

CSG Limited
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More than you expect.

APPENDIX 4D

CSG LIMITED AND CONTROLLED ENTITIES ABN: 64 123 989 631

HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016.

Appendix 4D

Half-Year Report for the six months to 31 December 2016

Name of entity: CSG Limited and its controlled entities
 ABN or equivalent company reference: 64 123 989 631 (ASX: CSV)

1. Reporting period

Reporting period: 31 December 2016
 Previous corresponding period: 31 December 2015

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities (item 2.1)	Up 3%	to	120,721
Profit (loss) from ordinary activities after tax attributable to members (item 2.2)	Up 15%	to	8,325
Net profit (loss) for the period attributable to members (item 2.3)	Up 15%	to	8,325
Dividends (item 2.4)	Amount per security	Franked amount per security	
Interim dividend	0c		0%
Previous corresponding period	4c		0%
Record date for determining entitlements to the dividend (item 2.5)	Not Applicable		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Refer to the Review of Operations section in the Directors' Report attached.			

3. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	17 cents	24 cents

4. Details of entities over which control has been gained during the period: (item 4)

No entities were acquired during the period.

5. Dividends (item 5)

	Date of payment	Total amount of dividend
Interim dividend payable year ended 30 June 2017	Not Applicable	Nil
Final dividend paid year ended 30 June 2016	7 September 2016	\$15,903,834

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Interim dividend payable year ended 30 June 2017	Nil	0%	N/A
Final dividend paid year ended 30 June 2016	\$0.05	0%	N/A

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	Nil	\$12,763
Preference securities (each class separately)	Nil	Nil
Other equity instruments (each class separately)	Nil	Nil
Total	Nil	\$12,763

6. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

The Dividend Reinvestment Plan ("DRP") is currently suspended.

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

N/A

7. The financial information provided in the Appendix 4D is based on the half-year condensed financial report (attached).

8. Independent review of the financial report (item 8)

The financial report has been independently reviewed. The financial report is not subject to a modified independent auditors' review report.



More than you expect.

CSG LIMITED AND CONTROLLED ENTITIES
ABN: 64 123 989 631

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016

DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of CSG Limited and the entities it controlled, for the half-year ended 31 December 2016 and independent auditors' review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

The names of the directors in office at any time during or since the end of the half-year are:

Name	Position
Stephen Anstice	Non-Executive Chairman
Julie-Ann Kerin	Managing Director
Robin Low	Non-Executive Director
Mark Phillips	Non-Executive Director
Thomas Cowan	Non-Executive Director

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The consolidated profit of the group for the half-year after providing for income tax was \$8.33m.

Financial Summary:

	1H17 \$m	1H16 \$m	%
Revenue from continuing operations	120.7	117.0	3%
NPAT	8.3	7.3	14%
Add Tax	(1.0)	3.1	(132)%
Add Depreciation and Amortisation	3.3	2.8	18%
Add Net Interest Expense	1.0	0.7	43%
EBITDA ¹	11.6	13.8	(16)%
Add Non-recurring items:			
1.Business combination costs & non-recurring legal fees	0.3	0.6	(50)%
2.LTIP/Employee Share Plan	1.0	1.7	(41)%
3.Direct Sales start-up costs	1.1	-	-
4.Restructuring	-	1.2	-
Total	2.4	3.5	(31)%
Underlying EBITDA	14.1	17.3	(18)%

Operational Overview:

- CSG reported revenue of \$120.7 million, representing a growth of 3% on the prior comparable period (pcp). Revenue was below expectations due to longer than expected sales cycles in Enterprise Solutions and reduced sales productivity in Business Solutions.
- The Company has reported an underlying EBITDA of \$14.1 million, a decline of 18% (pcp). Underlying EBITDA excludes \$1.0 million for the Executive Long Term Incentive Plan (LTIP) expense, \$1.1 million of costs incurred in setting up the Direct Sales channel and \$0.3 million of acquisition and non-recurring legal fees.
- Business Solutions had revenue growth of 3% (pcp) (decline of 3% excluding the acquisition of PrintSync) driven by a decline in print sales due to lower sales productivity (impact of c.\$6m in revenue) which was offset by an increase in technology equipment and subscription revenue driven by the acquisition of Code Blue.
- Enterprise Solutions had revenue growth of 6% (pcp) period. This was \$10m lower than expected due to fewer contract wins compared to the prior corresponding period. The division had a number of

¹ CSG defines EBITDA as profit before net finance costs, tax, depreciation, amortisation, impairment (if applicable). CSG uses EBITDA as an internal performance indicator for the management of its operational business segments; and to allow for better evaluation of business segment activities and comparison over reporting periods. This is non-IFRS information that has not been reviewed by KPMG.

