



CSG Ltd

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17 August 2010

Australian Stock Exchange
Company Announcements Office

Results for Release to Market
Appendix 4E
Preliminary Final Report for the year ended 30 June 2010

ICT Company CSG Limited (ASX: CSV) submits its preliminary final report to the market.

FINANCIAL HIGHLIGHTS

Revenue: Up 41% to \$277.8m

EBITDA: Up 19% to \$59.3m

NPAT: Up 35% to \$31.5m

EPS: Up 20% to \$0.158

Final Dividend: 3c per share up 20%

Operating Cash: \$35m

Net Interest Bearing Debt : \$52m

Adjusted EBITDA: \$62.2m

Adjusted NPAT: \$34.3m

IT Services Provider CSG Limited (ASX:CSV) today announced a full year profit after tax of \$31.5m after deducting minority interests for the year ended 30 June 2010, growth of 35% over the prior corresponding period. Expenses associated with the acquisitions, contract wins and new business ramp up had a \$2.8m negative impact on 2010 NPAT. After taking these items into account the Adjusted NPAT is \$34.3.

The profit was achieved on strong Revenue growth to \$277m (up 41%) and EBITDA growth to \$59m (up 20%).

The acquisition of KMBS and LSL in New Zealand contributed significantly in the second half with a result in line with expectations at the time of acquisition. This result was significantly higher than the previous year, on the back of strong service revenue and profit growth.

Operating Cash for the second half was strong (\$21m) allowing net interest bearing debt to reduce to \$52m. Operating cash for the year was \$35m.

CSG CEO Denis Mackenzie commented that he was very pleased with the result after what has been a very busy 6 to 8 months for the company.

"I am excited by the fact that CSG has been able to achieve company transforming acquisitions in very volatile markets, without significantly increasing debt, without putting strain on our management team and at the same time continuing to organically grow the business."

"We have grown our business at the time of listing from revenue of \$100m to revenue this year of \$277m. Whilst we have made a number of acquisitions in order to build a national platform, 42% of this revenue growth has been organic. The underlying Net profit after tax of \$34.3m after adding back one off costs is a very pleasing outcome."

"CSG is today very well placed for continued organic growth. We now have a national business in both our businesses in Australia in IT Services and in Print Services. Growth in 2011 will come from further contract wins in the Eastern States of Australia in IT Services and from the expansion of our now national Print Services business, particularly in Sydney and Melbourne."

“We also have a first class Print Services business in New Zealand with offices across the country. We expect this business to continue to grow organically and we will be adding IT Services to the business.”

“I am very excited by the future for CSG as we continue to develop and grow our two businesses across Australia and New Zealand. The best part of our business is that much of the profit for next year is already locked in as a result of the multi-year contracts in IT Services and the service annuity revenue in Print Services which drives 80% of profit in this business.”

end



CSG LTD
ABN 64 123 989 631
AND CONTROLLED ENTITIES

FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2010
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Rule 4.3A

Appendix 4E Preliminary Final Report

Name of entity

CSG Ltd (ASX: CSV)

ABN: 64 123 989 631

1. Reporting period

Report for the financial year ended	30 June 2010
Previous corresponding period is the financial year ended	30 June 2009

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up	41%	to	\$277.8m
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up	35%	to	\$31.5m
Dividends (<i>item 2.4</i>)		Amount per security		Franked amount per security
Interim dividend		2.5¢		2.5¢
Final dividend		3.0¢		3.0¢
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	15 September 2010			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
Refer to attached summary				

3. Statement of Comprehensive Income (item 3)

Refer to the attached statement

4. Statement of Financial Position (item 4)

Refer to the attached statement

5. Statement of Cash Flows (item 5)

Refer to the attached statement

6. Dividends (item 6)

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2010	30 March 2010	\$5.4m
Final dividend – year ended 30 June 2010	1 October 2010	\$7.3m

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Total dividend: Current year	5.5¢	5.5¢	Nil
Previous year	4.5¢	4.5¢	Nil

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	9,833	7,029
Preference securities <i>(each class separately)</i>		
Other equity instruments <i>(each class separately)</i>		
Total	9,833	7,029

