



CSG Ltd

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18<sup>th</sup> August 2009

Australian Stock Exchange  
Company Announcements Office

Results for Release to Market  
Appendix 4E  
Preliminary Final Report for year ended 30 June 2009

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

**Financial Highlights:**

**Revenue:** UP 48% to \$197.3M

**EBITDA:** UP 49% to \$49.9M

**PBT:** UP 24% to \$33.0M

**NPAT:** UP 24% to \$23.2M

**EPS:** UP 21% to 13.3CPS

IT Services Provider CSG Ltd (ASX: CSV) today announced a full year profit after tax of \$23.2M for the year ended 30 June 2009, growth of 24% over the 2008 financial year.

This was achieved on revenue of \$197.3M, up 48% compared to FY08. EBITDA growth was also strong, up 49% to \$49.9M.

Earnings per share were 13.3 cps, up 21%, and a dividend of 2.5cps was declared for the second half, bringing full-year dividend to 4.5cps.

Cash-flow over the year was strong, particularly in the second half, allowing interest-bearing debt to be reduced by \$17.3M to \$39.3M in the six months to 30 June 2009. Total debt now stands at less than 1x EBITDA. Operating cash for the year was \$42.5m.

CSG CEO Denis Mackenzie commented that he was extremely pleased with the results, particularly as they came in a period of extremely tough trading conditions.

“I’m extremely proud of the way the company has performed this year. I believe it’s outstanding, and a credit to the great staff at CSG, that we’ve been able to grow EPS by 22% in a year that has seen many of our competitors struggle.”

“While it hasn’t been an easy year, it has seen us complete several truly company changing events”

“The acquisition of the Commander Managed Services business has been a great success for CSG, despite several contracts not being renewed. From this acquisition we have acquired a quality business with locked-in revenues and profits rolling into FY10 in the Eastern States. This gives us the base we need to really push into this market”

“Winning the Ultranet contract with the Victorian Department of Education and Early Childhood Development was also extremely exciting for the company. This is our first major contract win outside of the Northern Territory, and will lead to further opportunities. We’re very pleased with this, and have already commenced delivery.”

“Our Print Services business has continued to perform well, despite difficult conditions in the Queensland market. Profit grew over the previous corresponding period, which is a tribute to the dedication and hard work of the staff.”

“While the Western Australian and Victorian markets have been tough, we’re starting to see a real turnaround, and recently closed a large government deal in Western Australia.”

“Internally, we are investing significantly in processes and systems. This is something that is increasingly important in our growing business, and we are planning on using the next six months to really work on building a strong foundation for our next period of growth.”

“We also have a pipeline of deals over the next two years that I’m very excited about. The first of these is in one of our core markets, the Northern Territory, where we will be investing heavily over the first half of FY10.”

“I also see great potential in our Education business around Australia, as there are a number of large opportunities coming up, which we are well positioned for, given our recent success with Ultranet over the past six months.”

“Overall I’m excited by the prospects we have in the business, and look forward to another year of strong growth.”

## Appendix 4E Preliminary Final Report

Name of entity

CSG Ltd (ASX: CSV)

ABN or equivalent company reference: 64 123 989 631

### 1. Reporting period

Report for the financial year ended	30 June 2009
Previous corresponding period is the financial year ended	30 June 2008

### 2. Results for announcement to the market

Revenues from ordinary activities ( <i>item 2.1</i> )	up	48%	to	\$197.3m
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	up	24%	to	\$23.2m
<b>Dividends (<i>item 2.4</i>)</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
Interim dividend		2.0¢		2.0¢
Final dividend		2.5¢		2.5¢
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	30 September 2009			
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. Income Statement (item 3)**

Refer to the attached statement

**4. Balance Sheet (item 4)**

Refer to the attached statement

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

Refer to the attached statement

**6. Dividends (item 6)**

	<b>Date of payment</b>	<b>Total amount of dividend</b>
Interim dividend – year ended 30 June 2009	30 March 2009	\$3.5M
Final dividend – year ended 30 June 2009	15 October 2009	\$4.4m

**Amount per security**

	<b>Amount per security</b>	<b>Franked amount per security at 30% tax</b>	<b>Amount per security of foreign sourced dividend</b>
<b>Total dividend:</b> Current year	4.5¢	100%	Nil
Previous year	4.0¢	100%	Nil