CSG LIMITED AND CONTROLLED ENTITIES
ABN: 64 123 989 631

contract wins in the half including managed print contracts with a local council body in New Zealand (BOPLASS) and with an Australian government health board and additional print sales as part of an existing contract with the Queensland education department.

- The Company's technology equipment revenue grew 10% (pcp) and subscription seats grew 75% (pcp) with the addition of approximately 3,200 new seats in the half. The Company's total contracted subscription seats were approximately 10,700 as at 31 December 2016.
- The Company has launched a new Direct Sales channel to accelerate technology sales to new customers. The team closed its first sales during the half. A total of 21 staff been hired as at February 2017 across Melbourne, Sydney and Brisbane.
- The Finance Solutions division lease receivable increased by 10% (pcp) to close at \$259.7 million as at 31 December 2015 (the lease receivable remained flat relative to 30 June 2016). CSG continues to convert more than 95% of customers to CSG Finance products
- During the half, the Company entered into an agreement with Officeworks to sell CSG's Technology as a Subscription solutions which will increase the market adoption for CSG's innovative technology solutions from FY2018 onwards. In January 2017, the company acquired R&G Technologies, a Brisbane-based Managed Services and IT Services company with approximately 2,600 subscription seats.

Significant change in state of affairs

There have been no significant changes in the consolidated group's state of affairs during the half-year.

Lead Auditor's Independence Declaration

A copy of the lead auditor's independence declaration as required under section 307C of the Corporation Act 2001 in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Julie-Ann Kerin
Director

Sydney
Dated 20th February 2017



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

To the Directors of CSG Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

KPMG

KPMG

Scott Guse

Partner

Brisbane

20 February 2017

CONDENSED CONSOLIDATED
 STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year	
	2016	2015
	\$'000	\$'000
Revenue from continuing operations		
Sales revenue	101,681	100,352
Finance lease interest income	13,542	12,970
Other income	5,460	3,620
Interest income	38	40
	<u>120,721</u>	<u>116,982</u>
Expenses		
Changes in inventories of finished goods	(59,512)	(55,610)
Finance lease interest expense	(6,687)	(6,432)
Marketing expenses	(1,246)	(910)
Occupancy expenses	(3,506)	(3,140)
Administration expenses	(13,226)	(12,180)
Employee benefit expenses	(22,508)	(20,286)
Other expenses	(1,236)	(1,213)
Share based transactions	(1,023)	(1,676)
Acquisition and integration related expenses	(110)	(507)
Restructuring expense	-	(1,186)
Depreciation and amortisation expense	(3,334)	(2,748)
Finance costs	(1,021)	(756)
	<u>(113,409)</u>	<u>(106,644)</u>
Profit before income tax expense	7,312	10,338
Income tax benefit/(expense)	1,013	(3,081)
Profit after income tax expense	8,325	7,257
Profit is attributable to:		
Members of the parent	7,801	6,834
Non-controlling interest	524	423
	<u>8,325</u>	<u>7,257</u>

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED
 STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year	
	2016	2015
	\$'000	\$'000
Profit after income tax expense	8,325	7,257
Other comprehensive income		
Items that may be subsequently reclassified to profit and loss		
Cash flow hedges, net of tax:		
Net gains/(losses) taken to equity	2,501	(497)
Exchange differences on translation of foreign operations, net of tax	342	2,393
Total comprehensive income for the half-year	11,168	9,153
Total comprehensive income is attributable to:		
Members of the parent	10,643	8,730
Non-controlling interest	524	423
	11,168	9,153
Earnings per share attributable to equity holders of the parent entity:		
Basic earnings per share (cents)	2.5	2.4
Diluted earnings per share (cents)	2.4	2.3