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

N/A

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

N/A

8. Statement of retained earnings (item 8)

	Consolidated Entity	
	2010	2009
	\$'000	\$'000
Balance at the beginning of year	37,376	21,162
Net profit attributable to members of the parent entity	31,455	23,243
Total available for appropriation	68,831	44,405
Dividends paid	(9,833)	(7,029)
Balance at end of year	58,998	37,376

9. Net tangible assets per security (item 9)

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

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

Control gained over entities

Name of entities (item 10.1)	Delexian Pty Ltd Onesource Group Ltd (NZ) Konica Minolta Business Systems New Zealand Ltd (NZ) Leasing Solutions Ltd (NZ) Onesource Finance Ltd (NZ) Solutions Group Receivables Ltd (NZ) Aaromba Technologies Pty Ltd
Date(s) of gain of control (item 10.2)	1 July 2009 1 January 2010 (NZ entities) 1 April 2010
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 10.3)	\$5.7m
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	N/A

Loss of control of entities

Name of entities (item 10.1)	N/A
Date(s) of loss of control (item 10.2)	N/A
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 10.3).	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	N/A

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

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

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

Group's share of associates' and joint venture entities':	2010 \$	2009 \$
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
Net profit (loss) from ordinary activities after tax	N/A	N/A
Adjustments	N/A	N/A
Share of net profit (loss) of associates and joint venture entities	N/A	N/A

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

Please refer to accompanying commentary

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

14. Commentary on the results for the period.

Please refer to accompanying commentary

15. Audit of the financial report (item 15)

Select one of the following:

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

16. The audit has not yet been completed

Select one of the following:

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

N/A

17. The audit has been completed.

Select one of the following:

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

N/A

consolidated statement
of comprehensive income
for the year ended 30 june 2010

		Consolidated entity	
	Notes	2010	2009
		\$'000	\$'000
Revenue from continuing operations	2	273,284	195,130
Other income	2	<u>4,558</u>	<u>2,137</u>
		<u>277,842</u>	<u>197,267</u>
Cost of sales		(156,842)	(106,123)
Marketing expenses		(1,478)	(875)
Occupancy expenses		(6,093)	(5,081)
Administration expenses		(16,745)	(10,115)
Other Employee expenses	3	(34,775)	(22,330)
Depreciation and amortisation	3	(13,509)	(14,204)
Other expenses		(544)	(798)
Sub-Contractor expenses		(1,789)	(1,164)
Finance costs	3	<u>(5,438)</u>	<u>(3,624)</u>
		<u>(237,213)</u>	<u>(164,314)</u>
Profit before income tax		40,629	32,953
Income tax expense		<u>(8,556)</u>	<u>(9,710)</u>
Profit from continuing operations	3	<u>32,073</u>	<u>23,243</u>

The accompanying notes form part of these financial statements

consolidated statement
of comprehensive income (continued)
for the year ended 30 June 2010

	Consolidated entity	
	2010	2009
	\$'000	\$'000
Profit for the year	32,073	23,243
Other comprehensive income		
Exchange differences on translation of foreign operations, net of tax	305	-
Share based payments	200	66
Other comprehensive income for the year	505	66
Total comprehensive income for the year	32,578	23,500

Profit is attributable to:

Members of the parent	31,455	23,243
Non-controlling interest	618	-
	32,073	23,243

Total comprehensive income is attributable to:

Members of the parent	31,960	23,500
Non-controlling interest	618	-
	32,578	23,500

	Note	2010	2009
Basic earnings per share for continuing operations	4	\$0.15803	\$0.13310
Diluted earnings per share for continuing operations	4	\$0.15627	\$0.13310

