven many initiatives to create CSG's position as a leading provider of print and technology services and solutions.

Through acquisition as well as organic growth, Denis has led the expansion of CSG's capability to encompass a complete portfolio of services and solutions. CSG is now an end-to-end provider with a presence in every mainland capital city in Australia and New Zealand.

Denis provides invaluable leadership to the CSG team and continues to develop and implement strategies that will achieve sustainable growth for CSG and create value for its shareholders.

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. No other directorships of listed companies were held by Denis at any time during the last three years prior to 30 June 2011.

Denis resigned from the Audit Committee 27 May 2011.

Denis Mackenzie

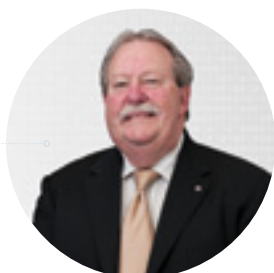
Managing Director



Julie-Ann Kerin

Group General Manager – Technology Solutions

In the role of Group General Manager Technology Solutions, Julie-Ann brings over 20 years of experience in the Information Technology and consulting industry. She has an extensive background in software and services companies in Australia, the US and Asia. Her background includes senior executive roles in both private and public companies in Australia and the United States.



David Ward

Group General Manager – Print Services

David brings a broad range of industry experience in the Xerox Business having successfully completed senior roles within Fuji Xerox Australia including: FXA State Operations Manager for Victoria, Queensland and South Australia; National Technical Services Manager based in Mascot NSW; FXA General Manager Southern Region (Vic, Tas, SA, WA); and Fuji Xerox Australia General Manager Sales and Marketing Head Office, based in Sydney.



Evan Johnson

Managing Director, CSG NZ

Evan Johnson has headed Konica Minolta and Leasing Solutions in New Zealand since 2004 achieving strong growth and profit performance during this time. Evan brings unrivaled experience to the business, including senior leadership roles such as CFO of Fuji Xerox Australia and Managing Director of Fuji Xerox New Zealand.



Kevin McLaine

Chief Financial Officer

Kevin is a Fellow of CPA Australia and a member of the Australian Institute of Company Directors. He has held various positions in executive management including CFO Shomega Limited (formerly listed on ASX) and Managing Director of GE Capital's commercial lending business in Thailand.



Trevor Oliver

Chief Information Officer

As the group CIO, Trevor brings over 30 years of ICT technical and management experience from the commercial and public sector. Trevor's background covers technical support, design roles, implementation and project management, encompassing General Management positions.



Kim Clark

Company Secretary

Kim joined CSG in October 2007, bringing over 21 years banking and finance and risk management experience to the group and having previously held Senior Corporate Relationship Management, Risk Management and Executive Roles within the Commonwealth Bank of Australia.



Putting Our People First

At CSG we recognise our people drive our success. We are committed to our employees and proud of our unique culture that underpins the way we operate.

With our values as a core tenet of our organisation, over the past year CSG Technology Solutions has implemented a Leadership Model to align competencies with the new online performance management system due to be rolled out through 2011/12. The leadership model enables and empowers CSG people to develop self-leadership as well as allowing future planning to build our workforce capability.

Committed to equal opportunity and cultural diversity, CSG is fully compliant with the Equal Opportunity for Women in the Workplace Act 1999. Although the information technology industry is predominantly male orientated, as at April 2011 27 per cent of all CSG employees and 35 per cent of the senior management team were women.

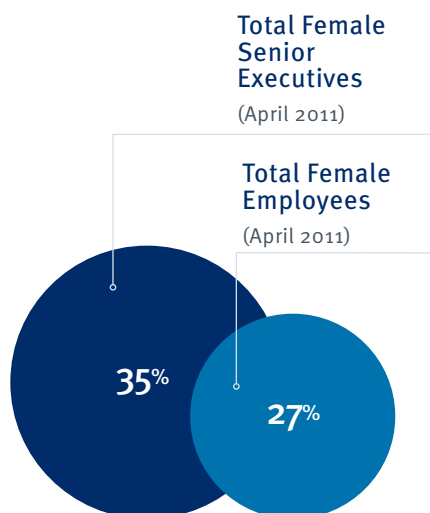
A Diversity Council is currently being established to provide the governance and a forum to champion diversity issues. The Council will

oversee the development of a Diversity Framework as part of our commitment in recognising the diverse skills and perspective our employees bring to make CSG a successful and vibrant workplace.

Our graduate and scholarship program has also been a success with CSG granting a number of scholarships to our people over the past year and employing graduates.

Since 2009 CSG has also been implementing an Indigenous Participation Program throughout the Northern Territory, providing traineeships and school based apprenticeships for indigenous students who are supported by our Aboriginal Liaison Officer. To date we have signed on 12 indigenous trainees and our school based apprentice successfully completed a Certificate III in Information Technology last year.

Technology Solutions also has a comprehensive employee benefits policy which recognises the commitment of our people and ensures they enjoy their work and working conditions whilst promoting leadership development to build the capacity of our company.

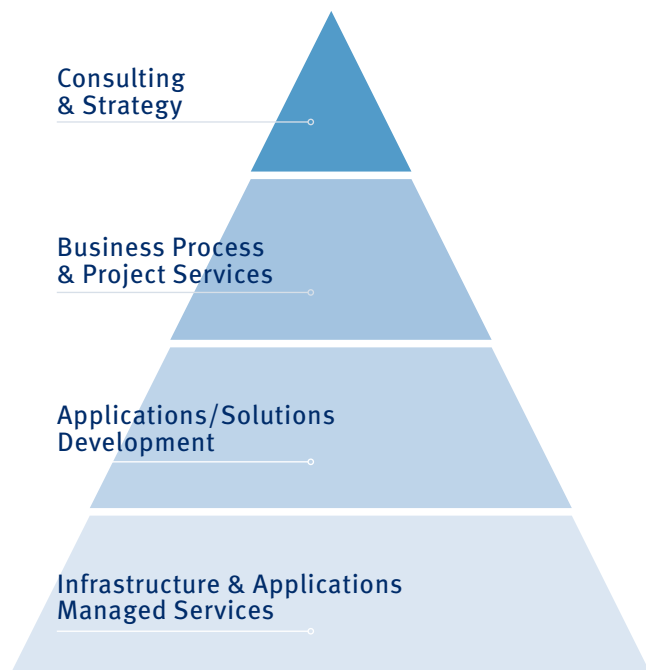




Julie-Ann Kerin

2011 Oracle Asia Pacific Business Intelligence and Enterprise Performance Management Partner of the Year

2011 Microsoft Dynamics CRM Partner of the Year and 2011 Microsoft Public Sector Solutions Partner of the Year



Technology Solutions

Led by Julie-Ann Kerin, Technology Solutions provides a complete portfolio of solutions and services to our customers from strategic consulting down to management of the critical information technology infrastructure layer.

With close alignment between our services and top CIO priorities, our business is well positioned for future growth. Our extensive set of capabilities enables us to cross leverage and achieve deep penetration within accounts providing a solid platform to increase our market share and expand our presence across Australia.

The Intellectual Property we have developed around industry specific industry solutions, particularly in the Education, Engineering & Construction, Mining & Resources, Utilities and Government sectors is among the best in the country and our emergence as a leading provider of IT services and solutions is becoming apparent.

Technology Solutions operates four key business units each with a unique value proposition, capability and clear differentiator in the market.

- ▼ CSG Consulting – delivers strategic expertise to allow our customers to improve efficiency and to differentiate themselves from their competitors.
- ▼ CSG Solutions – provides high quality solution expertise to deliver successful projects on time and on budget for our customers. We are driven to become the market leaders in our chosen solution set and ensure successful delivery through our high quality delivery methodology PRIDE.
- ▼ CSG Professional Services – delivers market leading skills and resources to ensure our customers achieve successful outcomes for their projects.
- ▼ CSG Services – provides seamless outsourced management of infrastructure and desktop services to our customers. We are driven to exceed expectations and differentiate with our operational management processes and reporting.

Across all of our business units, Technology Solutions aims to lead the Australian vendors in adoption of innovation and changing market trends.

Print Services

Print Services in Australia is led by David Ward and the New Zealand operation is headed by Evan Johnson with the cornerstone of the business in the Commercial (or SME) market place.

In this area we are focused on extending our reach through increased sales coverage and an aggressive market share growth strategy. Growing our colour machines in this sector is critical to our long term success. It underpins the second of our strategic building blocks which is growing our colour print volumes.

With colour printing generating more service revenue per page, our most important strategy is to grow this colour print volume as quickly as possible. We can achieve this through; growing our market share; converting existing mono customers to colour devices; increasing the amount of colour prints within each customer by shifting their print volume from laser printers to our MFDs; and bringing outsourced colour print work back in-house. We will be proactively driving marketing and customer education programmes to encourage this shift to colour printing.

The light production market presents a growth opportunity on both sides of the Tasman. In New Zealand this is a well-established business on the back of technological leadership in the new Konica Minolta product range. In Australia this presents a new growth opportunity. This market is complementary to our current business and allows to fully leverage the skills and knowledge of our New Zealand business in supporting Print Services in Australia to successfully launch into this sector.

The fourth building block is the tier 1 (or enterprise) market. In Australia while new to the space, CSG has clearly demonstrated our ability to win some of the largest enterprise customers in the country and we will continue to extend our reach into this sector. In New Zealand the enterprise and government market sectors have been core markets for some time.



David Ward
Australia



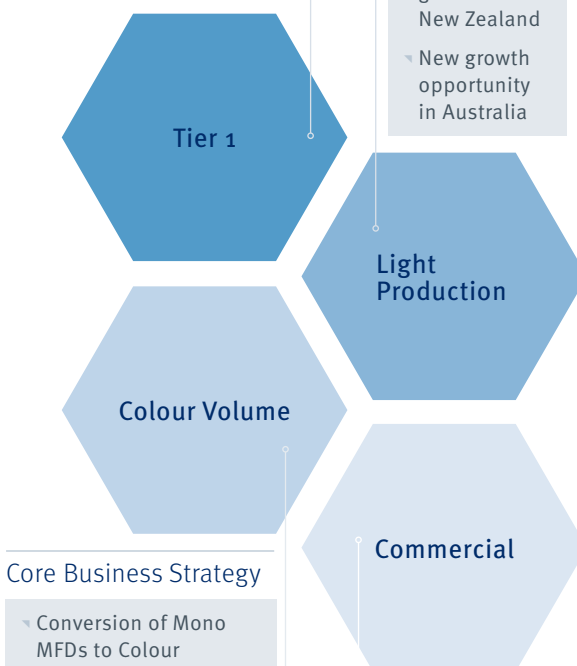
Evan Johnson
New Zealand

Major Enterprise Strategy

- Managed Print Services – continued success in Australia, growth opportunity in New Zealand
- Government, Education and Major Accounts strength in New Zealand

Major Growth Opportunity

- Continued growth in New Zealand
- New growth opportunity in Australia



Core Business Strategy

- Conversion of Mono MFDs to Colour
- Increased Colour Print Volume per device
- Transfer of Laser Printer and outsourced print volumes to MFDs

Core Markets

- SME market focus
- Colour MIF acquisition
- Market share growth
- Increased sales coverage

Financial Report

CSG Annual Report 2011



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 2011 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 acquisition as detailed at Note 25.

Results

The consolidated profit after income tax attributable to the members of CSG was \$39.1m (2010: \$31.5m).

Review of Operations

Key highlights of CSG's operational performance for the financial year ended 30 June 2011 is provided below:

- ▾ Revenue of \$388.6m, up 40% on prior corresponding period;
- ▾ Reported EBITDA of \$70.3m, up 19% on prior corresponding period;
- ▾ Reported NPAT of \$40.4m, up 26% on prior corresponding period;
- ▾ Cash flow from operating activities of \$14.1m, underpinned by a substantial improvement in fourth quarter cash flow of \$25.3m;
- ▾ Capital expenditure of \$19.6m, down 27% on prior corresponding period;
- ▾ Canon acquisition and pipeline conversion in Technology Solutions on track;
- ▾ Well funded to fulfil a continued growth trajectory in FY12; and
- ▾ Full year fully franked dividend of 5.5 cents per share.

This solid outcome has been achieved against a backdrop of what has been a challenging year for the Company, impacted by one-off disruptions to operations from the Fuji Xerox legal proceedings and natural disasters in Queensland and New Zealand.