**Total dividend on all securities**

	<b>Current period \$A'000</b>	<b>Previous corresponding Period - \$A'000</b>
Ordinary securities (each class separately)	7,029	3,420
Preference securities (each class separately)		
Other equity instruments (each class separately)		
<b>Total</b>	<b>7,029</b>	<b>3,420</b>

**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		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at the beginning of year	21,162	5,783	6,315	2,136
Net profit attributable to members of the parent entity	23,243	18,799	5,492	7,599
Total available for appropriation	44,415	24,582	11,807	9,735
Dividends paid	(7,029)	(3,420)	(7,029)	(3,420)
Balance at end of year	37,376	21,162	4,778	6,315

**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)	ATI Group Pty Ltd and CingleVue Pty Ltd
Date(s) of gain of control (item 10.2)	1 August 2008 and 1 November 2008
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)	\$924k
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	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 10.3)	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	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':	2009 \$	2008 \$
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
<b>Net profit (loss) from ordinary activities after tax</b>	N/A	N/A
Adjustments	N/A	N/A
<b>Share of net profit (loss) of associates and joint venture entities</b>	N/A	N/A

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

Please refer to accompanying commentary

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

**14. Commentary on the results for the period.**

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 balance sheet as at 30 june 2009

	Notes	Consolidated entity		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	3,756	8,289	-	274
Receivables	6	47,552	21,490	20,814	11,288
Inventories	7	1,981	1,824	-	-
Other	8	1,499	563	188	209
<b>TOTAL CURRENT ASSETS</b>		<u>54,788</u>	<u>32,166</u>	<u>21,002</u>	<u>11,771</u>
<b>NON-CURRENT ASSETS</b>					
Receivables	6	-	122	-	123
Other financial assets	9	1,112	1,006	1,112	1,006
Investment in controlled entities		-	-	67,966	57,523
Deferred Tax Assets		2,448	1,971	322	990
Property, plant and equipment	10	20,769	14,790	276	7
Intangible assets	11	111,008	93,861	29,417	29,390
<b>TOTAL NON-CURRENT ASSETS</b>		<u>135,337</u>	<u>111,750</u>	<u>99,093</u>	<u>89,039</u>
<b>TOTAL ASSETS</b>		<u>190,125</u>	<u>143,916</u>	<u>120,095</u>	<u>100,810</u>
<b>CURRENT LIABILITIES</b>					
Payables	12	51,281	27,834	6,122	8,227
Short term borrowings	13	111	218	-	-
Payable to related parties		-	-	17,681	9,163
Current tax payable		2,877	3,629	2,877	3,629
Provisions	14	3,872	2,296	101	62
<b>TOTAL CURRENT LIABILITIES</b>		<u>58,141</u>	<u>33,977</u>	<u>26,781</u>	<u>21,081</u>
<b>NON-CURRENT LIABILITIES</b>					
Payables	12	6,000	5,499	6,000	5,499
Long term borrowings	13	39,227	38,489	34,070	23,872
Provisions	14	932	749	17	3
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>46,159</u>	<u>44,737</u>	<u>40,087</u>	<u>29,374</u>
<b>TOTAL LIABILITIES</b>		<u>104,300</u>	<u>78,714</u>	<u>66,868</u>	<u>50,455</u>
<b>NET ASSETS</b>		<u>85,825</u>	<u>65,202</u>	<u>53,227</u>	<u>50,355</u>
<b>EQUITY</b>					
Contributed equity		48,250	43,907	48,250	43,907
Reserves		199	133	199	133
Retained profits		37,376	21,162	4,778	6,315
<b>TOTAL EQUITY</b>		<u>85,825</u>	<u>65,202</u>	<u>53,227</u>	<u>50,355</u>

The above balance sheets should be read in conjunction with the accompanying notes.