The accompanying notes form part of these financial statements

consolidated statement of financial position
as at 30 June 2010

		30 June	30 June
		2010	2009
	Notes	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	5	22,187	3,756
Receivables	6	49,641	47,552
Lease Receivables		18,749	-
Inventories	7	19,984	1,981
Other	8	4,575	1,499
TOTAL CURRENT ASSETS		115,136	54,788
NON-CURRENT ASSETS			
Lease Receivables		95,588	-
Other financial assets	9	1,115	1,112
Property, plant and equipment	10	23,555	20,769
Deferred tax assets		6,663	2,448
Intangible assets	11	252,649	111,008
TOTAL NON-CURRENT ASSETS		379,570	135,337
TOTAL ASSETS		494,706	190,125
CURRENT LIABILITIES			
Payables	12	65,876	51,281
Short term borrowings	13	10	111
Current tax liabilities		3,334	2,877
Provisions	14	6,679	3,872
Debt associated with lease receivables		16,705	-
TOTAL CURRENT LIABILITIES		92,604	58,141
NON-CURRENT LIABILITIES			
Payables	12	15,117	6,000
Long term borrowings	13	74,202	39,227
Provisions	14	976	932
Debt associated with lease receivables		85,167	-
TOTAL NON-CURRENT LIABILITIES		175,462	46,159
TOTAL LIABILITIES		268,066	104,300
NET ASSETS		226,640	85,825
EQUITY			
Contributed equity		157,719	48,250
Reserves		704	199
Retained profits		58,998	37,376
Equity attributable to owners of CSG Limited		217,421	85,825
Non-Controlling interest		9,219	-
TOTAL EQUITY		226,640	85,825

The accompanying notes form part of these financial statements

consolidated statement of changes in equity for the year ended 30 June 2010

Consolidated Entity	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Total Equity \$'000
Balance as at 1 July 2008	43,907	133	21,162	-	65,202
Profit for the year	-	-	23,243	-	23,243
Exchange differences on translation of foreign operations, net of tax	-	-	-	-	-
Transactions with owners in their capacity as owners:					
Issue of ordinary shares in acquisition	4,343	-	-	-	4,343
Employee share scheme	-	66	-	-	66
Dividends paid	-	-	(7,029)	-	(7,029)
Balance as at 30 June 2009	48,250	199	37,376	-	85,825
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
Non-Controlling Interest				8,601	8,601
Transactions with owners in their capacity as owners:					
Exercise of options	2,334	-	-	-	2,334
Share issue	110,088	-	-	-	110,088
Capital raising cost	(4,218)	-	-	-	(4,218)
Capital raising costs deferred tax asset	1,265	-	-	-	1,265
Employee share scheme	-	200	-	-	200
Dividends paid	-	-	(9,833)	-	(9,833)
Balance as at 30 June 2010	157,719	704	58,998	9,219	226,640

consolidated statement of cash flow
For the half-year ended 30 June 2010

	Notes	Consolidated Entity	
		2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		301,974	199,627
Payments to suppliers, employees and others		(248,973)	(142,961)
Interest income		294	140
Borrowing costs paid		(5,438)	(3,624)
Income tax paid		(12,667)	(10,621)
Net cash provided by operating activities	15(a)	35,190	42,561
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		-	(133)
Payment for licenses and other intangibles		(17,844)	(2,750)
Payments for property, plant and equipment		(9,015)	(5,781)
Proceeds from property, plant and equipment		197	712
Payments for businesses	16	(114,210)	(32,713)
Net cash (used in) investing activities		(140,872)	(40,665)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares and other equity securities		112,422	-
Proceeds from borrowings		149,898	4,759
Repayment of borrowings		(124,156)	(4,159)
Payment of deferred capital raising costs		(4,218)	-
Dividends and reserve distributions		(9,833)	(7,029)
Net cash flows provided by / (used in) financing activities		124,113	(6,429)
Net increase/(decrease) in cash held		18,431	(4,533)
Cash at the beginning of year		3,756	8,289
Cash and cash equivalents at end of the year	15(b)	22,187	3,756

The accompanying notes form part of these financial statements

NOTE 1: 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 as an individual parent entity and CSG Ltd and controlled entities as a consolidated entity. CSG Ltd is a Company limited by shares, incorporated and domiciled in Australia.

The 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.

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 has the power to control the financial and operating policies so as to obtain benefits from its activities.

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.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is established.