The past year has been focused on achieving a solid foundation for national organic growth in the future, as demonstrated through the integration of the newly acquired Canon business and the business reorganisation in Technology Solutions.

The improved earnings for the year reflect the full year impact of the New Zealand print business acquired in FY10, and the impact of the Canon business. In addition, the Technology Solutions business recorded \$52 million of contract wins between March and June, and the sales pipeline continues to grow, with a total pipeline of \$560m as at 30 June 2011.

Notwithstanding this, the Print Services Australia business disappointed, driven by a worse than expected performance of its Queensland branches and implications of the Fuji Xerox legal proceedings.

However, with these events largely behind us, and the strategic initiatives now in place to grow a national business in both Print Services and Technology Solutions, CSG is in a strong position to increase sales, improve margins and deliver long-term, sustainable organic growth for shareholders.

Significant Changes in the State of Affairs

During the year, the Company purchased the subsidiaries and businesses outlined in Note 25. The Company issued 36,439,832 shares in May, 2011 raising \$40.1m to reduce drawn debt and fund working capital growth.

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

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

Likely Developments

The company intends pursuing an operating strategy to create shareholder value through organic growth of its existing businesses.

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 2.5 cents per share interim dividend was paid in April 2011 and directors have announced a final dividend of 3 cents per share to be paid in October 2011. The dividends paid or declared since the start of the year are as follows:

| | Consolidated entity | |
|---|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| (a) Dividends paid during the year | | |
| Current year interim: Franked dividends (2.5 cents per share) | 6,123 | 5,440 |
| Previous year final: Franked dividends (3 cents per share) | 7,328 | 4,393 |
| (b) Dividends proposed and not recognised as a liability | | |
| Franked dividends (3 cents per share) | 8,477 | 7,262 |

Shares Under Option

Options issued by CSG Ltd during the year are detailed in Note 18 in the attached financial report. Details of options granted to Directors and executives are in the Remuneration report on pages 17 to 22.

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

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

During the year 3,623,500 shares were issued on exercise of options.

Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity has paid a premium amounting to \$247,431 insuring all the directors and the officers against judgments, 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 together with details of the company secretary as at the year end are provided on pages 6-8.

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' Attendance Record

| Director Name | Board Meeting | | Audit Committee | | Nom. & REM Committee | |
|--|---------------|-------------------|-----------------|-------------------|----------------------|-------------------|
| | Meetings Held | Meetings Attended | Meetings Held | Meetings Attended | Meetings Held | Meetings Attended |
| Josef Czyzewski (Director from 16/02/2011 and Chairman 24/03/2011) | 7 | 7 | - | - | 1 | 1 |
| Philip Bullock | 15 | 15 | 1 | - | 6 | 6 |
| Philip Chambers | 15 | 15 | 2 | 2 | 6 | 6 |
| Ian Kew | 15 | 15 | 3 | 3 | - | - |
| Andrew Kroger (Resigned 24/11/2010) | 5 | 4 | - | - | 3 | 1 |
| Denis Mackenzie | 15 | 15 | 3 | 3 | - | - |

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 | 57,891,495 | 750,000 |
| Phillip Chambers | 206,788 | - |
| Ian Kew | 69,730 | - |
| Phillip Bullock | 37,927 | - |
| Josef Czyzewski | 33,334 | - |
| | 58,239,274 | 750,000 |

Directors' Interests in Contracts

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

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:

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| Due diligence on acquisitions and other assurance – Parent Entity: | 101 | 90 |
| Due diligence and other assurance – Overseas subsidiaries: | - | 25 |

Remuneration Report

Structure of the Report

To assist in understanding our policies and practices, we have divided the report as follows:

1. Overview
2. Role of Committee
3. Our policy and structure for executive remuneration
4. Short Term Incentives (STI)
5. Long Term Incentives (LTI)
6. Contract term of executives
7. Details of remuneration for directors and executives

Overview

CSG was listed in April 2007. Since then we have grown rapidly via acquisition and organic growth such that we have now has emerged as an ASX 300 listed company. As such, during 2010-11 the Board felt it was timely to consider the company's current approach to executive remuneration. To assist in this process the Remuneration Committee engaged Hewitt Associates.

As a first step, we concluded that it was our intention to bring target Total Remuneration (TR) of our executives close to market midpoints (50th to 75th percentile range). This would be based upon on appropriate analysis of the market (remuneration benchmarking) at various points of time.

We further determined that we would move to a more "industry" standard practice of having our senior executives compensation being made up of cash, Short Term Incentives (STI) and Long Term Incentives (LTI).

Given that a number of our executives were on existing contracts, we recognised that this move would take 1-3 years.

A similar process was undertaken to review compensation for our Directors.

The report below provides an update on our progress as well as our plans for 2011 financial year.

Role of the Committee

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.

Executive Compensation Structure and Philosophy

Like many organisations, CSG relies on the leadership of its senior executives for the successful development and execution of its strategies. Since our listing, the business has grown significantly; it is more complex and spreads across two countries. Therefore, in developing our policy we wish to:

- ▶ attract, motivate and retain key personnel;
- ▶ align with value creation for our shareholders, our clients and employees; and
- ▶ implement a governance framework which ensures consistent application over an extended period.

Hence, we are in the process of transitioning to an executive compensation process which comprises of

- ▶ cash or cash equivalents;
- ▶ STI based upon the key business drivers to be achieved within the financial year; and
- ▶ LTI which vest over 3 years and are subject to performance hurdles.

As you will see, the FY11 is the first year of this transition. During this year, the Board focused specifically on ensuring that the cash components were competitive and that we were in a position to transition to a more balanced plan for FY12.

In particular, we lifted the cash component of our Managing Director and Executives as listed below in the Executive Remuneration table.

Non-executive directors receive cash based directors fees only.

The Company determines the maximum amount for remuneration, including share based remuneration, for executive directors by resolution.

Short Term Incentives (STI)

STI focuses on the drivers or lead indicators of shareholder value creation, within an annual budget cycle, such as profit, cash flow and various non-financial correlates of future financial success. The aim of an STI plan is to motivate executives towards high achievement on these key performance indicators (KPIs) and then reward them well for such achievement.

For the upcoming 2012 financial year, the Managing Director and his key senior executives will be offered STIs which are largely linked to financial measures including the achievement of profit or cash flow and targets. Total STI payments are capped at 150% of STI amount.

It should be noted that the FY11 Executive Remuneration table below includes STIs which were earned based upon FY10 performance.

For the FY10, the Board has determined that the Managing Director will receive no STI and STIs for key executives are limited and will vary to reflect divisional business performance.

Long Term Incentives (LTI)

Whereas the CSG STI Plan focuses on the drivers or lead indicators of value creation, the CSG LTI Plan focuses on the value actually delivered over a number of years, flowing from the annual lead indicators taking effect on shareholder outcomes.

Even more so than with STI, this is an area where very strong alignment with shareholders' long-term interests is expected. At the same time, it is recognised that the CSG LTI plan has to provide a real incentive for executives, to be effective, which reflects their contribution to the LTI outcomes.

Reflecting the status of CSG as an ASX 300 company and the interests of CSG's shareholders, the Board has determined that LTI should vest only when superior (not 'average' or near-miss) performance is delivered. This also reflects the overall structure of the Total Remuneration package with base salary rate and STI as components, in addition to LTI.

This means that in the case of CSG, LTI awards will revert to zero vesting if moderate stretch performance is not achieved; Earnings Per Share (EPS) has been chosen as the appropriate performance measure. The minimum threshold has been set at 5.0%pa. If the moderate stretch threshold of 5.0% is attained, 50% vesting will be triggered, rising in a linear fashion to 100% vesting at a defined 'stretch' performance level. This has been set at above 10.0%.

The Board has determined that the CSG LTI Plan will transition from share options to full-value shares, in the form of performance rights and that the minimum LTI performance and vesting period should be three years with no retesting at later dates, if targets are not achieved at that time.

For the upcoming 2012 financial year, the Managing Director and his key senior executives will be offered LTIs based upon performance hurdles indicated above and vest over three years.

It is noted that the 2011 Executive Remuneration table below includes LTIs which were earned based upon FY2010 performance and paid as options.

For the FY11, the Board has determined that the Managing Director will receive no LTI and LTIs for key executives will vary to reflect divisional business performance and will be paid as options during this transition period.

Contract Term of Executives

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 | Position |
|--------------------|--|
| Mr David Ward | Group General Manager – Print Services Australia |
| Ms Julie-Ann Kerin | Group General Manager – Technology Services |
| Mr Kevin McLaine | Chief Financial Officer |
| Mr Brian Lee (i) | Group General Manager – Managed Services |
| Mr Trevor Oliver | Chief Information Officer |

| Contracts of employment | Expiry | Termination notice | Termination payment |
|-------------------------|---------------|--------------------|---------------------|
| Directors | | | |
| Mr Philip Chambers | 27-Jan-12 | 3 months | 3 months |
| Mr Denis Mackenzie | Not specified | 6 months | 6 months |
| Executives | | | |
| Mr David Ward | Not specified | 1 week | 1 week |
| Ms Julie-Ann Kerin | Not specified | 3 months | 3 months |
| Mr Kevin McLaine (ii) | 30-Sep-12 | 9 months | 9 months |
| Mr Trevor Oliver | Not specified | 3 months | 3 months |

(i) Resigned with effective date of 21 April 2011

(ii) Resigned with effective date of 30 September 2011

Directors' Remuneration

| Short Term | | | | | | | |
|-------------------------------------|------------------|---------------|-----------------------------|--|------------------|---------------------------------|-------------------------|
| | Salary Fees | Cash Bonus | Post employment super | Share- based payments options | TOTAL | Total Performance Related | Paid in Options % |
| 2011 | | | | | | | |
| Mr Josef Czyzewski ⁽ⁱⁱⁱ⁾ | 36,538 | - | 13,236 | - | 49,774 | 0% | 0% |
| Mr Philip Chambers | 302,676 | - | 29,682 | - | 332,358 | 0% | 0% |
| Mr Denis Mackenzie | 789,117 | - | 28,565 | 21,819 | 839,501 | 0% | 3% |
| Mr Philip Bullock | 56,697 | - | 5,102 | - | 61,799 | 0% | 0% |
| Mr Ian Kew | 56,697 | - | 5,102 | - | 61,799 | 0% | 0% |
| Mr Andrew Kroger | 22,935 | - | 2,064 | - | 24,999 | 0% | 0% |
| | 1,264,660 | - | 83,751 | 21,819 | 1,370,230 | 0% | 2% |
| 2010 | | | | | | | |
| Mr Philip Chambers | 196,588 | - | 16,624 | - | 213,212 | 0% | 0% |
| Mr Denis Mackenzie | 552,764 | - | 15,890 | 61,137 | 629,791 | 0% | 10% |
| Mr Philip Bullock ⁽ⁱ⁾ | 50,459 | - | 4,541 | - | 55,000 | 0% | 0% |
| Mr Ian Kew | 55,046 | - | 4,954 | - | 60,000 | 0% | 0% |
| Mr Andrew Kroger ⁽ⁱⁱ⁾ | 55,046 | - | 4,954 | - | 60,000 | 0% | 0% |
| | 909,903 | - | 46,963 | 61,137 | 1,018,003 | | 6% |

(i) Appointed as director on 1 August 2009

(ii) Resigned as director 24 November 2010

(iii) Appointed as director 16 February 2011

Executives' Remuneration:

| Short Term | | | | | | | |
|-----------------------------|------------------|----------------|-----------------------|------------------------------|------------------|---------------------------|-------------------|
| | Salary Fees | Cash Bonus | Post employment super | Share-based payments options | TOTAL | Total Performance Related | Paid in Options % |
| 2011 | | | | | | | |
| Mr David Ward | 367,226 | 50,000 | - | 10,018 | 427,244 | 12% | 2% |
| Mr Brian Lee ⁽ⁱ⁾ | 310,594 | 50,000 | 37,515 | 11,615 | 409,724 | 12% | 3% |
| Mr Kevin McLaine | 365,854 | - | 27,418 | 19,471 | 412,743 | 0% | 5% |
| Mr Trevor Oliver | 230,135 | 5,000 | 22,237 | 11,615 | 268,987 | 2% | 4% |
| Ms Julie-Ann Kerin | 377,119 | 216,520 | 25,000 | 11,954 | 630,593 | 34% | 2% |
| | 1,650,928 | 321,520 | 112,170 | 64,673 | 2,149,291 | 15% | 3% |
| 2010 | | | | | | | |
| Mr David Ward | 284,425 | 10,000 | 25,575 | 16,230 | 336,230 | 3% | 5% |
| Mr Brian Lee | 341,000 | 50,000 | 14,989 | 16,230 | 422,219 | 12% | 4% |
| Mr Kevin McLaine | 344,877 | - | 10,846 | 103,769 | 459,492 | 0% | 23% |
| Mr Trevor Oliver | 211,567 | 15,000 | 14,461 | 5,410 | 246,438 | 6% | 2% |
| Ms Julie-Ann Kerin | 300,000 | 10,000 | 27,000 | 16,230 | 353,230 | 3% | 5% |
| | 1,481,869 | 85,000 | 92,871 | 157,869 | 1,817,609 | 5% | 9% |

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.