## consolidated statement of cash flows for the year ended 30 june 2009

	Notes	Consolidated entity		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		199,627	140,562	360	110
Payments to suppliers, employees & others		(142,959)	(107,609)	(3,381)	(2,989)
Interest income		140	350	105	274
Borrowing costs paid		(3,626)	(2,661)	(2,641)	(1,782)
Income tax paid		<u>(10,621)</u>	<u>(7,178)</u>	<u>(855)</u>	<u>(1,023)</u>
<b>Net cash inflow (outflow) from operating activities</b>	<b>15(a)</b>	<u>42,561</u>	<u>23,464</u>	<u>(6,412)</u>	<u>(5,410)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for investments		(133)	(1,006)	(133)	(1,006)
Payment for licenses		(2,750)	(2,258)	-	-
Payments for property, plant & equipment		(5,781)	(7,260)	(296)	(9)
Proceeds from property, plant & equipment		712	432	-	-
Payments for businesses		<u>(32,713)</u>	<u>(32,605)</u>	<u>(9,245)</u>	<u>(26,598)</u>
<b>Net cash outflow from investing activities</b>		<u>(40,665)</u>	<u>(42,697)</u>	<u>(9,674)</u>	<u>(27,613)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issues of shares and other equity securities		-	-	-	-
Proceeds from borrowings		4,759	21,144	7,868	17,472
Loans repaid		(4,159)	(2,891)	-	-
Intercompany Loan		-	-	12,643	12,299
Dividends and reserve distributions		<u>(7,029)</u>	<u>(3,420)</u>	<u>(7,029)</u>	<u>(3,420)</u>
<b>Net cash flows from financing activities</b>		<u>(6,429)</u>	<u>14,833</u>	<u>13,482</u>	<u>26,351</u>
<b>Net decrease in cash held</b>		(4,533)	(4,400)	(2,604)	(6,672)
<b>Cash at the beginning of the financial year</b>		8,289	12,689	274	6,946
<b>Cash and cash equivalents at end of year</b>	<b>15(b)</b>	3,756	8,289	(2,330)	274

*The above cash flow statements should be read in conjunction with the accompanying notes.*

## **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.

### ***Compliance with IFRS***

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

### ***Historical cost convention***

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

#### **(a) Principles of consolidation**

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

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

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

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

#### **(b) Business combinations**

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

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.

***Sale of Goods***

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

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

***Rendering of Services***

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

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

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

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

***Equipment sales under financing arrangement***

Equipment which is subject to rental agreements with customers may be sold to a finance company prior to the commencement of the rental agreement. Rental payments are collected by the relevant CSG entity and passed 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.

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

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

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

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

**(d) Cash and cash equivalents**

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

**(e) Receivables**

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

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.

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

<b>Assets</b>	<b>Rate</b>	<b>Method</b>
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 the acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in business combination is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount if goodwill relating to the entity is sold.

***Licences***

Licences have a finite useful life and are recorded at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the licences over their estimated useful life.

### **(i) Trade and other payables**

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

### **(j) Borrowings**

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

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

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

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

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

#### ***Share based payments***

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

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

### **(l) Provisions**

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

### **(m) Leases**

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

#### ***Finance Leases***

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

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

#### ***Operating 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 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) 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.

### **(q) Financial instruments**

#### ***Classification***

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

***Financial assets***

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

***Loans and Receivables***

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.

**(r) Comparatives**

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

**(s) 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.

**(t) New accounting standards and interpretations**

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

**NOTE 2: REVENUE**

	Consolidated entity		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Revenues from continuing operation</b>				
<i>Sales revenue</i>				
Revenue from sales of goods	41,070	42,955	-	-
Revenue from services	154,060	89,721	297	100
Distributions	-	-	7,682	8,256
	<u>195,130</u>	<u>132,676</u>	<u>7,979</u>	<u>8,356</u>
<i>Other Revenue</i>				
Interest	140	350	105	274
Dividends	-	-	5,000	5,000
Sundry	1,948	420	-	-
Rental	-	45	-	-
Profit on sale of fixed assets	49	30	-	-
	<u>2,137</u>	<u>845</u>	<u>5,105</u>	<u>5,274</u>