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 exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by CSG in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

(c) Revenue recognition

Sale of Goods

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

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

Rendering of Services

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

(i) invoicing from the provision of the group's services inclusive of the amounts due and payable under the terms of the long term service contracts; and

(ii) revenue not yet invoiced but earned on work completed in servicing long term service contracts which, while owing to the group under the terms of those contracts, will not become payable until future years.

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

Interest Income

Interest on loans and receivables from finance leases is recognised on an effective interest rate basis. Minimum lease payments received under finance leases are apportioned between the finance income and the reduction of the outstanding asset. The finance income is allocated to each period during 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 despatched to a customer pursuant to a rental agreement and a sales invoice has been issued to the finance company. Under these arrangements the risks of ownership of the equipment passes to the customer upon delivery of the equipment to the customer and the credit risk in relation to the rental stream passes to the finance company. In these circumstances the entity guarantees to buy back the equipment for a nominal amount at the end of the rental agreement (or upon termination of the agreement) based on the term of the agreement.

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 a provision for doubtful debts.

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

(f) Inventories

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

(g) Property, plant and equipment

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

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

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

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

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

Assets subject to operating leases

Where the Company leases assets as a lessor on 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
Lease Plant and Equipment	20% - 50%	Straight line

(h) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Licences and other intangible assets

Licences 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 licences over their estimated useful life.

(i) Trade and other payables

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

(j) Borrowings

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

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

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

(k) Employee benefits

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

Share based payments

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

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

(l) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount of the provision can be measured reliably.

(m) Leases

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

Finance Leases

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

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

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.

Lease Income

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

(n) Contributed equity

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

(o) Income tax

Current income tax expense or revenue is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

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

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

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

Tax Consolidation

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

Financial assets

Investments in listed securities are carried at fair value through profit and loss. Financial instruments are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair value of listed investments are based on closing bid prices at balance date. Non-listed investments, for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Loans and Receivables

Loans and receivables are 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 instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

(s) Comparatives

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

(t) 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.

(u) New accounting standards and interpretations

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

NOTE 2: REVENUE

	Consolidated entity	
	2010	2009
	\$'000	\$'000
Revenues from continuing operation		
<i>Sales revenue</i>		
Revenue from sales of goods	90,575	41,070
Revenue from services	173,661	154,060
Interest Income	9,048	-
	273,284	195,130
<i>Other Revenue</i>		
Interest	294	140
Sundry	4,038	1,948
Rental	56	-
Fair value gains on financial assets at fair value through profit or loss	125	-
Foreign exchange gains	28	-
Profit on sale of fixed assets	17	49
	4,558	2,137

NOTE 3: PROFIT FROM OPERATIONS

	Consolidated entity	
	2010	2009
	\$'000	\$'000
Profit from continuing operations before income tax has been determined after the following specific expenses		
<i>Cost of goods sold</i>		
Cost of goods	69,095	31,573
Cost of sales – service	25,855	20,161
Interest Expense	5,583	-
	100,533	51,734
<i>Employee benefits expense</i>		
Shared Based Payments	200	66
Other Employee benefits	34,575	22,264
Cost of Sales- Service (employee benefits)	56,309	54,389
Employee benefits expense	91,084	76,719
<i>Other</i>		
Bad Debts expense / (recovered)	(26)	166
Doubtful Debts	-	1
Operating lease rental	2,942	1,848
<i>Depreciation</i>		
Plant and equipment	8,615	12,885
Leased property, plant and equipment	15	30
Leasehold Improvements	861	134
Amortisation of intangible assets	4,018	1,155
Total depreciation	13,509	14,204
<i>Finance costs</i>		
Interest and Charges	5,438	3,624
Total Finance Costs Expended	5,438	3,624

NOTE 4: EARNINGS PER SHARE

Consolidated entity

2010 2009
\$'000 \$'000

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

Net profit after income tax attributable to members of the parent entity	31,455	23,243
	31,455	23,243

2010 2009
No of shares No of shares

Weighted average number of ordinary shares used in calculating basic earnings per share	199,053,227	174,635,565
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Effect of dilutive securities

Share Options	2,241,492	
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	201,294,718	174,635,565