(i) Resigned 29th April 2011

Performance Related: Performance based bonus above is payable on certain earnings targets set for executive's profit centre responsibilities. The bonuses paid in 2011 were structured on achievement of the relevant earnings targets for the year ended 30 June 2010 and bonuses paid in 2010 were structured on achievement of the relevant earnings targets for the year ended 30 June 2009.

Options

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

| Terms and conditions for each grant | | | | | | | | |
|-------------------------------------|---------------|------------------|------------|-----------------------------------|-------------------|-------------|---------------------|--------------------|
| | Vested Number | Granted Number | Grant Date | Value per option at grant date \$ | Exercise Price \$ | Expiry Date | First Exercise Date | Last Exercise Date |
| Executives | | | | | | | | |
| Ms Julie-Ann Kerin | - | 200,000 | 6/06/2011 | 0.06 | 1.18 | 1/01/2014 | 1/11/2011 | 1/01/2014 |
| Mr Kevin McLaine | - | 750,000 | 6/06/2011 | 0.06 | 1.18 | 1/01/2014 | 1/11/2011 | 1/01/2014 |
| Mr David Ward | - | 200,000 | 6/06/2011 | 0.06 | 1.18 | 1/01/2014 | 1/11/2011 | 1/01/2014 |
| | - | 1,150,000 | | | | | | |

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 01/07/10 | Value Granted | Value Exercised | Value Lapsed | Balance 30/06/11 |
|--------------------|---------------------|------------------|--------------------|-----------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | |
| Mr Denis Mackenzie | 62,798 | - | - | - | 62,798 |
| | 62,798 | - | - | - | 62,798 |
| Executives | | | | | |
| Ms Julie-Ann Kerin | 19,225 | 649 | 2,007 | - | 17,867 |
| Mr Brian Lee | 19,225 | - | 2,995 | 16,230 | - |
| Mr Kevin McLaine | 140,834 | 649 | 140,834 | - | 649 |
| Mr Trevor Oliver | 8,825 | - | - | - | 8,825 |
| Mr David Ward | 23,507 | 649 | 6,176 | - | 17,980 |
| | 211,616 | 1,947 | 152,012 | 16,230 | 45,321 |

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

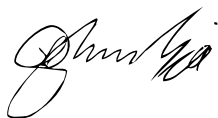
| | Balance 01/07/10 | Granted as remuneration | Options exercised | Options Lapsed | Balance 30/06/11 | Total vested 30/06/11 | Total Exercisable 30/06/11 | Total Unexer- cisable 30/06/11 |
|--------------------|---------------------|----------------------------|----------------------|-------------------|---------------------|-----------------------------|----------------------------------|---|
| Directors | | | | | | | | |
| Mr Denis Mackenzie | 1,750,000 | - | (1,000,000) | - | 750,000 | 750,000 | 750,000 | - |
| | 1,750,000 | - | (1,000,000) | - | 750,000 | 750,000 | 750,000 | - |
| Executives | | | | | | | | |
| Ms Julie-Ann Kerin | 300,000 | 200,000 | - | - | 500,000 | 300,000 | 300,000 | 200,000 |
| Mr Brian Lee | 400,000 | - | (100,000) | (300,000) | - | - | - | - |
| Mr Kevin McLaine | 1,250,000 | 750,000 | (1,250,000) | - | 750,000 | - | - | 750,000 |
| Mr Trevor Oliver | 100,000 | - | - | - | 100,000 | 100,000 | 100,000 | - |
| Mr David Ward | 700,000 | 200,000 | (400,000) | - | 500,000 | 300,000 | 300,000 | 200,000 |
| | 2,750,000 | 1,150,000 | (1,750,000) | (300,000) | 1,850,000 | 700,000 | 700,000 | 1,150,000 |

*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

Melbourne

23 August 2011



AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CSG LIMITED

In relation to the independent audit for the year ended 30 June 2011, 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

23 August 2011



PITCHER PARTNERS

Melbourne

The Board of CSG Limited ('Company') is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the Company's businesses.

The Directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects high standards of governance. The Directors have established the following processes to protect the interests and assets of shareholders and to ensure high standards of integrity and governance.

The Board has adopted a formal Board Charter, Audit Committee Charter, Nomination and Remuneration Committee Charter 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, Continuous 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

01 / 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 the Board and management of associated risks and opportunities;
- ensuring that all approved strategic plans include clear and measurable financial and other objectives;
- requiring that business plans and budgets are prepared (and provided 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

02 / 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. The Managing Director is an executive Director. Profiles of the Directors are set out on pages 15 to 16 of this 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 the Board should be Independent Directors.

To be independent, a Director should be non executive and:

- ▼ not be a substantial shareholder of the company or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder of the company;
- ▼ not have, within the last three years, been employed in an executive capacity by the Company or another company within the group, or been a Director after ceasing to hold any such employment;
- ▼ not be a principal or employee of a professional advisor or consultant to a company in the group whose annual billings to the group represent more than 5% 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's consideration 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 Audit Committee or 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

03 / Promote Ethical And Responsible Decision Making

Code of Conduct

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

These codes of conduct embrace such areas as:

- ▼ conflicts of interest;
- ▼ use of information or position;
- ▼ use of Company property;
- ▼ confidentiality;
- ▼ fair trading;
- ▼ 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 securities 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, after the release of a section 708A notice 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

04 / Safe Guard Integrity In Financial Reporting

The Board established a formal Audit Committee on 1 March 2007 under a separate charter. The chairman of the Committee is not the Chairman of the Board. As the Managing Director and the Executive Chairman were members of the Audit Committee during part of the year, an element of ASX Corporate Governance Council Best Practice Recommendation 4.2, with respect to only non executive Directors sitting on an audit committee, was not met. The Company now complies as all members of the Audit Committee are non-executive and independent.

All members of the Committee are financially literate (i.e. they are able to read and understand financial statements) and have an understanding of the industry in which the Company operates.

The Audit Committee will provide an independent review of:

- ▼ the effectiveness of the accounting and internal control systems and management reporting, which are designed to safeguard Company assets;
- ▼ financial information produced by the Company;
- ▼ the accounting policies adopted by the Company;
- ▼ the quality of the internal and external audit functions;

- ▼ external auditor's performance and independence as well as considering such matters as replacing the external auditor where and when necessary; 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 operation 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

05 / 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

06 / Respect The Rights Of Shareholders

Communication Strategy

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

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

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

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

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

07 / 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 ASX Corporate Governance Best Practice 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 mitigating action required.

Principle

08 / 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:

- ▼ 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.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

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| | | Consolidated entity | |
|--|-------|---------------------|----------------|
| | Notes | 2011 \$'000 | 2010 \$'000 |
| Revenue from continuing operations | 4 | 376,302 | 273,284 |
| Other income | 4 | 12,307 | 4,558 |
| | | 388,609 | 277,842 |
| Cost of sales | 5 | (223,088) | (156,842) |
| Marketing expenses | | (3,912) | (1,478) |
| Occupancy expenses | | (9,702) | (6,093) |
| Administration expenses | | (32,237) | (16,745) |
| Other employee expenses | 5 | (50,454) | (34,775) |
| Depreciation and amortisation | 5 | (15,456) | (13,509) |
| Other expenses | | (1,886) | (544) |
| Deferred consideration adjustment | | 5,927 | - |
| Sub Contractor expenses | | (2,821) | (1,789) |
| Finance costs | 5 | (12,268) | (5,438) |
| | | (345,897) | (237,213) |
| Profit before income tax | | 42,712 | 40,629 |
| Income tax expense | 6 | (2,265) | (8,556) |
| Profit from continuing operations | | 40,447 | 32,073 |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations, net of tax | | (1,205) | 305 |
| Share based payments | | 184 | 200 |
| Other comprehensive income for the year | | (1,021) | 505 |
| Total comprehensive income for the year | | 39,426 | 32,578 |
| Profit is attributable to: | | | |
| Members of the parent | | 39,135 | 31,455 |
| Non-controlling interest | | 1,312 | 618 |
| | | 40,447 | 32,073 |
| Total comprehensive income is attributable to: | | | |
| Members of the parent | | 38,114 | 31,960 |
| Non-controlling interest | | 1,312 | 618 |
| | | 39,426 | 32,578 |
| Earnings per share for profit from continuing operations attributable to equity holders of the parent entity: | | | |
| Basic earnings per share for continuing operations | 24 | \$0.15638 | \$0.15803 |
| Diluted earnings per share for continuing operations | 24 | \$0.15601 | \$0.15627 |

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2011

| | | Consolidated entity | |
|--|-------|---------------------|----------------|
| | Notes | 2011 \$'000 | 2010 \$'000 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 30,980 | 22,187 |
| Receivables | 9 | 71,885 | 49,641 |
| Lease Receivables | 9 | 39,666 | 35,972 |
| Current tax receivables | 6 | 4,455 | - |
| Inventories | 10 | 37,773 | 19,984 |
| Other | 11 | 5,941 | 4,575 |
| TOTAL CURRENT ASSETS | | 190,700 | 132,359 |
| NON CURRENT ASSETS | | | |
| Lease Receivables | 9 | 67,517 | 78,365 |
| Other financial assets | 12 | 1,115 | 1,115 |
| Deferred Tax Assets | 6 | 6,763 | 6,663 |
| Property, plant and equipment | 13 | 22,164 | 23,555 |
| Intangible assets | 14 | 291,719 | 252,649 |
| TOTAL NON CURRENT ASSETS | | 389,278 | 362,347 |
| TOTAL ASSETS | | 579,978 | 494,706 |
| CURRENT LIABILITIES | | | |
| Payables | 15 | 70,963 | 60,623 |
| Deferred consideration | 25 | 27,661 | 5,633 |
| Short term borrowings | 16 | 4,278 | 194 |
| Current tax payable | 6 | - | 3,334 |
| Provisions | 17 | 8,686 | 6,679 |
| Debt associated with lease receivables | 16 | 8,496 | 8,348 |
| TOTAL CURRENT LIABILITIES | | 120,084 | 84,811 |
| NON CURRENT LIABILITIES | | | |
| Deferred consideration | 25 | 7,000 | 15,117 |
| Long term borrowings | 16 | 70,979 | 74,018 |
| Provisions | 17 | 963 | 976 |
| Debt associated with lease receivables | 16 | 85,320 | 93,144 |
| TOTAL NON CURRENT LIABILITIES | | 164,262 | 183,255 |
| TOTAL LIABILITIES | | 284,346 | 268,066 |
| NET ASSETS | | 295,632 | 226,640 |
| EQUITY | | | |
| Contributed equity | 18 | 200,736 | 157,719 |
| Reserves | 19 | (317) | 704 |
| Retained profits | 19 | 84,682 | 58,998 |
| Equity attributable to owners of CSG Limited | | 285,101 | 217,421 |
| Non-Controlling interest | | 10,531 | 9,219 |
| TOTAL EQUITY | | 295,632 | 226,640 |