### NOTE 3: PROFIT FROM OPERATIONS

	Consolidated entity		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Profit from continuing operations before income tax has been determined after the following specific expenses				
<i>Cost of goods sold</i>				
3rd party products	31,573	33,537	-	-
Cost of Sales - Service	<u>20,161</u>	<u>6,843</u>	<u>-</u>	<u>-</u>
	<u>51,734</u>	<u>40,380</u>	<u>-</u>	<u>-</u>
<i>Employee benefits expenses</i>				
Shared Based Payments	66	62	66	62
Other Employee Expenses	22,264	16,251	1,810	1,360
Cost of Sales- Service (Employee Benefits)	<u>54,389</u>	<u>31,559</u>	<u>-</u>	<u>-</u>
<b>Employee benefits expense</b>	<u>76,719</u>	<u>47,872</u>	<u>1,876</u>	<u>1,422</u>
<i>Other</i>				
Bad Debts	167	67	-	-
<i>Depreciation</i>				
Plant and equipment	13,049	3,560	27	2
Leased property, plant and equipment	-	144	-	-
Amortisation of licence cost	<u>1,155</u>	<u>470</u>	<u>-</u>	<u>-</u>
<b>Total depreciation</b>	<u>14,204</u>	<u>4,174</u>	<u>27</u>	<u>2</u>
<i>Finance costs</i>				
Interest and Charges	<u>3,624</u>	<u>2,661</u>	<u>2,641</u>	<u>1,782</u>
Total Finance Costs Expensed	<u>3,624</u>	<u>2,661</u>	<u>2,641</u>	<u>1,782</u>

**NOTE 4: EARNINGS PER SHARE**

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

Net profit after income tax

**Consolidated Entity**

**2009**                      2008

**\$'000**                      \$'000

<u>23,243</u>	<u>18,799</u>
<u>23,243</u>	<u>18,799</u>

Weighted average number of ordinary shares used in calculating basic earnings per share

**Effect of dilutive securities**

Share Options

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

**2009**                      2008  
**No of shares**      No of shares

174,635,565      169,613,451

-                      1,201,084

174,635,565      170,814,535

Consolidated entity		Parent entity	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000

#### NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	3,745	6,986	-	274
Cash on hand	11	6	-	-
Short term deposits	-	1,297	-	-
	<u>3,756</u>	<u>8,289</u>	<u>-</u>	<u>274</u>

#### NOTE 6 RECEIVABLES

##### CURRENT

Trade receivables	38,919	18,549	254	275
Provision for doubtful debts	(48)	(47)	-	-
Receivables from related parties	-	-	20,551	10,995
Sundry debtors	8,681	2,988	9	18
	<u>47,552</u>	<u>21,490</u>	<u>20,814</u>	<u>11,288</u>

##### NON CURRENT

Other receivables	-	122	-	123
	<u>-</u>	<u>122</u>	<u>-</u>	<u>123</u>

#### NOTE 7: INVENTORIES

Finished goods - at cost	1,981	1,824	-	-
	<u>1,981</u>	<u>1,824</u>	<u>-</u>	<u>-</u>

#### NOTE 8: OTHER CURRENT ASSETS

Prepayments	1,499	563	188	209
	<u>1,499</u>	<u>563</u>	<u>188</u>	<u>209</u>

#### NOTE 9: OTHER FINANCIAL ASSETS

##### NON CURRENT

Non listed investments at cost	1,112	1,006	1,112	1,006
	<u>1,112</u>	<u>1,006</u>	<u>1,112</u>	<u>1,006</u>

<b>Consolidated entity</b>		<b>Parent entity</b>	
<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**NOTE 10: PROPERTY, PLANT AND EQUIPMENT**

**Leasehold improvements**

At Cost	1,886	1,775	14	-
Accumulated amortisation	(250)	(169)	-	-
	<u>1,636</u>	<u>1,606</u>	<u>14</u>	<u>-</u>

**Plant and equipment**

At Cost	27,596	17,607	92	-
Accumulated depreciation	(11,664)	(7,540)	-	-
	<u>15,932</u>	<u>10,067</u>	<u>92</u>	<u>-</u>

**Plane & hanger**

At Cost	462	907	-	-
Accumulated depreciation	(141)	(190)	-	-
	<u>321</u>	<u>717</u>	<u>-</u>	<u>-</u>

**Furniture and fittings**

At Cost	1,714	1,470	-	-
Accumulated depreciation	(668)	(429)	-	-
	<u>1,046</u>	<u>1,041</u>	<u>-</u>	<u>-</u>

**Office computer equipment**

At Cost	4,125	2,195	73	9
Accumulated depreciation	(2,809)	(1,284)	(27)	(2)
	<u>1,316</u>	<u>911</u>	<u>46</u>	<u>7</u>

**Motor vehicles**

At Cost	811	621	125	-
Accumulated depreciation	(332)	(282)	(1)	-
	<u>479</u>	<u>339</u>	<u>124</u>	<u>-</u>

**Leased plant & equipment**

At Cost	128	208	-	-
Accumulated amortisation	(89)	(99)	-	-
	<u>39</u>	<u>109</u>	<u>-</u>	<u>-</u>