NOTE 5: CASH AND CASH EQUIVALENTS

Consolidated entity

2010 2009
\$'000 \$'000

Cash at Bank	15,214	3,745
Cash on hand	18	11
Cash Restricted	6,955	-
	22,187	3,756

NOTE 6: RECEIVABLES

CURRENT

Trade receivables	40,178	38,919
Provision for doubtful debts	(277)	(48)
Sundry debtors	9,740	8,681
	49,641	47,552

NOTE 7: INVENTORIES

Finished goods - at cost	19,984	1,981
	19,984	1,981

NOTE 8: OTHER CURRENT ASSETS

Prepayments	4,575	1,499
	4,575	1,499

NOTE 9: OTHER FINANCIAL ASSETS

Consolidated entity

	2010	2009
	\$'000	\$'000
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	-
	1,115	1,112

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements

At Cost	4,972	1,886
Accumulated amortisation	(2,595)	(250)
	2,377	1,636

Plant and equipment

At Cost	32,831	27,596
Accumulated depreciation	(20,023)	(11,664)
	12,808	15,932

Plane & hanger

At Cost	1,697	462
Accumulated depreciation	(268)	(141)
	1,429	321

Furniture and fittings

At Cost	10,028	1,714
Accumulated depreciation	(6,609)	(668)
	3,419	1,046

Office computer equipment

At Cost	9,022	4,125
Accumulated depreciation	(5,953)	(2,809)
	3,069	1,316

Motor vehicles

At Cost	952	811
Accumulated depreciation	(515)	(332)
	437	479

Leased plant & equipment

At Cost	120	128
Accumulated amortisation	(104)	(89)
	16	39

Total written down value

	23,555	20,769
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NOTE 11: INTANGIBLES

	Consolidated entity	
	2010	2009
	\$'000	\$'000
Goodwill		
Goodwill on consolidation	187,522	71,820
Goodwill at cost	46,986	30,679
Net carry amount	234,508	102,499
Opening net book amount	102,499	91,176
Additions	132,443	14,770
Deferred cost written back	(434)	(3,447)
Closing net book value	234,508	102,499
Licenses and other intangibles assets		
Licenses and other intangibles at Cost	23,784	10,134
Amortisation	(5,643)	(1,625)
Net Carry amount	18,141	8,509
Opening net book amount	8,509	2,685
Additions ⁽¹⁾	13,650	6,979
Amortisation	(4,018)	(1,155)
Closing net book value	18,141	8,509
Total	252,649	111,008

(1) Difference between total paid for Licences and Other intangibles of \$17.844m in the Statement of Cash Flows and additions in note 11 is \$4.2m accrued at June 30, 2009 and paid for in 2010

NOTE 12: PAYABLES

CURRENT

Trade payables	28,905	10,096
Deferred consideration	5,633	5,200
Other payables	31,338	35,985
	65,876	51,281

NON CURRENT

Deferred consideration	15,117	6,000
	15,117	6,000

NOTE 13: BORROWINGS

CURRENT

Secured

Lease and hire purchase liabilities (i)	10	111
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NON CURRENT

Secured

Lease and hire purchase liabilities (i)	559	3,131
Commercial Bills, net of transaction costs (ii)	73,643	36,096
	74,202	39,227

(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 July 2011.

NOTE 14: PROVISIONS

	Consolidated entity	
	2010	2009
	\$'000	\$'000
CURRENT		
Employee Benefits	6,679	3,872
NON CURRENT		
Employee Benefits	976	932
Aggregate employee benefits liability	7,655	4,804

NOTE 15: CASHFLOW INFORMATION

	Consolidated entity	
	2010	2009
	\$'000	\$'000
(a) Reconciliation of cash flow from operations with profit after income tax:		
Profit from ordinary activities after tax	32,073	23,243
Non cash items		
Profit on sales of assets	(17)	(49)
Amortisation of licence costs	4,018	1,155
Depreciation and amortisation of property, plant and equipment	9,491	13,049
Share based payments	200	66
Amounts reclassified to investing activities	-	1,514
Amounts reclassified from investing activities	2,776	-
(Increase)/decrease in assets		
Receivables	9,074	(17,119)
Prepayments	(2,484)	(936)
Inventories	(5,110)	(127)
Deferred tax assets	(733)	(477)
Other receivables	(443)	122
Increase/(decrease) in liabilities		
Payables	(9,476)	24,860
Provisions	834	(1,988)
Tax Provision	(5,013)	(752)
Net cash inflow (outflow) from operating activities	35,190	42,561
(b) Reconciliation of cash		
Cash balance comprises:		
Cash at bank	22,187	3,756
Closing cash balance	22,187	3,756