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

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| Consolidated entity | Contributed equity | Reserves | Retained earnings | Non-control- ling interest | Total Equity |
|---|--------------------|----------|-------------------|-------------------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July 2009 | 48,250 | 199 | 37,376 | - | 85,825 |
| Profit for the year | - | - | 31,455 | 618 | 32,073 |
| Exchange differences on translation of foreign operations, net of tax | - | 305 | - | - | 305 |
| Share based payments | - | 200 | - | - | 200 |
| Total comprehensive income for the year | - | 505 | 31,455 | 618 | 32,578 |
| Transactions with owners in their capacity as owners: | | | | | |
| Exercise of options | 2,334 | - | - | - | 2,334 |
| Share issue | 110,088 | - | - | - | 110,088 |
| Non-Controlling Interest | | | | 8,601 | 8,601 |
| Capital raising cost | (4,218) | - | - | - | (4,218) |
| Capital raising costs deferred tax asset | 1,265 | - | - | - | 1,265 |
| Dividends paid | - | - | (9,833) | - | (9,833) |
| Balance as at 30 June 2010 | 157,719 | 704 | 58,998 | 9,219 | 226,640 |
| Balance as at 1 July 2010 | 157,719 | 704 | 58,998 | 9,219 | 226,640 |
| Profit for the year | | | 39,135 | 1,312 | 40,447 |
| Exchange differences on translation of foreign operations, net of tax | | (1,205) | | | (1,205) |
| Share based payments | | 184 | | | 184 |
| Total comprehensive income for the year | | (1,021) | 39,135 | 1,312 | 39,426 |
| Transactions with owners in their capacity as owners: | | | | | |
| Exercise of options | 3,654 | | | | 3,654 |
| Share issue | 40,084 | | | | 40,084 |
| Share Issue - Dividend Reinvestment Scheme | 520 | | | | 520 |
| Capital raising cost | (1,772) | | | | (1,772) |
| Capital raising costs deferred tax asset | 531 | | | | 531 |
| Dividends paid | | | (13,451) | | (13,451) |
| Balance as at 30 June 2011 | 200,736 | (317) | 84,682 | 10,531 | 295,632 |

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2011

| | | Consolidated entity | |
|--|-------|---------------------|----------------|
| | Notes | 2011 \$'000 | 2010 \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 409,274 | 301,974 |
| Payments to suppliers, employees and others | | (380,436) | (248,973) |
| Interest income | | 236 | 294 |
| Borrowing costs paid | | (12,411) | (5,438) |
| Income tax paid | | (2,562) | (12,667) |
| Net cash provided by operating activities | 20(a) | 14,101 | 35,190 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for licenses and other intangibles | | (13,431) | (17,844) |
| Payments for property, plant and equipment | | (6,192) | (9,015) |
| Proceeds from property, plant and equipment | | 473 | 197 |
| Payments for businesses | 25 | (14,472) | (114,210) |
| Net cash (used in) investing activities | | (33,622) | (140,872) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issues of shares and other equity securities | | 44,258 | 112,422 |
| Proceeds from borrowings | | 37,719 | 149,898 |
| Repayment of borrowings | | (38,141) | (124,156) |
| Payment of deferred capital raising costs | | (1,772) | (4,218) |
| Dividends and reserve distributions | | (13,451) | (9,833) |
| Net cash flows provided by financing activities | | 28,613 | 124,113 |
| Net increase in cash held | | 9,092 | 18,431 |
| Cash at the beginning of the financial year | | 22,187 | 3,756 |
| Foreign exchange difference on cash holdings | | (299) | - |
| Cash and cash equivalents at end of year | 20(b) | 30,980 | 22,187 |

The accompanying notes form part of these financial statements

01 / Summary 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 and its 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 23 August 2011.

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

The consolidated financial statements of CSG Ltd also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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.

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

(b) Business Combinations

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

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

Rendering of Services

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

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

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

Interest Income

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

Operating Lease Revenue

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

Equipment Sales under Financing Arrangement

Equipment which is subject to rental agreements with customers may be sold to a finance company prior to the commencement of the rental agreement. Rental payments are collected by the relevant CSG entity and passed on to the finance company. A sale is recognised when goods have been dispatched to a customer pursuant to a rental agreement and a sales invoice has been issued to the finance company. Under these arrangements the risks of ownership of the equipment passes to the customer upon delivery of the equipment to the customer and the credit risk in relation to the rental stream passes to the finance company. In these circumstances the entity guarantees to buy back the equipment for a nominal amount at the end of the rental agreement (or upon termination of the agreement) based on the term of the agreement.

Other Income

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

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

(e) Receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment loss is raised when there is objective evidence that the company will not be able to collect all amounts due

according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is not material. The amount of the impairment is recognised in the statement of comprehensive income.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. 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 repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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.

Assets Subject to Operating Leases

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

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

| Assets | 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 net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in a business combination is allocated into the specific components acquired as part of the business combination. Goodwill acquired is assigned as specific lifetime over which benefits are expected to be received. This time period is typically indefinite and as such goodwill is generally not amortised.

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

Licences and other Intangible Assets

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

(i) 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 statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw down of the facility, are recognised as transaction costs and amortised on a straight-line basis over the term of the facility.

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

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

(k) Employee Benefits

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

Share-Based Payments

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

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. The fair value of options at grant date is determined using the 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.

Operating Lease

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

(n) 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 shares 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 deductible temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Tax Consolidation

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

(p) Foreign Currencies Translations and Balances

Functional and Presentation Currency

The financial statements of each of the entities in the consolidated group are measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re statement are recognised as revenues and expenses for the financial year.

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

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

(q) Goods and Services Tax (GST)

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.

(r) Financial Instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss and 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 at Fair Value through Profit and Loss

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

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

When assets are sold under a finance lease they are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method. The difference between the gross receivable and the net receivable is recognised as unearned finance income and unearned GST.

Loans and Receivables

Loans 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.

Derivative Financial Instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that are not designated hedges are accounted for as held for trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair

value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of Comprehensive Income. The fair value of interest rate swaps is based on broker quote.

Interest expenses associated with the derivative financial instruments are recognised on an accrual basis.

The consolidated entity enters into US dollar forward foreign exchange contracts to hedge the exchange rate risk arising on the import of Print Services equipment from Japan. It is the policy of the consolidated entity to cover specific currency payments on 95% of exposure generated.

(s) Research & Development

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

(t) Comparatives

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

(u) Rounding of 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.

(v) 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.

02 / Critical Accounting Estimates and Judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Estimated Impairment of Goodwill

Goodwill is allocated to cash generating units (CGUs) according to applicable business operations. The CGUs are aligned at the segment level. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected financial forecasts and projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a discount rate of 12.0% to determine value-in-use. The same discount rate has been applied to each of the CGUs.

(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.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(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) ShareBased 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.

(e) Inventory

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

03 / Financial Risk Management

The major financial instruments entered into by the group comprise short term trade receivables and payables, loans and receivables, loans and borrowings and long term borrowings. The 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) foreign exchange risk; and
- (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 detailed in the table below.

With regard to the Australian Senior Debt facility, 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 term debt and entered into swap contracts to fix the interest rate on \$47,124,000 until 29 January 2013 and to cap the interest rate on a further \$20,000,000 of borrowings until 29 January 2013. Additional drawings on the facility are made at the variable rate applicable at that time.

During the year the Company's Commonwealth Bank of Australia (CBA) funding facility, securitised by finance lease receivables, ("Securitisation Facility") was refinanced with the facility maturing on 8 July 2013. The maximum funding limit under this facility is \$77.2m (\$NZ100m) (2010 \$93.4m (\$NZ120m)).

Interest on the Securitisation Facility is charged at a floating rate plus a margin, and re-prices on a monthly basis. As the finance lease receivables are predominantly fixed rate in nature, the Company enters into interest rate swaps to fix these floating rate exposures.

In addition to the facilities above the Group has a facility with Equigroup Finance Limited to provide finance by way of finance leases. The facility limit at 30 June 2011 with Equigroup is \$21.2m (\$NZ 27.5m)

The Australian Senior Debt Facility and Securitisation Facility have been lent pursuant to various loan facility and securitisation agreements. The Australian Senior Debt Facility has priority over all other claims over the Company's assets should the Company liquidate or cease to trade.

As part of the securitisation arrangements, the Company is required to provide cash (or a Letter of Credit) as a credit protection reserve. The cash reserve is comprised of cash and bank balances. The credit protection reserve has to be maintained at a minimum calculated percentage of the net pool balance of securitised finance leases. At 30 June 2011, the required percentage was 9.4% (2010: 15.00%). The credit protection requirement is a calculated percentage called the "Credit Protection Factor", which is the greater of 9.4%, the Top Five Obligors Exposure Percent or the Dynamic Over-collateralisation Percent. The Company is restricted in the use of these reserves until the whole finance receivables book subject to the securitisation has been repaid.

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

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

| | 2011 | | 2010 | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | \$ooo's | \$ooo's | \$ooo's | \$ooo's |
| | Impact on Income Statement | Impact on Equity | Impact on Income Statement | Impact on Equity |
| | Increase/ (decrease) on profit | Increase/ (decrease) on equity | Increase/ (decrease) on profit | Increase/ (decrease) on equity |
| Interest Rate Sensitivity Analysis | | | | |
| Interest Rates: | | | | |
| 100 bps increase: | | | | |
| Cash flow sensitivity: | | | | |
| Impact on interest income on bank balances | 246 | 246 | 64 | 64 |
| Impact on management fee charges | 4 | 4 | 2 | 2 |
| Impact on interest expense on loans | (943) | (943) | (424) | (424) |
| Impact on cash flows from derivative | 847 | 847 | 423 | 423 |
| Impact on interest expense on finance leases | (27) | (27) | (10) | (10) |
| Fair value sensitivity: | | | | |
| Impact on derivative fair value at balance date | 1,228 | 1,228 | 1,390 | 1,390 |
| Total impact | 1,355 | 1,355 | 1,445 | 1,445 |
| Interest Rates: | | | | |
| 100 bps decrease: | | | | |
| Cash flow sensitivity: | | | | |
| Impact on interest income on bank balances | (246) | (246) | (64) | (64) |
| Impact on management fee charges | (4) | (4) | (2) | (2) |
| Impact on interest expense on loans | 1019 | 1019 | 424 | 424 |
| Impact on cash flows from derivative | (847) | (847) | (423) | (423) |
| Impact on interest expense on finance leases | 27 | 27 | 10 | 10 |
| Fair value sensitivity: | | | - | - |
| Impact on derivative fair value at balance date | (1,261) | (1,261) | (1,430) | (1,430) |
| Total impact | (1,312) | (1,312) | (1,484) | (1,484) |

(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.

Statement of Financial Position

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 entity produces positive cash flows from operating activities on an ongoing basis. Refer to Note 20(b) for details on the unused banking facility. Cash reserve accounts and enhancement deposit accounts are restricted under the securitisation arrangements. The funds will be repaid to the consolidated entity on request if the Company has paid more than required for the Credit Protection. Once a month funds paid into the bank accounts, by the lessees, which do not relate to repayment of principle balances, will be returned to the consolidated entity.