**Total written down value**

	<u>20,769</u>	<u>14,790</u>	<u>276</u>	<u>7</u>
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<b>Consolidated entity</b>		<b>Parent entity</b>	
<b>2009</b>	2008	<b>2009</b>	2008
<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000

**NOTE 11: INTANGIBLES**

**Goodwill**

Goodwill on consolidation	71,820	60,643	-	-
Goodwill at cost	<u>30,679</u>	<u>30,533</u>	<u>29,390</u>	<u>29,390</u>
<b>Net carry amount</b>	<u>102,499</u>	<u>91,176</u>	<u>29,390</u>	<u>29,390</u>

**Opening net book amount**

Opening net book amount	91,176	49,161	29,390	29,390
Additions	<u>11,323</u>	<u>41,985</u>	<u>-</u>	<u>-</u>
<b>Closing net book value</b>	<u>102,499</u>	<u>91,176</u>	<u>29,390</u>	<u>29,390</u>

**Licences**

Licences at Cost	10,134	3,155	27	-
Amortisation	<u>(1,625)</u>	<u>(470)</u>	<u>-</u>	<u>-</u>
<b>Net Carry amount</b>	<u>8,509</u>	<u>2,685</u>	<u>27</u>	<u>-</u>

**Opening net book amount**

Opening net book amount	2,685	897	-	-
Additions	6,979	2,258	27	-
Amortisation	<u>(1,155)</u>	<u>(470)</u>	<u>-</u>	<u>-</u>
<b>Closing net book value</b>	<u>8,509</u>	<u>2,685</u>	<u>27</u>	<u>-</u>

**Total**

	111,008	93,861	29,417	29,390
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**NOTE 12: PAYABLES**

**CURRENT**

Trade payables	10,096	8,802	376	337
Deferred consideration	5,200	8,967	5,200	7,847
Other payables	<u>35,985</u>	<u>10,065</u>	<u>546</u>	<u>43</u>
	<u>51,281</u>	<u>27,834</u>	<u>6,122</u>	<u>8,227</u>

**NON CURRENT**

Deferred consideration

	<u>6,000</u>	<u>5,499</u>	<u>6,000</u>	<u>5,499</u>
	<u>6,000</u>	<u>5,499</u>	<u>6,000</u>	<u>5,499</u>

**NOTE 13: BORROWINGS**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>CURRENT</b>				
Lease and hire purchase liabilities (ii)	<u>111</u>	<u>218</u>	<u>-</u>	<u>-</u>
<b>NON CURRENT</b>				
<i>Secured</i>				
Bank overdrafts (i)	-	-	2,330	-
Lease and hire purchase liabilities (ii)	3,131	7,182	-	-
Commercial Bills (i)	<u>36,096</u>	<u>31,307</u>	<u>31,740</u>	<u>23,872</u>
	<u>39,227</u>	<u>38,489</u>	<u>34,070</u>	<u>23,872</u>

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

(i) Bank loans and commercial bills are secured by mortgage over the assets of the companies and trusts and various undertakings. The facility is due for renewal in July 2011.

(ii) Lease and Hire Purchase liabilities are secured by assets leased or under hire purchase.

**NOTE 14: PROVISIONS**

**CURRENT**

Employee Benefits	<u>3,872</u>	<u>2,296</u>	<u>101</u>	<u>62</u>
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**NON CURRENT**

Employee Benefits	932	749	17	3
Aggregate employee benefits liability	<u>4,804</u>	<u>3,045</u>	<u>118</u>	<u>65</u>

**NOTE 15: CASHFLOW INFORMATION**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>(a) Reconciliation of Net Profit after tax to cash flows from operations:</b>				
<b>Profit from ordinary activities after tax</b>	<b>23,243</b>	18,799	<b>5,492</b>	7,599
<b>Non cash items</b>				
Profit on sales of assets	(48)	(30)	-	-
Amortisation of licence costs	1,155	470	-	-
Depreciation and amortisation of property, plant and equipment	13,046	3,704	27	2
Share based payments	66	62	66	62
Intercompany distributions and dividends	-	-	(12,681)	(13,256)
Amounts reclassified to investing activities	1,516	-	-	-
<b>(Increase)/decrease in assets</b>				
Receivables	(17,119)	(5,594)	29	(293)
Prepayments	(936)	920	21	(64)
Inventories	(127)	182	-	-
Deferred tax assets	(477)	280	668	(2,132)
Other receivables	122	(117)	121	(121)
<b>Increase/(decrease) in liabilities</b>				
Payables	24,860	3,374	41	378
Provisions	(1,988)	87	53	49
Accrued expenses	-	-	503	-
Tax Provision	(752)	1,327	(752)	2,366
Net cash inflow (outflow) from operating activities	<u>42,561</u>	<u>23,464</u>	<u>(6,412)</u>	<u>(5,410)</u>
<b>(b) Reconciliation of cash</b>				
Cash balance comprises:				
Cash at bank	3,756	8,289	-	274
Bank overdraft	-	-	(2,330)	-
<b>Closing cash balance</b>	<u>3,756</u>	<u>8,289</u>	<u>(2,330)</u>	<u>274</u>