NOTE 16 : BUSINESS COMBINATION

Changes in the composition during the 2010 year:

- On July 1 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 April 1 2010, the Company acquired 100% of shares of Aaromba 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	27,415	108,737	161	136,421
Total assets acquired	2,606	54,115	235,167	1,874	293,762
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 acquired	590	22,418	6,244	106	29,358
Goodwill on acquisition	13,000	63,591	24,385	5,894	106,870

(a) Payments for businesses in the Cash Flow Statement of \$114m are made up of the cash paid under share sale agreement and acquisition costs in this note less cash in acquired entities plus payments made during the year relating to the acquisitions made in prior periods:

- Change Corporation Pty Ltd \$1.898m
- CingleVue Pty Ltd \$3.200m
- CingleVue Pty Ltd \$163k

- (b) Adjustments to goodwill of \$434k (2009: \$3.5m) have been made in relation to various business combinations.
- (c) The purchased goodwill is attributable to the high profitability of the acquired businesses and the expected synergies expected to arise post acquisition.
- (d) Profit after tax of the acquisitions included in consolidated profit of the group since the relevant acquisition dates are as follows:

	Acquisition Date	Profit/(Loss) \$'000
Delexian Pty Ltd	1 July 2009	557
Onesource Group Limited	1 January 2010	2,664
Leasing Solutions Limited	1 January 2010	2,282
Aaromba Technologies	1 April 2010	223

- (e) To disclose the results of combined entities for the period as though the acquisition date for acquisitions occurred at 1 July 2009 would be impracticable as, prior to acquisition the entities were not audited and did not prepare financial reports in accordance with International Financial Reporting Standards.
- (f) The net assets acquired represent a fair value for the carrying amount at acquisition. The net assets of Onesource Group Limited and Leasing Solutions Limited are still subject to a final assessment.

NOTE 17: 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; and
- Enterprise Print Services delivering and implementing holistic managed print solutions and document output solutions
- 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

NOTE 17: SEGMENT INFORMATION (continued)

2010	Consolidated entity			
	IT Services	Print Services	Other Segments	Total
	\$'000	\$'000	\$'000	\$'000
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	160,481	420,554	64,188	645,223
Total Segment Liabilities	49,950	251,464	126,329	427,743

2009	Consolidated entity			
	IT Services	Print Services	Other Segments	Total
	\$'000	\$'000	\$'000	\$'000
Segment revenue				
Total segment revenue	135,706	62,259	402	198,367
Inter-segment revenue	1,100	-	-	1,100
Revenue from external source	134,606	62,259	402	197,267
Segment result				
Total segment result (before income tax)	28,050	11,741	(6,838)	32,953
Inter-segment eliminations	-	-	-	-
Segment result from external source (before income tax)	28,050	11,741	(6,838)	32,953
Total Segment Assets	150,365	32,273	42,831	225,469
Total Segment Liabilities	71,122	13,238	66,868	151,228

(i) Reconciliation of segment result from the external source to the consolidated statement of comprehensive income

	2010	2009
	\$'000	\$'000
Segment result from external source	40,629	32,953
Income tax expense	(8,556)	(9,710)
Total Profit before income tax	32,073	23,243

NOTE 17: SEGMENT INFORMATION (continued)

(ii) Reconciliation of segment assets to the consolidated statement of financial position

Segment assets	645,223	225,469
Inter-segment eliminations	150,517	35,344
Total Assets	494,706	190,125

(iii) Reconciliation of segment liabilities to the consolidated statement of financial position

Segment liabilities	427,096	151,228
Inter-segment eliminations	159,030	46,928
Total Liabilities	268,066	104,300