(d) Foreign Exchange risk

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

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

(e) Fair values

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

| Financial Instruments | Floating Interest Rate | | Fixed Interest Rate Maturing in : | | | | | | | | | | Total carrying amount as per Balance Sheet | | | | Weighted Average Effective Interest Rate | |
|---|------------------------|---------------|-----------------------------------|---------------|----------------|----------------|------------|------------|------------|------------|------------|------------|--|---------------|----------------|----------------|--|--------|
| | Rate | | Maturity | | | | | | | | | | Non Interest bearing | | | | Interest Rate | |
| | 2011 | 2010 | 1 year or less | | 1 - 5 years | | > 5 years | | | | | | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | % | % |
| (i) Financial Assets | | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 30,960 | 22,169 | - | - | - | - | - | - | - | - | - | - | 20 | 18 | 30,980 | 22,187 | 2.62% | 2.24% |
| Trade Receivables | - | - | - | - | - | - | - | - | - | - | - | - | 61,574 | 39,901 | 61,574 | 39,901 | | |
| Finance Lease Receivables | - | - | 39,666 | 35,972 | 67,516 | 78,349 | 1 | 16 | - | - | - | - | 10,036 | 9,740 | 107,183 | 114,337 | 13.57% | 13.51% |
| Sundry Debtors | - | - | - | - | - | - | - | - | - | - | - | - | 4,455 | - | 10,036 | 9,740 | | |
| Income Tax Receivable | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,455 | - | | |
| Other financial assets | - | - | - | - | - | - | - | - | - | - | - | - | 1,115 | 1,115 | 1,115 | 1,115 | | |
| Total Financial Assets | 30,960 | 22,169 | 39,666 | 35,972 | 67,516 | 78,349 | 1 | 16 | 16 | 16 | 16 | 16 | 77,200 | 50,774 | 215,343 | 187,280 | | |
| (ii) Financial Liabilities | | | | | | | | | | | | | | | | | | |
| Trade Payables | - | - | - | - | - | - | - | - | - | - | - | - | 34,406 | 28,907 | 34,406 | 28,907 | | |
| Other Payables | - | - | 1,177 | 482 | - | - | - | - | - | - | - | - | 35,380 | 31,234 | 36,557 | 31,716 | 3.61% | 3.00% |
| Finance Lease & Hire Purchase Liability | - | - | 104 | 10 | 199 | 559 | - | - | - | - | - | - | - | - | 303 | 569 | 10.59% | 8.14% |
| Debt Associated with Finance Leases | - | - | 6,134 | 5,447 | 83,983 | 91,567 | - | - | - | - | - | - | - | - | 90,117 | 97,014 | 4.92% | 5.43% |
| Derivatives - interest rate swaps | - | - | 2,362 | 2,901 | 1,211 | 1,462 | 125 | 115 | - | - | - | - | - | - | 3,698 | 4,479 | 6.28% | 7.04% |
| Current Tax Liability | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,334 | | |
| Deferred Consideration | 28,329 | - | - | - | - | - | - | - | - | - | - | - | 6,332 | 20,750 | 34,661 | 20,750 | 8.34% | |
| Bank loans | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Term Debt/Bills Payable | 30,576 | 29,987 | 4,195 | 10,000 | 42,929 | 37,124 | - | - | - | - | - | - | - | - | 77,700 | 77,111 | 7.99% | 8.11% |
| Total Financial Liabilities | 58,905 | 29,987 | 13,972 | 18,840 | 128,322 | 130,712 | 125 | 115 | 115 | 115 | 115 | 115 | 76,118 | 84,225 | 277,442 | 263,880 | | |

04 / Revenue

| | Consolidated entity | |
|---|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Revenues from continuing operation | | |
| <i>Sales revenue</i> | | |
| Revenue from sales of goods | 116,964 | 90,575 |
| Revenue from services | 242,560 | 173,661 |
| Interest Income | 16,778 | 9,048 |
| | 376,302 | 273,284 |
| <i>Other Revenue</i> | | |
| Interest | 236 | 294 |
| Sundry | 4,657 | 4,163 |
| Rental | 184 | 56 |
| Profit on sale of fixed assets | 15 | 17 |
| Concessional research & development tax credits | 7,274 | - |
| Foreign exchange gains | (59) | 28 |
| | 12,307 | 4,558 |

05 / Profit From Continuing Operations

| | Consolidated entity | |
|---|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Profit from continuing operations before income tax has been determined after the following specific expenses | | |
| Cost of goods sold | | |
| <i>Cost of goods</i> | 77,560 | 69,095 |
| Cost of sales – service | 58,709 | 25,855 |
| Interest Expense | 9,733 | 5,583 |
| | 146,002 | 100,533 |
| <i>Employee benefits expenses</i> | | |
| Shared Based Payments | 184 | 200 |
| Other Employee Expenses | 50,270 | 34,575 |
| Cost of Sales Service (Employee Benefits) | 77,086 | 56,309 |
| Employee benefits expense | 127,540 | 91,084 |
| <i>Other</i> | | |
| Bad Debts expense / (recovered) | 921 | (26) |
| Operating lease rental | 7,539 | 2,942 |
| Deferred consideration released (net) | (5,927) | - |
| <i>Depreciation/Amortisation of non current assets</i> | | |
| Plant and equipment | 6,389 | 8,615 |
| Leased property, plant and equipment | 1 | 15 |
| Leasehold improvements | 451 | 861 |
| Amortisation of customer contracts/relationships | 2,935 | - |
| Amortisation of intangible assets | 5,680 | 4,018 |
| Total depreciation/amortisation of non current assets | 15,456 | 13,509 |
| <i>Finance costs expensed</i> | | |
| Interest and charges | 12,268 | 5,438 |
| Total finance costs expensed | 12,268 | 5,438 |

06 / Income Tax

| | Consolidated entity | |
|---|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| (a) Components of tax expense: | | |
| Current tax | 2,034 | 10,899 |
| Deferred tax | 432 | (2,155) |
| Under (over) provision in prior years | (201) | (188) |
| | 2,265 | 8,556 |
| (b) Prima facie tax payable | | |
| The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: | | |
| Profit/loss before tax from continuing operations | 42,712 | 39,981 |
| Total profit/loss before income tax | 42,712 | 39,981 |
| Prima facie income tax payable on profit before income tax at 30.0% (2010: 30.0%) | 12,814 | 11,994 |
| Add tax effect of: | | |
| - share-based payments | 55 | 71 |
| - other non-allowable items | 456 | 378 |
| | 13,325 | 12,443 |
| Less tax effect of: | | |
| - other non-assessable items | (371) | (727) |
| - deferred consideration released | (1,778) | - |
| - research & development credits – tax effect | (2,182) | - |
| - prior year tax provision released (NZ) | (3,932) | - |
| - deferred tax asset not previously brought to account | (2,596) | (2,972) |
| - over provision for income tax in prior years | (201) | (188) |
| | (11,060) | (3,887) |
| Income tax expense attributable to profit | 2,265 | 8,556 |
| (c) Current tax | | |
| Current tax relates to the following: | | |
| Current tax liabilities / (assets) | | |
| Opening balance | 3,334 | 2,877 |
| Income tax | 2,034 | 10,899 |
| Tax payments | (2,562) | (12,667) |
| Under / (over) provisions | (201) | (269) |
| Research & Development Tax Credits | (7,059) | - |
| Tax liabilities on acquisition | - | 2,337 |
| Other | (1) | 157 |
| Current tax liabilities / (assets) | (4,455) | 3,334 |

| | Consolidated entity | |
|---|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| (d) Deferred tax | | |
| Deferred tax relates to the following: | | |
| Deferred tax assets | | |
| The balance comprises: | | |
| Inventories | 627 | - |
| Doubtful debts | 8 | 288 |
| Accrued expenses | 533 | 604 |
| Provision for annual and long service leave | 3,227 | 2,325 |
| Other | 735 | 2,665 |
| Blackhole deductions | 1,980 | 2,340 |
| Customer contracts/relationships | 881 | - |
| | 7,991 | 8,222 |
| Deferred tax liabilities | | |
| The balance comprises: | | |
| Property, plant & equipment | (1,131) | (1,197) |
| Investment in CSG Unit Trust | - | (324) |
| Other | (97) | (38) |
| | (1,228) | (1,559) |
| Net Deferred tax assets | 6,763 | 6,663 |
| (e) Deferred income tax (revenue)/expense included in income tax expense comprises | | |
| Decrease / (increase) in deferred tax assets | 763 | (3,356) |
| (Decrease) / increase in deferred tax liabilities | (331) | 1,201 |
| | 432 | (2,155) |
| (f) Deferred income tax related to items charged or credited directly to equity | | |
| Blackhole deductions | (532) | (741) |
| Other | - | 11 |
| | (532) | (730) |
| Deferred income tax included in opening business combination | - | (1,330) |
| (g) Deferred tax assets not brought to account | | |
| Capital tax losses | 346 | 346 |

07 / Dividends On Ordinary Shares

| | Consolidated entity | |
|--|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| (a) Dividends paid during the year | | |
| (i) Interim | | |
| Franked dividends (2.5 cents per share) (2010: 2.5 cents per share) | 6,123 | 5,440 |
| (ii) Final | | |
| Franked dividends (3.0 cents per share) (2010: 2.5 cents per share) | 7,328 | 4,393 |
| | 13,451 | 9,833 |
| (b) Dividends proposed and not recognised as a liability | | |
| Franked dividends (3.0 cents per share) (2010: 3.0 cents per share) | 8,477 | 7,262 |
| (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: | 23,727 | 24,870 |
| Impact of the franking account of dividends recommended by the directors since the year end but not recognised as a liability at year end | (3,633) | (3,112) |
| | 20,094 | 21,758 |

08 / Cash And Cash Equivalents

| | | |
|-----------------------------|--------|--------|
| Cash at bank ⁽ⁱ⁾ | 30,961 | 22,169 |
| Cash on hand | 19 | 18 |
| | 30,980 | 22,187 |

(i) Includes cash amounts provided as part of credit protection reserve – refer note 3.

09 / Receivables

| | Consolidated entity | |
|---------------------------|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| CURRENT | | |
| Trade receivables | 61,684 | 40,178 |
| Impairment | (110) | (277) |
| Staff and sundry loans | 37 | - |
| Sundry debtors | 10,274 | 9,740 |
| | 71,885 | 49,641 |
| <i>Lease receivables</i> | | |
| Finance Lease receivables | 39,666 | 35,972 |
| NON-CURRENT | | |
| Finance Lease receivables | 67,517 | 78,365 |
| | 107,183 | 114,337 |

10 / Inventories

| | | |
|--|--------|--------|
| Finished goods and consumables – at cost | 37,773 | 19,984 |
| | 37,773 | 19,984 |

11 / Other Current Asset

| | | |
|-------------|-------|-------|
| Prepayments | 5,941 | 4,575 |
| | 5,941 | 4,575 |

12 / Other Financial Assets

| | | |
|---|-------|-------|
| NON CURRENT | | |
| <i>Financial assets at fair value through profit and loss</i> | | |
| Non listed investments at cost | 1,112 | 1,112 |
| Shares in listed corporations | 3 | 3 |
| | 1,115 | 1,115 |

13 /

Property, Plant And Equipment

| | | Consolidated entity | |
|-------------------------------------|-------|---------------------|----------------|
| | Notes | 2011 \$'000 | 2010 \$'000 |
| Leasehold improvements | | | |
| At Cost | | 4,922 | 4,972 |
| Accumulated amortisation | | (2,150) | (2,595) |
| | 13(a) | 2,772 | 2,377 |
| Plant and equipment | | | |
| At Cost | | 23,243 | 32,831 |
| Accumulated depreciation | | (12,325) | (20,023) |
| | 13(a) | 10,918 | 12,808 |
| Aircraft | | | |
| At Cost | | 1,525 | 1,697 |
| Accumulated depreciation | | (409) | (268) |
| | 13(a) | 1,116 | 1,429 |
| Furniture and fittings | | | |
| At Cost | | 6,103 | 10,028 |
| Accumulated depreciation | | (3,047) | (6,609) |
| | 13(a) | 3,056 | 3,419 |
| Office computer equipment | | | |
| At Cost | | 10,861 | 9,022 |
| Accumulated depreciation | | (7,850) | (5,953) |
| | 13(a) | 3,011 | 3,069 |
| Motor vehicles | | | |
| At Cost | | 1,993 | 952 |
| Accumulated depreciation | | (702) | (515) |
| | 13(a) | 1,291 | 437 |
| Leased plant & equipment | | | |
| At Cost | | - | 120 |
| Accumulated amortisation | | - | (104) |
| | 13(a) | | 16 |
| Total written down value | | 22,164 | 23,555 |

| | Consolidated entity | |
|--|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| (a) Reconciliation of the carrying amount of property, plant and equipment at the beginning of the year | | |
| Leasehold improvements | | |
| Carrying amount | 2,377 | 1,636 |
| Transfer between classes | 19 | - |
| Additions | 864 | 976 |
| Disposals | (15) | (50) |
| Additions through acquisitions | - | 676 |
| Foreign currency translation | (22) | - |
| Amortisation expense | (451) | (861) |
| | 2,772 | 2,377 |
| Plant & equipment | | |
| Carrying amount | 12,808 | 15,932 |
| Transfer between classes | (443) | 569 |
| Additions | 2,206 | 4,541 |
| Disposals | (271) | (2,695) |
| Additions through acquisitions | - | 1,096 |
| Foreign currency translation | (93) | - |
| Depreciation expense | (3,289) | (6,635) |
| | 10,918 | 12,808 |
| Aircraft | | |
| Carrying amount | 1,429 | 321 |
| Transfer between classes | - | - |
| Additions | 222 | 1,235 |
| Disposals | (354) | - |
| Foreign currency translation | - | - |
| Depreciation expense | (181) | (127) |
| | 1,116 | 1,429 |
| Furniture & fittings | | |
| Carrying amount | 3,419 | 1,046 |
| Transfer between classes | 96 | (117) |
| Additions | 1,045 | 660 |
| Disposals | (423) | (104) |
| Additions through acquisitions | - | 2,608 |
| Foreign currency translation | (56) | - |
| Depreciation expense | (1,025) | (674) |
| | 3,056 | 3,419 |

| | Consolidated entity | |
|----------------------------------|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Office computer equipment | | |
| Carrying amount | 3,069 | 1,316 |
| Transfer between classes | 332 | (440) |
| Additions | 1,254 | 1,541 |
| Disposals | (2) | (8) |
| Additions through acquisitions | - | 1,796 |
| Depreciation expense | (1,576) | (1,084) |
| Foreign currency translation | (66) | - |
| Transfer to other capital | - | (52) |
| | 3,011 | 3,069 |
| Motor Vehicles | | |
| Carrying amount | 437 | 479 |
| Transfer between classes | 11 | (12) |
| Additions | 601 | 62 |
| Disposals | (124) | (95) |
| Additions through acquisitions | 683 | 98 |
| Foreign currency translation | - | - |
| Depreciation expense | (317) | (95) |
| | 1,291 | 437 |
| Lease plant and equipment | | |
| Carrying amount | 16 | 39 |
| Transfer between classes | (15) | - |
| Additions | | |
| Disposals | | (8) |
| Foreign currency translation | - | - |
| Amortisation expense | (1) | (15) |
| | - | 16 |