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 \$'000	30 June 2016 \$'000
CURRENT ASSETS			
Cash and cash equivalents		19,047	14,455
Receivables		34,212	34,739
Lease receivables		83,020	82,295
Inventories		57,553	50,077
Other		10,567	7,928
TOTAL CURRENT ASSETS		204,399	189,494
NON-CURRENT ASSETS			
Lease receivables		176,663	178,479
Property, plant and equipment		3,399	2,582
Intangible assets		225,440	222,977
TOTAL NON-CURRENT ASSETS		405,502	404,038
TOTAL ASSETS		609,901	593,532
CURRENT LIABILITIES			
Payables		49,172	47,809
Deferred income		517	604
Deferred consideration		6,414	608
Short term borrowings		32,211	8,620
Current tax payable		1,419	111
Provisions		4,258	3,686
TOTAL CURRENT LIABILITIES		93,991	61,438
NON-CURRENT LIABILITIES			
Provisions		672	645
Deferred consideration		5,881	9,383
Derivatives		1,220	4,655
Deferred Tax Liability		4,840	9,397
Debt associated with lease receivables		223,183	219,260
TOTAL NON-CURRENT LIABILITIES		235,796	243,340
TOTAL LIABILITIES		329,787	304,778
NET ASSETS		280,114	288,754
EQUITY			
Contributed equity	4	204,837	207,623
Reserves		7,630	5,905
Retained earnings		53,116	61,219
Equity attributable to owners of CSG Limited		265,583	274,747
Non-controlling interest		14,531	14,007
TOTAL EQUITY		280,114	288,754

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated	Contributed equity \$'000	Other reserves \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Non-controlling interest \$'000	Total Equity \$'000
Balance as at 1 July 2016	207,623	9,044	(3,139)	61,219	14,007	288,754
Profit for the half-year	-	-	-	7,801	524	8,325
Cash flow hedge:						
Net losses taken to equity	-	-	2,501	-	-	2,501
Foreign exchange movement of translation of foreign operations, net of tax	-	342	-	-	-	342
Total comprehensive income for the half-year	-	342	2,501	7,801	524	11,168
Transactions with owners in their capacity as owners:						
Share buyback	(5,184)	-	-	-	-	(5,184)
Dividends paid	-	-	-	(15,904)	-	(15,904)
Equity settled transactions	2,398	(1,118)	-	-	-	1,280
	(2,786)	(1,118)	-	(15,904)	-	(19,808)
Balance as at 31 December 2016	204,837	8,268	(638)	53,116	14,531	280,114

Consolidated	Contributed equity \$'000	Other reserves \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Non-controlling interest \$'000	Total Equity \$'000
Balance as at 1 July 2015	164,193	7,534	(2,047)	70,768	13,297	253,745
Profit for the half-year	-	-	-	6,834	423	7,257
Cash flow hedge:						
Net losses taken to equity	-	-	(497)	-	-	(497)
Net gains transferred to profit and loss	-	-	-	-	-	-
Foreign exchange movement of translation of foreign operations, net of tax	-	2,393	-	-	-	2,393
Total comprehensive income for the half-year	-	2,393	(497)	6,834	423	9,153
Transactions with owners in their capacity as owners:						
Issue of shares	40,230	-	-	-	-	40,230
Dividends paid	-	-	-	(14,238)	-	(14,238)
Equity settled transactions	3,886	(2,294)	-	-	-	1,592
Capital raising costs	(1,103)	-	-	-	-	(1,103)
	43,013	(2,294)	-	(14,238)	-	26,481
Balance as at 31 December 2015	207,206	7,633	(2,544)	63,364	13,720	289,379