## NOTE 16 : BUSINESS COMBINATION

### Changes in the composition during the 2009 year:

- On 1 August 2008, the company acquired 100% of the shares of ATI Group Pty Ltd.
- On 1 November 2008, the company acquired 100% of the shares of CingleVue Pty Ltd.

The acquisition details are outlined below:

	ATI Group Pty Ltd \$'000	CingleVue Pty Ltd \$'000
<b>Consideration</b>		
Cash paid under share sale agreement	2,333	1,800
Acquisition costs	273	48
Deferred consideration	-	9,200
<b>Total acquisition cost</b>	2,606	11,048
<b>Net assets acquired</b>		
<b>Assets</b>		
Cash and cash equivalents	878	30
Receivables	903	39
Inventory	30	-
Property, plant and equipment	84	4
<b>Total assets acquired</b>	1,895	73
<b>Liabilities</b>		
Trade and other payables	1,213	82
Borrowings	32	-
Provisions	1,198	-
Other liabilities	252	7
<b>Total liabilities acquired</b>	2,695	89
<b>Net assets acquired</b>	(800)	(16)
<b>Goodwill on acquisition</b>	3,406	11,064

On 1 November 2008, the consolidated entity purchased certain assets and assumed some liabilities forming part of Commander Australia Ltd (Administrators Appointed) (Receivers and Managers Appointed) for \$24.3m. These assets and liabilities are connected with the delivery of services under several contracts with Commonwealth Government departments. The assets include computer equipment (\$19.7m) and accounts receivable (\$8m). Liabilities include employee entitlements (\$2.6m) and certain other liabilities (\$800k) associated with the transaction.

(a) Payments for businesses in the Cash Flow Statement of \$32.7m 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:

- |                                    |          |
|------------------------------------|----------|
| a. Anadex Pty Ltd ATF Anadex Trust | \$1.219m |
| b. Bexton Professional Pty Ltd     | \$3.507m |

(b) Deferred consideration of \$3.5m has been written back to goodwill on consolidation relating to the Bexton Professional Pty Ltd and Change Corporation Pty Ltd acquisitions.

(c) The consolidated entity now includes CSG Education (formerly Percipio) Pty Ltd an entity that was incorporated on 6 November 2007 and commenced trading in the 6 months to 31 December 2008.

(d) The purchased goodwill is attributable to the high profitability of the acquired businesses and the expected synergies expected to arise post acquisition.

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

	Acquisition Date	Profit/(Loss) \$'000
ATI Group Pty Ltd	1-Aug-08	939
CingleVue Pty Ltd	1-Nov-08	(15)

It is impractical to disclose the profit/(loss) associated with the contracts and assets and liabilities purchased from Commander Australia Ltd (Administrators Appointed) (Receivers and Managers Appointed) as these operations have been combined with the operations of CSG Services Pty Ltd since acquisition date.

(f) To disclose the results of combined entities for the period as though the acquisition date for acquisitions occurred at 1 July 2008 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.

(g) The net assets acquired represent a fair value for the carrying amount at acquisition.

(h) The details of shares issued as consideration are as follows:

Bexton Professional Pty Ltd:

- 3,715,312 ordinary shares issued to satisfy consideration of \$3,343,781.

The number of shares was calculated using the volume weighted average share price of CSG Ltd for the 20 days following the end of the financial year 2008.

Power Accounting Pty Ltd:

- 1,030,926 ordinary shares issued to satisfy consideration of \$1,000,000.

The number of shares was calculated using the volume weighted average share price of CSG Ltd for the 20 days prior to issue.