14 / Intangibles

| | Consolidated entity | |
|---|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Goodwill | | |
| Goodwill on consolidation | 206,088 | 203,666 |
| Goodwill at cost | 30,947 | 30,842 |
| Net carrying amount | 237,035 | 234,508 |
| Opening net book amount | 215,774 | 102,499 |
| Additions | 34,254 | 132,443 |
| Transfer to Customer Contracts/Relationships | (12,993) | (18,734) |
| Deferred cost written back | - | (434) |
| Closing net book value | 237,035 | 215,774 |
| Customer Contracts\Relationships | | |
| Customer Contracts\Relationships on consolidation | 31,727 | 18,734 |
| Accumulated amortisation | (2,935) | - |
| Net carrying amount | 28,792 | 18,734 |
| Opening net book amount | 18,734 | - |
| Transfers from Goodwill | 12,993 | 18,734 |
| Amortisation expense | (2,935) | - |
| Closing net book value | 28,792 | 18,734 |
| Licenses and other intangibles assets | | |
| Licenses and other intangibles at cost | 37,215 | 23,784 |
| Accumulated amortisation | (11,323) | (5,643) |
| Net carrying amount | 25,892 | 18,141 |
| Opening net book amount | 18,141 | 8,509 |
| Additions | 13,431 | 13,650 |
| Amortisation expense | (5,680) | (4,018) |
| Closing net book value | 25,892 | 18,141 |
| Total | 291,719 | 252,649 |

As at 30 June 2010 a provisional allocation of intangible assets has been made in relation to the acquisition of Onesource Group Limited and Leasing Solutions Limited. The final assessment has resulted in the transfer of \$18.734m from Goodwill to Customer Contracts/Relationships.

15 / Payables

| | | Consolidated entity | |
|----------------|-------|---------------------|----------------|
| | Notes | 2011 \$'000 | 2010 \$'000 |
| CURRENT | | | |
| Trade payables | | 34,406 | 28,907 |
| Other payables | | 36,557 | 31,716 |
| | | 70,963 | 60,623 |

16 / Borrowings

| | | | |
|--|----|--------|--------|
| CURRENT | | | |
| <i>Secured</i> | | | |
| Term Debt | 20 | 4,195 | - |
| Lease and hire purchase liabilities (i) | 21 | 83 | 194 |
| | | 4,278 | 194 |
| NON CURRENT | | | |
| <i>Secured</i> | | | |
| Lease and hire purchase liabilities (i) | 21 | 220 | 375 |
| Term Debt, net of transaction costs (ii) | | 70,759 | 73,643 |
| | | 70,979 | 74,018 |

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

- (i) Lease and Hire Purchase liabilities are secured by assets leased or under hire purchase.
- (ii) Bank loans and commercial bills are secured by mortgage over the assets of the companies and trusts and various undertakings. The facility is due for renewal in January, 2013.

Debt Associated With Finance Lease Receivables

| | | | |
|-----------------------------------|--|--------|--------|
| CURRENT | | | |
| Loans and borrowings | | 6,134 | 5,447 |
| Derivatives – Interest rate swaps | | 2,362 | 2,901 |
| | | 8,496 | 8,348 |
| NON-CURRENT | | | |
| Loans and borrowings | | 83,983 | 91,567 |
| Derivatives – Interest rate swaps | | 1,337 | 1,577 |
| | | 85,320 | 93,144 |

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

17 / Provisions

| | Consolidated entity | |
|---------------------------------------|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| CURRENT | | |
| Employee Benefits | 8,686 | 6,679 |
| NON CURRENT | | |
| Employee Benefits | 963 | 976 |
| Aggregate employee benefits liability | 9,649 | 7,655 |

18 / Contributed Equity

(a) Issued and paid up capital

| | | |
|----------------------------|---------|---------|
| Ordinary shares fully paid | 200,736 | 157,719 |
| | 200,736 | 157,719 |

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

(b) Movement in shares on issue

| | 2011 | | 2010 | |
|--|---------------|---------|---------------|---------|
| | No. of shares | \$'000 | No. of shares | \$'000 |
| Beginning of the financial year | 242,060,195 | 157,719 | 175,730,675 | 48,250 |
| Exercise of options | 3,623,500 | 3,654 | 1,974,000 | 2,334 |
| Share issue | 36,439,832 | 40,084 | 64,355,520 | 110,088 |
| Dividend Reinvestment Plan | 443,972 | 520 | - | - |
| Capital raising cost | | (1,772) | - | (4,218) |
| Capital raising costs deferred tax asset | | 531 | - | 1,265 |
| Balance at the end of the year | 282,567,499 | 200,736 | 242,060,195 | 157,719 |

(c) 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.

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

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

Options on issue 30 June 2011:

| Issued date | Expiry date | Exercise price | Opening 01/07/2010 | Issued | Exercised | Lapsed | Closing 30/06/2011 |
|--------------|-------------|-----------------|-----------------------|-----------|-------------|-----------|-----------------------|
| ESOP Various | Various | \$1.00 - \$1.25 | 2,877,000 | 0 | (2,738,000) | (139,000) | - |
| ESOP Various | 31/10/2012 | \$0.68 - \$1.76 | 3,967,000 | - | (885,500) | (418,000) | 2,663,500 |
| ESOP Various | 31/08/2012 | \$1.98 | - | 1,000,000 | - | - | 1,000,000 |
| ESOP Various | 31/08/2012 | \$1.18 | - | 100,000 | - | - | 100,000 |
| ESOP Various | 01/01/2014 | \$1.18-\$1.23 | - | 1,825,000 | - | - | 1,825,000 |
| | | | 6,844,000 | 2,925,000 | (3,623,500) | (557,000) | 5,588,500 |

Option on issue at 30 June 2010:

| Issued date | Expiry date | Exercise price | Opening 01/07/2009 | Issued | Exercised | Lapsed | Closing 30/06/2010 |
|--------------|-------------|-----------------|-----------------------|-----------|-------------|-----------|-----------------------|
| ESOP Various | Various | \$1.00 - \$1.25 | 5,423,000 | 0 | (1,863,000) | (683,000) | 2,877,000 |
| ESOP Various | 31/10/2012 | \$0.68 - \$1.76 | - | 4,200,000 | (111,000) | (122,000) | 3,967,000 |
| | | | 5,423,000 | 4,200,000 | (1,974,000) | (805,000) | 6,844,000 |

19 / Reserves And Retained Earnings

| | | Consolidated entity | |
|---|-------|---------------------|----------------|
| | Notes | 2011 \$'000 | 2010 \$'000 |
| Share-based payment reserve | 19(a) | 583 | 399 |
| Foreign currency translation reserve | 19(b) | (900) | 305 |
| | | (317) | 704 |
| Retained earnings | 19(c) | 84,682 | 58,998 |
| (a) Share-based payment reserve | | | |
| <i>(i) Nature and purpose of reserve</i> | | | |
| This reserve is used to record the value of equity benefit provided to employee and directors as part of their remunerations. | | | |
| <i>(ii) Movements in reserve</i> | | | |
| Balance at beginning of year | | 399 | 199 |
| Share based payments | 5 | 184 | 200 |
| Balance at end of year | | 583 | 399 |
| (b) Foreign currency translation reserve | | | |
| <i>(i) Nature and purpose of reserve</i> | | | |
| This reserve is used to record the exchange differences arising on translation of a foreign entity. | | | |
| <i>(ii) Movements in reserve</i> | | | |
| Balance at beginning of year | | 305 | - |
| Exchange differences on translation of foreign operations | | (1,205) | 305 |
| Balance at end of year | | (900) | 305 |
| (c) Retained Earnings | | | |
| Balance at beginning of year | | 58,998 | 37,376 |
| Net profit attributable to members | | 39,135 | 31,455 |
| Total available for appropriation | | 98,133 | 68,831 |
| Dividends paid | | (13,451) | (9,833) |
| Balance at end of year | | 84,682 | 58,998 |

20 / Cashflow Information

| | Consolidated entity | |
|---|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| (a) Reconciliation of cash flow from operations with profit after income tax | | |
| Profit from ordinary activities after income tax | 40,447 | 32,073 |
| Non-cash items | | |
| Profit on sales of assets | (15) | (17) |
| Amortisation of license costs | 8,615 | 4,018 |
| Depreciation and amortisation of property, plant and equipment | 6,841 | 9,491 |
| Share based payments | 184 | 200 |
| Amounts reclassified from investing activities ⁽ⁱ⁾ | (5,217) | 2,776 |
| (Increase)/decrease in assets | | |
| Receivables | (22,244) | 9,074 |
| Prepayments | (1,366) | (2,484) |
| Inventories | (17,789) | (5,110) |
| Deferred tax assets | 100 | (733) |
| Other receivables | - | (443) |
| Increase/(decrease) in liabilities | | |
| Payables | 10,340 | (9,476) |
| Provisions | 1,994 | 834 |
| Tax provision | (7,789) | (5,013) |
| Net cash flow from operating activities | 14,101 | 35,190 |
| (b) Reconciliation of cash | | |
| Cash balance comprises: | | |
| Cash at bank | 30,980 | 22,187 |
| Closing cash balance | 30,980 | 22,187 |

(i) Includes proceeds from asset sales where assets are directly provided to customers

Non cash transactions relating to business combinations are disclosed in Note 25.

| Consolidated entity | | |
|---|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| (c) Credit stand-by arrangements and loan facilities | | |
| Facilities | | |
| Multi function facility ⁽ⁱ⁾ | 125,805 | 130,000 |
| Securitisation and lease finance facility ⁽ⁱⁱⁱ⁾ | 98,433 | 132,031 |
| | 224,238 | 262,031 |
| Facilities Used | | |
| Multi function facility ⁽ⁱⁱ⁾ | 81,816 | 83,474 |
| Securitisation and lease finance facility | 90,117 | 97,015 |
| | 171,933 | 180,489 |
| Facilities Unused | | |
| Multi function facility | 43,989 | 46,526 |
| Securitisation and lease finance facility | 8,316 | 35,016 |
| | 52,305 | 81,542 |

- i. Facility comprises a Term Debt facility (current limit \$79.7m) and a Working Capital facility (current limit \$46.1m). The Term Debt facility limit reduces by \$2.1m every six months (reductions in August 2011 and February 2012). The level of facility reduction in the next 12 months is reflected as a current liability.
- ii. This amount includes contingent liabilities used of \$4.1m, in relation to various guarantees and security deposits provided by the bank on behalf of the company.
- iii. The company has a multi-function facility with the Commonwealth Bank (Australian Senior Debt Facility). Debt facilities include bank bills, business loans, overdraft, equipment finance and contingent liabilities and are available to all members of the consolidated group including the parent.
- The Securitisation facility will mature on the 8 July 2013 with a maximum limit of \$77.2m (\$NZ 100m).
- iv. In addition to the facilities above the Group has a facility with Equigroup Finance Limited to provide finance by way of finance leases. The facility limit at 30 June, 2011 with Equigroup is \$21.2m (\$NZ 27.5m)