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED
 STATEMENT OF CASH FLOWS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year	
	2016	2015
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	124,559	124,386
Payments to suppliers, employees and others	(120,049)	(120,763)
Movement in lease receivables	1,091	(26,140)
Interest income received	38	40
Interest expense paid	(1,020)	(672)
Income tax paid	(2,295)	(1,801)
Net cash provided by/(used in) operating activities	2,324	(24,950)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for intangibles	(3,477)	(2,235)
Payments for property, plant and equipment	(148)	(296)
Payments for businesses	(595)	(8,255)
Net cash used in investing activities	(4,220)	(10,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	24,174	-
Repayment of borrowings	-	(9,117)
Proceeds from borrowings associated with lease receivables	3,307	18,796
Proceeds from share issues	-	39,127
Payment for repurchase of shares	(5,184)	-
Dividends paid	(15,904)	(14,238)
Net cash provided by financing activities	6,393	34,568
Net increase/(decrease) in cash and cash equivalents	4,497	(1,168)
Foreign exchange differences on cash holdings	95	990
Cash and cash equivalents at beginning of half-year	14,455	24,754
Cash and cash equivalents at end of the half-year	19,047	24,576

The accompanying notes form part of these financial statements

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2016

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

CSG Limited (the Company) is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the Group).

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by CSG Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report was authorised for issue by the directors on 20 February 2017.

(a) Basis of preparation

This half-year financial report has been prepared in accordance with Australia Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

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

The consolidated entity's operations are not subject to any obvious seasonality.

(b) Summary of the significant accounting policies

All other accounting policies applied in this half-year financial report are the same as those used in the annual financial report for the year ended 30 June 2016.

(c) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates or judgements

The preparation of the financial report in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

- i. Assessing impairment of goodwill

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

ii. 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.

iii. 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.

iv. Share-based payments

Calculation of shared based payments requires estimation of the timing of the exercise of the underlying instrument. The estimates are based on historical trends.

v. Inventory – consumables at customer premises

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

vi. Inventory - obsolescence

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

vii. Lease receivables - recoverability

Lease receivables are assessed at each reporting date to determine their recoverability. Evidence of impairment is assessed at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment, the consolidated entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Impairment losses are recognised in profit or loss and reflected in an allowance account against receivables.

(e) Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2016.

Fair value hierarchy

In valuing financial instruments, the consolidated entity uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. There are no material level 3 financial instruments.

The fair value of financial assets and financial liabilities, other than the fair value of derivatives, approximates their carrying amounts as disclosed in the Statement of Financial Position.

The fair values of the Group's derivative financial instruments, being interest rate swaps and forward foreign exchange contracts, are categorised as Level 2 in the fair value hierarchy (30 June 2016: Level 2). The fair values are based on the market comparison technique, using broker or counterparty quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. There are no significant unobservable inputs used in the valuations.

(f) Fair Valuation Measurement

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

i. Forward exchange contracts and interest rate swaps

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

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

ii. Other non-derivative financial liabilities

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

iii. Share-based payment transactions

The fair value of the Performance Rights under the Long Term Incentive Plan are measured using Monte Carlo sampling. The fair value of the employee share options currently under issue is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the historic volatility of the Company's share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

iv. Contingent consideration

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

(g) Income Tax Expense

The income tax expense for the half-year reporting period includes the effect of a Private Binding Ruling recently passed from the Australian Taxation Office to the Group. The ruling allows the deductibility of certain expenses taken up in the current reporting period.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
 31 DECEMBER 2016

NOTE 2: DIVIDENDS

	Half-year	
	2016 \$'000	2015 \$'000
Dividends paid during the half-year:		
Unfranked dividends of 5 cents per share (2015: 5 cents per share)	15,904	14,238

In addition to the above payment for the 2016 final dividend, an amount of \$5,184,000 has been returned to shareholders through an on-market share buyback of 4,074,588 shares. No dividends were declared during the half-year period.

NOTE 3: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on reports reviewed by the Chief Executive Officer and the Group Executive (comprising the Chief Financial Officer and Group General Managers) for making strategic decisions. The Chief Executive Officer and the Group Executive monitor the business units based on sales and profit or loss contribution to the consolidated group, and have identified the following reportable segments:

Business Solutions

CSG Business Solutions provides the sale, support, service and financing of print and business technology equipment to customers across Australia and New Zealand. CSG Enterprise Solutions provides managed service based print and technology solutions for Tier 1 enterprise, education and government customers also in Australia and New Zealand. CSG Enterprise Solutions has been identified as a separate division within Business Solutions. While this division is still in its growth phase, the underlying platforms and processes are very similar across both divisions and are increasingly converging. The CSG Marketplace is used or is to be used by both customer groups. As Enterprise Solutions business evolves, the distinction between the divisions will continue to be monitored in terms of segment reporting. As its results are not material under segment reporting requirements it has been grouped with Business Solutions for the purpose of segment reporting.