21 / Lease Commitments

| | Notes | Consolidated entity | |
|---|-------|---------------------|----------------|
| | | 2011 \$'000 | 2010 \$'000 |
| Lease expenditure commitments | | | |
| (a) Operating Leases (non-cancellable) | | | |
| <i>(i) Operating leases relate to the lease of land, buildings and office computer equipment</i> | | | |
| <i>(ii) Minimum lease payments</i> | | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | | |
| No later than one year | | 8,198 | 7,539 |
| Later than one year but not later than five years | | 22,271 | 14,042 |
| Later than five years | | 5,688 | 466 |
| | | 36,157 | 22,047 |
| (b) Finance leases | | | |
| <i>(i) Finance leases relates to computer equipment, motor vehicles, furniture, and other office equipment. Lease terms vary from two to five years. Various lease arrangements in place have the option to purchase the assets for a nominal amount at the conclusion of the lease agreement</i> | | | |
| <i>(ii) Future minimum lease payment and present value of the net minimum lease payment</i> | | | |
| Not later than one year | | 107 | 219 |
| Later than one year but not later than five years | | 246 | 425 |
| Total minimum lease payments | | 353 | 644 |
| Future finance charges | | (50) | (75) |
| Present value of minimum lease payments | | 303 | 569 |
| Included in financial statements as: | | | |
| Current liability | 16 | 83 | 194 |
| Non current liability | 16 | 220 | 375 |
| | | 303 | 569 |
| Finance lease receivable | | | |
| (a) Finance leases | | | |
| <i>Finance lease receivable relates to assets held under finance leases recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments.</i> | | | |
| No later than one year | | 39,666 | 35,972 |
| Later than one year but not later than five years | | 67,516 | 78,349 |
| Later than five years | | 1 | 16 |
| | | 107,183 | 114,337 |

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 | |
|--|--------------------------|--------------------|--------|
| | | 2011 % | 2010 % |
| 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 |
| CSG Print Services Pty Ltd ⁽ⁱⁱ⁾ | Australia | 100 | 100 |
| CSG Communications Pty Ltd | Australia | 100 | 100 |
| Sunshine Coast Office Equipment Pty Ltd | Australia | 100 | 100 |
| CSG Solutions Pty Ltd | Australia | 100 | 100 |
| Haloid Pty Ltd | Australia | 100 | 100 |
| Seeakay Pty Ltd | Australia | 100 | 100 |
| Anadex Pty Ltd ATF Anadex Trust | Australia | 100 | 100 |
| CSG Finance Pty Ltd | Australia | 100 | 100 |
| Bexton Professional Pty Ltd | Australia | 100 | 100 |
| Change Corporation Pty Ltd | Australia | 100 | 100 |
| CSG Enterprise Print Services Pty Ltd ⁽ⁱⁱⁱ⁾ | Australia | 100 | 100 |
| A.C.N. 126 840 542 Pty Ltd ^(iv) | Australia | 100 | 100 |
| CSG Education Pty Ltd | Australia | 100 | 100 |
| Delexian Pty Ltd | Australia | 100 | 100 |
| Aaromba Technologies Pty Ltd | Australia | 100 | 100 |
| CSG Technology Solutions NZ Limited | New Zealand | 100 | 100 |
| CSG NZ2 Limited | New Zealand | 100 | 100 |
| CSG Print Services NZ Limited ^(v) | New Zealand | 100 | 100 |
| Leasing Solutions Ltd | New Zealand | 100 | 100 |
| Subsidiaries of CSG Print Services NZ Limited: | | | |
| Konica Minolta Business Systems New Zealand Ltd | New Zealand | 90 | 90 |
| Subsidiaries of Leasing Solutions Ltd: | | | |
| Onesource Finance Ltd | New Zealand | 100 | 100 |
| Solutions Group Receivables Ltd | New Zealand | 100 | 100 |

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

(ii) CSG Print Services Pty Ltd (formerly Flemdale Pty Ltd)

(iii) CSG Enterprise Print Services Pty Ltd (formerly ATI Group Pty Ltd)

(iv) A.C.N. 126 840 542 Pty Ltd (formerly Cinglevue Pty Ltd)

(v) CSG Print Services NZ Limited (Formerly Onesource Group Limited)

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

| | Consolidated entity | |
|--|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| CSG Ltd | | |
| Hire of Jet Aircraft from entity associated with Mr. Denis Mackenzie (These arrangements were terminated in December 2010.) | 292,344 | 773,000 |
| CSG Services Pty Ltd | | |
| Hire of Helicopter from entity associated with Mr. Denis Mackenzie | - | 12,045 |
| Sale of Helicopter | - | 425,000 |
| Rent paid to an entity associated with Mr. Denis Mackenzie (at commercial rates) | 150,000 | 255,500 |
| 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 : | 68,459,000 | 7,136,000 |

23 / Deed Of Cross Guarantee

CSG Limited and its Australian wholly owned subsidiaries as detailed in note 22(a) are parties to a Deed of Cross Guarantee under which each company guarantees the debts of others.

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

The above companies represent a 'Closed Group' for the purpose of the Class Order, and there are no other parties to the Deed of Cross Guarantee that are controlled by CSG Limited, that also represent the 'Extended Closed Group'. Those wholly owned subsidiaries which are included in the Deed of cross Guarantee are exempt from preparing a financial report and Director's Report under the terms of ASIC Class Order 98/1418 and the Corporation Act 2001.

24 / Earnings Per Share

| | Consolidated entity | |
|---|---------------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| The following reflects the income and share data used in the calculations of basic and diluted earnings per share: | | |
| Profit from continuing operations: | 39,135 | 31,455 |
| | 39,135 | 31,455 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 250,259,246 | 199,053,227 |
| Effect of dilutive securities: | | |
| Share Options | 594,593 | 2,241,492 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 250,853,839 | 201,294,719 |

25 / Business Combination

Changes in the composition of the entity during the 2011 year:

- (a) In July 2010, CSG acquired the sub-contract rights over approximately 10,500 Canon Multi-Function Devices in Sydney, Melbourne, Canberra, Adelaide and Perth. The major elements of the total consideration to be paid by CSG under the Subcontracting Agreement are \$31.0m plus adjustments. On 1 July 2010, CSG paid \$6.4m to Canon (\$6.0m consideration less employee entitlement of \$0.8m plus stock and fixed assets totalling \$1.2m) with CSG incurring a debt to Canon via a Vendor Loan of \$25.0m in respect of the remainder of the purchase price. In accordance with the agreement, CSG paid \$12.5m of the Vendor Loan on 1 July 2011, followed by 11 monthly instalments of \$500k (\$5.5m) and the balance of \$7.0m on July 2012 less certain adjustments. Fair value of assets acquired equated to carrying value of assets acquired.

In October 2010, CSG acquired the rights to service approximately 1,300 Canon Multi-Function Devices in Brisbane. The total consideration to be paid by CSG under the Subcontracting Agreement is \$3.3m. This amount is payable via a vendor loan and is due for repayment in October 2011.

The Canon acquisition gave rise to goodwill of \$33.7m. In addition to the acquisition of Canon, adjustments of \$0.6m were also made to goodwill with \$0.4m representing additional cash payments and \$0.2m representing an adjustment to asset and liability fair values at acquisition date. Goodwill was reduced by \$31.7m on specific allocation of goodwill arising on the acquisition of Canon and the NZ businesses to Customer contracts/relationships. This element of goodwill has been given a finite life of 14 years and is amortised on a straight line basis over this period.

Payments for businesses in the statement of cash flows of \$14,472 are made up of the cash paid under the Canon Subcontracting Agreement, acquisition costs and payments made during the half year relating to acquisitions made in prior periods. Payments made specifically relate to the following acquisitions:

| | \$'000 |
|-----------------------------------|---------------|
| Current year acquisitions: | |
| Canon Subcontracting Agreement | 6,436 |
| Prior Year acquisitions: | |
| Aaromba Technologies Pty Ltd | 6,267 |
| Delexian Pty Ltd | 1,183 |
| Small acquisitions & costs | 586 |
| Total Payments | 14,472 |

- (b) The purchased goodwill is attributable to the high profitability of the acquired businesses and the expected synergies expected to arise post acquisition.
- (c) To disclose the results of the Canon business separately is impractical due to the immediate integration of the Canon business with the overall CSG Print Services business.

(d) At balance date the group has provided for the following deferred consideration in respect of previously acquired businesses:

| Business \$'ooo | 2011 | | | 2010 | | |
|----------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | Current Liability | Non Current Liability | Total Liability | Current Liability | Non Current Liability | Total Liability |
| Canon ⁽ⁱ⁾ | 21,328 | 7,000 | 28,328 | - | - | - |
| ATI | 2,333 | - | 2,333 | 2,333 | - | 2,333 |
| Cinglevue | 4,000 | - | 4,000 | - | 4,000 | 4,000 |
| Aaroomba | - | - | - | 2,500 | 1,317 | 3,817 |
| Delexian | - | - | - | 800 | 9,800 | 10,600 |
| Total | 27,661 | 7,000 | 34,661 | 5,633 | 15,117 | 20,750 |

(i) Balance outstanding is interest bearing (refer also note 3) with principal repayments due as follows:

- ▼ paid \$12.5m 1 July 2011
- ▼ \$0.5m monthly until June 2012 (\$5.5m in total)
- ▼ \$7m 1 July 2012
- ▼ \$3.3m 1 October 2011

Changes in the composition of the entity during the 2010 year:

- ▼ On 1 July 2009, the Company acquired 100% of shares of Delexian Pty Ltd.
- ▼ On 1 January 2010, the Company acquired 100% of shares of Onesource Group Limited which holds 90% of shares in Konica Minolta Business Solutions New Zealand Limited.
- ▼ On 1 January 2010, the Company acquired 100% of shares of Leasing Solutions Limited and its wholly owned subsidiaries Onesource Finance Ltd and Solutions Group Receivables Ltd.
- ▼ On 1 April 2010, the Company acquired 100% of shares of Aaroomba Technologies Pty Ltd.

At balance date a provisional allocation of intangible assets in relation to the acquisition of the Onesource Group Limited and Leasing Solutions Limited has been made and is still subject to a final assessment.

The acquisition details are outlined below:

| | Delexian Pty Ltd | Onesource Group Limited | Leasing Solutions Limited | Aaromba Technologies Pty Ltd | Total |
|--|---------------------|-------------------------------|---------------------------------|------------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Consideration | | | | | |
| Cash paid under share sale agreement | 2,990 | 86,009 | 20,636 | 2,183 | 111,818 |
| Credit enhancement securitisation facility | - | - | 9,993 | - | 9,993 |
| Deferred consideration | 10,600 | - | - | 3,817 | 14,417 |
| Total acquisition cost | 13,590 | 86,009 | 30,629 | 6,000 | 136,228 |
| Net assets acquired | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 699 | 476 | 10,489 | 1,197 | 12,861 |
| Receivables | 1,656 | 9,556 | 113,777 | 323 | 125,312 |
| Inventory | 17 | 12,844 | - | 33 | 12,894 |
| Property, plant and equipment | 126 | 3,824 | 2,164 | 160 | 6,274 |
| Other Assets | 108 | 11,283 | 108,737 | 144 | 120,272 |
| Total assets acquired | 2,606 | 37,983 | 235,167 | 1,857 | 277,613 |
| Liabilities | | | | | |
| Trade and other payables | 1,400 | 23,866 | 107,144 | 539 | 132,949 |
| Borrowings | 105 | 228 | - | - | 333 |
| Provisions | 511 | 4,624 | 2,247 | 106 | 7,488 |
| Other liabilities | - | 2,979 | 119,532 | 1,123 | 123,634 |
| Total liabilities acquired | 2,016 | 31,697 | 228,923 | 1,768 | 264,404 |
| Net assets and other intangibles acquired | 590 | 6,286 | 6,244 | 89 | 13,209 |
| Goodwill on acquisition | 13,000 | 79,723 | 24,385 | 5,911 | 123,019 |

26 / Auditors Remuneration

| | Consolidated entity | |
|--|---------------------|------------|
| | 2011 \$ | 2010 \$ |
| Auditors remuneration parent entity | | |
| Amount received or due and receivable to Pitcher Partners: | | |
| An audit review of the financial report entity and any other entity in the consolidated entity | 329 | 251 |
| Other assurance and advisory fees (excl. disbursements) | 101 | 90 |
| | 430 | 341 |
| Auditors remuneration overseas subsidiaries | | |
| Amount received or due and receivable to KPMG: | | |
| An audit review of the financial report entity and any other entity in the consolidated entity | 139 | 96 |
| Other assurance and advisory fees (excl. disbursements) | - | 24 |
| | 139 | 120 |

27 / Segment Information

a) Description of segments

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

Segment 1 – IT Services

The IT Service segment derives its revenue through the alignment of providing both tailored IT outsourcing services and the provision of consulting, services and technology solutions.

Segment 2 – Print Services

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

- ▼ Print Service business centres providing integration and convergence of voice, print and data;
- ▼ Enterprise Print Services delivering and implementing holistic managed print solutions and document output solutions; and
- ▼ Leasing solutions for print services equipment.

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

Management has determined that the Australian and New Zealand businesses are not considered to be separate segments.

b) Segment Information

| | Consolidated entity | | | |
|--|-----------------------|--------------------------|-------------------------------|-----------------|
| | IT Services \$'000 | Print Services \$'000 | Other Seg- ments \$'000 | Total \$'000 |
| 2011 | | | | |
| Segment revenue | | | | |
| Total segment revenue | 166,670 | 222,785 | 654 | 390,109 |
| Inter-segment revenue | (1,500) | - | - | (1,500) |
| Revenue from external source | 165,170 | 222,785 | 654 | 388,609 |
| Segment result | | | | |
| Total segment result (before income tax) | 30,319 | 38,634 | (26,241) | 42,712 |
| Inter-segment eliminations | - | - | - | - |
| Segment result from external source (before income tax) | 30,319 | 38,634 | (26,241) | 42,712 |
| Total Segment Assets ⁽ⁱ⁾ | 167,053 | 368,965 | 43,960 | 579,978 |
| Total Segment Liabilities ⁽ⁱⁱ⁾ | 29,295 | 138,401 | 116,650 | 284,346 |
| 2010 | | | | |
| Segment revenue | | | | |
| Total segment revenue | 165,803 | 120,160 | 363 | 286,326 |
| Inter-segment revenue | (8,484) | - | - | (8,484) |
| Revenue from external source | 157,319 | 120,160 | 363 | 277,842 |
| Segment result | | | | |
| Total segment result (before income tax) | 30,980 | 19,082 | (9,433) | 40,629 |
| Inter-segment eliminations | - | - | - | - |
| Segment result from external source (before income tax) | 30,980 | 19,082 | (9,433) | 40,629 |
| Total Segment Assets ⁽ⁱⁱ⁾ | 143,242 | 308,647 | 42,817 | 494,706 |
| Total Segment Liabilities ⁽ⁱⁱ⁾ | 28,965 | 145,139 | 93,962 | 268,066 |

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

ii. Adjusted to remove loans to and from CSG Group entities (related parties)

| | 2011 \$'000 | 2010 \$'000 |
|--|----------------|----------------|
| <i>Reconciliation of segment result from the external source to the consolidated statement of comprehensive income</i> | | |
| Segment result from external source | 42,712 | 40,629 |
| Income tax expense | (2,265) | (8,556) |
| Total Profit after income tax | 40,447 | 32,073 |
| <i>Reconciliation of segment assets to the consolidated statement of financial position</i> | | |
| Segment assets | 579,978 | 494,706 |
| Inter-segment eliminations | - | - |
| Total Assets | 579,978 | 494,706 |
| <i>Reconciliation of segment liabilities to the consolidated statement of financial position</i> | | |
| Segment liabilities | 284,346 | 268,066 |
| Inter-segment eliminations | - | - |
| Total Liabilities | 284,346 | 268,066 |

28 / Subsequent Events

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

29 / Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2011 the parent company of the consolidated entity was CSG Ltd. A summary of the financial performance and financial position of the parent entity is detailed below:

| | Parent entity | |
|--|----------------|----------------|
| | 2011 \$'000 | 2010 \$'000 |
| Result of the parent entity | | |
| Profit for the year | 12,597 | 16,309 |
| Total profit and other comprehensive income for the year | 12,597 | 16,309 |
| Financial position of parent entity at year end | | |
| Current assets | 111,612 | 48,228 |
| Total assets | 360,981 | 295,710 |
| Current Liabilities | 71,716 | 37,550 |
| Total liabilities | 149,796 | 126,340 |
| Total equity of the parent entity comprising of: | | |
| Issued capital | 200,204 | 157,719 |
| Reserves | 583 | 399 |
| Retained earnings | 10,398 | 11,252 |
| Total equity | 211,185 | 169,370 |

30 / Key Management Personnel Compensation

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

31 / Key Management Equity Holdings

| | Balance 01/07/2010 | Received as remuneration | Options exer- cised | Net change other – includes market transactions | Balance 30/06/2011 |
|--------------------|-----------------------|-----------------------------|------------------------|--|-----------------------|
| Directors | | | | | |
| Mr Philip Chambers | 200,868 | - | - | 5,920 | 206,788 |
| Mr Denis Mackenzie | 58,791,495 | - | 1,000,000 | (1,900,000) | 57,891,495 |
| Mr Phillip Bullock | 33,420 | - | - | 4,507 | 37,927 |
| Mr Josef Czyzewski | - | - | - | 33,334 | 33,334 |
| Mr Ian Kew | 57,920 | - | - | 11,810 | 69,730 |
| Mr Andrew Kroger | 1,299,000 | - | - | (1,299,000) | 0 |
| Total | 60,382,703 | - | 1,000,000 | (3,143,429) | 58,239,274 |
| Executives | | | | | |
| Mr David Ward | - | - | - | - | - |
| Mr Brian Lee | - | - | 100,000 | (100,000) | - |
| Ms Julie-Ann Kerin | - | - | - | - | - |
| Mr Kevin McLaine | 600,000 | - | 1,250,000 | (692,760) | 1,157,240 |
| Mr Trevor Oliver | 139,000 | - | - | (112,445) | 26,555 |
| Total | 739,000 | - | 1,350,000 | (905,205) | 1,183,795 |

32 / Contingent Liabilities

- a. The Company has contingent liabilities of \$3.7m as 30 June 2011 relating to buy back guarantees on certain finance contracts for the lease of copiers and multi-function devices by customers. The Company undertakes a credit approval process to determine whether it is prepared to buy back the loan on default. When a circumstance arises where the Company is required to buy back the loan, the equipment financed becomes the property of the Company. To date, there have been no instances where the company has been required to buy back a loan.
- b. During the year, the Company was involved in proceedings in the NSW Supreme court with Fuji Xerox Australia Pty Ltd. The Company lodged an appeal and that appeal has been heard with no decision as yet. Depending on the outcome of the appeal, there may be additional proceedings relating to costs and damages. There are no specific claims to costs and damage determined at this time. It is not possible to estimate the amount, if any, of costs and damages until detailed claims have been lodged and assessed.

Directors' Declaration

For The Year Ended 30 June 2011

CSG Limited And Controlled Entities

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 29 to 69 in accordance with the Corporations Act 2001:

- (a) comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2011 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 2011.

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



Mr Denis Mackenzie

Director

Melbourne

23 August, 2011



PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 255 196CSG LIMITED
ABN 64 123 969 631INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CSG LIMITED**Report on the Financial Report**

We have audited the accompanying financial report of CSG Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

An Independent Victorian Partnership
ABN 27 975 255 196

CSG LIMITED
ABN 64 123 969 631

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CSG LIMITED**

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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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 16 to 22 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of CSG Limited and controlled entities for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.


T J BENFOLD

Partner

23 August 2011


PITCHER PARTNERS

Melbourne

Shareholding Analysis

As at 31 August 2011

72
73

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 31 August 2011.

a. Distribution of Shareholding

| Range | Total holders | % |
|------------------|---------------|---------------|
| 1 - 1,000 | 449 | 0.07 |
| 1,001 - 5,000 | 911 | 1.01 |
| 5,001 - 10,000 | 498 | 1.38 |
| 10,001 - 100,000 | 739 | 7.35 |
| 100,001 and over | 101 | 90.19 |
| Total | 2,698 | 100.00 |

b. Less than marketable parcels

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

c. Substantial shareholders

| | Number | % |
|--|------------|-------|
| Entities associated with Denis Mackenzie, namely Lynden Investments (NT) Pty Ltd, in its own capacity and in its capacity as trustee of the Mackenzie Family Trust | 57,891,495 | 20.49 |
| UBS Nominees Pty Ltd | 29,283,023 | 10.36 |
| Cogent Nominees Pty Limited | 18,425,572 | 6.52 |
| UBS Wealth Management Australia Nominees Pty Ltd | 16,626,279 | 5.88 |
| Icon Office Solutions Aust Pty Ltd as trustee for the Brodie Family Trust | 15,391,053 | 5.45 |
| Mr & Mrs Andrew Boller and entities associated with Andrew Boller, namely Boltec Pty Ltd and in its capacity as trustee of the Boller Family Trust. | 15,188,084 | 5.38 |
| J P Morgan Nominees Australia Limited | 14,147,896 | 5.01 |

d. Twenty largest shareholders

| Name | Holding | % IC |
|--|--------------------|--------------|
| Entities associated with Denis Mackenzie, namely Lynden Investments (NT) Pty Ltd, in its own capacity and in its capacity as trustee of the Mackenzie Family Trust | 57,891,495 | 20.49 |
| UBS Nominees Pty Ltd | 29,283,023 | 10.36 |
| Cogent Nominees Pty Limited | 18,425,572 | 6.52 |
| UBS Wealth Management Australia Nominees Pty Ltd | 16,626,279 | 5.88 |
| Icon Office Solutions Aust Pty Ltd as trustee for the Brodie Family Trust | 15,391,053 | 5.45 |
| Mr & Mrs Andrew Boller and entities associated with Andrew Boller, namely Boltec Pty Ltd and in its capacity as trustee of the Boller Family Trust. | 15,188,084 | 5.38 |
| J P Morgan Nominees Australia Limited | 14,147,896 | 5.01 |
| Aust Executor Trustees Nsw Ltd | 13,721,915 | 4.86 |
| HSBC Custody Nominees (Australia) Limited | 11,954,750 | 4.23 |
| National Nominees Limited | 11,050,361 | 3.91 |
| Glenmar NT Pty Ltd (The GM Phillips Family A/C) | 10,279,915 | 3.64 |
| Citicorp Nominees Pty Limited | 8,937,962 | 3.16 |
| Mr Blair Gowans (The Gowans Family A/C) | 3,203,346 | 1.13 |
| J P Morgan Nominees Australia Limited (Cash Income A/C) | 2,815,010 | 1.00 |
| IQ Rental & Finance Pty Ltd (Watts Family A/C) | 2,586,320 | 0.92 |
| Investment Custodial Services Limited (C A/C) | 1,050,543 | 0.37 |
| Contemplator Pty Limited (A R G PENSION FUND A/C) | 1,000,000 | 0.35 |
| Ruminator Pty Limited | 861,112 | 0.30 |
| Mr Kevin McLaine | 807,240 | 0.29 |
| Glide Point Pty Ltd (THE MERIMBULA FAMILY A/C) | 731,888 | 0.26 |
| Total | 235,953,764 | 83.51 |



Most importantly...

*Thank you to all the
Shareholders for your
continued support...*

Company

CSG Limited
ABN 64 123 989 631
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Darwin, NT 0801
www.csg.com.au

Directors

Josef Czyewski
Non-Executive Chairman

Philip Chambers
Executive Director

Ian Kew
Non-Executive Director

Philip Bullock
Non-Executive Director

Denis Mackenzie
Managing Director

Kim Clark
Company Secretary

Lawyers to the Company

DLA Phillips Fox
Level 21, 140 William Street
Melbourne, VIC 3000

Share Register

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford, VIC 3067

Auditor

Pitcher Partners
Level 19, 15 William Street
Melbourne, VIC 3000