Management has determined that the Australian and New Zealand businesses are separate operating segments but due to their similarity in terms of product and service offerings in addition to the methods used to distribute products across both geographies these business units will be aggregated for the purposes of segment reporting.

Finance Solutions

CSG Finance Solutions is a specialist service provider of lease and rental products for business technology assets sold and serviced by CSG in both Australia and New Zealand.

Other

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
 31 DECEMBER 2016

NOTE 3: SEGMENT INFORMATION (cont'd)

(b) Segment information
 Half-Year 2016

	Business Solutions	Finance Solutions	Other	Consolidated Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	106,826	13,583	312	-	120,721
Segment result					
Interest income	34	-	4	-	38
Finance costs	141	2	878	-	1,021
Depreciation & amortisation	2,547	233	554	-	3,334
Total segment profit/(loss) before income tax	7,496	5,575	(5,759)	-	7,312

Half-Year 2015

	Business Solutions	Finance Solutions	Other	Consolidated Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	103,711	12,989	282	-	116,982
Segment result					
Interest income	25	-	15	-	40
Finance costs	165	10	581	-	756
Depreciation & amortisation	1,345	54	1,349	-	2,748
Total segment profit/(loss) before income tax	13,686	5,700	(9,048)	-	10,338

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
 31 DECEMBER 2016

NOTE 3: SEGMENT INFORMATION (cont'd)

(c) Geographical Information

CSG's reporting segments provide sales, support, service and financing across Australia and New Zealand.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Half-Year 2016			Total \$'000
	Australia \$'000	New Zealand \$'000	Eliminations \$'000	
Revenue	57,232	63,489	-	120,721

	Half-Year 2015			Total \$'000
	Australia \$'000	New Zealand \$'000	Eliminations \$'000	
Revenue	58,026	58,956	-	116,982

NOTE 4: CONTRIBUTED EQUITY

Movement in shares on issue

	31 December 2016		30 June 2016	
	No. of shares	\$'000	No. of shares	\$'000
Beginning of the period	319,076,671	207,623	284,148,839	164,193
Issue of shares	-	-	34,690,174	43,818
Buyback of shares	(4,074,588)	(5,184)	-	-
Tax exempt share plan	751,680	526	237,658	384
Performance rights vested	3,977,996	1,872	-	-
Capital raising costs	-	-	-	(772)
Balance at the end of the period	319,731,759	204,837	319,076,671	207,623

NOTE 5: CONTINGENT LIABILITIES

There were no contingent liabilities recorded at reporting date.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2016

NOTE 6: SUBSEQUENT EVENTS

On January 31 2017, the Company executed an agreement to acquire R&G Technologies, an IT services company based in Brisbane, for total purchase consideration of \$6.55m. The consideration will be paid as \$3.64m in cash on completion and \$0.91m in shares within 30 days of completion, and the balance of \$2.0m subject to meeting agreed earn-out objectives over the following 18 months. The deferred purchase consideration of \$2.0m will be paid by way of an issue of new shares. The purchase price is subject to completion adjustments.

The financial effect of this transaction has not been brought to account in the financial statements for the half-year ended 31 December 2016.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 1 to 16 in accordance with the Corporations Act 2001:

- (a) Comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

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

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



Julie-Ann Kerin
Director

Sydney
Dated 20th February 2017

Independent Auditor's Review Report

To the members of CSG Limited

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the **Half-year Financial Report** of CSG Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the **Group's** financial position as at 31 December 2016 and of its performance for the Half-year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

We have reviewed the accompanying Half-year Financial Report of CSG Limited.

The **Half-year Financial Report** comprises:

- the condensed consolidated statement of financial position as at 31 December 2016
- the condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises CSG Limited and the entities it controlled at the Half year's end or from time to time during the Half-year.

The **Interim Period** is the six months ended on 31 December 2016.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year 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 Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of CSG Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



KPMG



Scott Guse

Partner

Brisbane

20 February 2017