



ASG GROUP LIMITED
ANNUAL REPORT
2004



OFFICES AND OFFICERS

Company secretary

Mr Peter Ironside

Principal registered office

Level 2, 45 St Georges Tce

Perth WA 6000

Telephone: (08) 9420 5420 Facsimile: (08) 9420 5422

Locations of share registries

Computershare Registry Services Pty Limited

Level 2, 45 St Georges Tce

Perth WA 6000

Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033

Stock exchange

The Company is listed on the Australian Stock Exchange.

The Home Exchange is Perth.

Other information

ASG Group Limited, incorporated and domiciled in

Australia, is a publicly listed Company limited by shares.

CONTENTS

<u>Chairman's Letter</u>	3
<u>Operational Review and Outlook</u>	4
<u>Overview of the Information Technology Industry</u>	10
<u>Corporate Governance Statement</u>	12
<u>Directors' Report</u>	20
<u>Statements of Financial Performance</u>	28
<u>Notes to the Financial Statements</u>	32
<u>Directors' Declaration</u>	73
<u>Independent Audit Report</u>	74
<u>ASX Additional Information</u>	76

Dear Shareholder

I am pleased to present the annual report of ASG Group Limited together with a review of our progress against our published strategic and operating plans.

The year to June 2004 has been a successful one for the Company. We have achieved a number of strategic goals that were steps necessary to enable the Company to become a significant player in our chosen markets throughout Australia.

Major amongst these was the pursuit of the financial and commercial goals set down in our prospectus published in June 2003. The Net Profit After Tax exceeded the prospectus forecast and the Company will pay its maiden dividend at 2 cents per share, also ahead of original predictions. This was achieved whilst absorbing the costs of the additional expansion plans announced in February and completed during the financial year. A full discussion of the results is included in the Operational Review later in this report.

Possibly our greatest challenge was the establishment of the Company in Melbourne, Sydney, Brisbane and Canberra. At the beginning of the financial year virtually 100% of our business was based in Perth. Our geographic expansion strategy included the use of both acquisition activity and organic growth. Effective on 1st January 2004, the acquisition of the Accounting Systems Software Implementation and Support Team (A.S.S.I.S.T.) businesses was completed giving us a significant business base in all of these cities. During the succeeding six months all operations have been combined and integrated. Supplementing this boost to our presence in the eastern Australian markets, has been a significant volume of business secured in competitive tender situations. It is very pleasing to report that by June 2004 we had progressed to a point where our eastern markets generated 46% of our revenue for that month and 40% of our staff were located in the east.

A strategic advantage for the Company has always been the major proportion of our revenue that is derived from large multi-year contracts for the provision of outsourced infrastructure services. The committed base of future contracted revenue continues to build, ensuring stable business levels

upon which we can base our further expansion plans. During the course of the year a number of long term relationships have also been renewed or converted from within our existing customer base. No long-term client relationship has been lost or reduced during the year.

Long-term growth in earnings per share and high quality, profitable new business remain the focus of the Board and executive management. As revenue and geographic spread have progressed, the Company has been able to increase the quality of its product mix and thereby improve its gross margin. Our business turnover in the final quarter of the year augurs well for a healthy increase in business levels in FY 2005. Also important, as we look forward, is the presence on our register of a number of influential and substantial investment institutions. This strong shareholder base is expected to be valuable to the Company as we continue to seek strategic and appropriately priced acquisitions.

As I committed at this time last year, the Board has completely reviewed its Corporate Governance practices, with all of the principles and associated policies and charters now published in this report and on the ASG website. Each Director was directly involved in reviewing and redrafting our new document and the Board actively supports its ongoing observance.

We have now successfully completed ASG Group's first full year in its current form, meeting our performance objectives and providing our shareholders with a growing and profitable business base, strong operating cashflow and their first dividend. It can be said that the Company is well established, stable and firmly on the road to its stated objective of continually improving earnings and a reliable dividend stream to its shareholders.

I thank you for your continuing support of the Company.



Stan Lewis
Chairman

Results, Performance and Major Events for the Year

ASG Group Limited has produced a strong result for FY2004, particularly so in the context of business levels which escalated consistently, quarter by quarter, throughout the year. The A.S.S.I.S.T. business, which was acquired effective 1st January 2004, also contributed to revenue and profitability for six months. The quarterly growth profile of the business has produced a strong second half of the financial year, with the last quarter producing more than a third of the total year's revenue and almost half of the EBITDA. This strong finish takes ASG into FY2005 with an annualised business run rate well in excess of the year just completed.

FY 2004 Results

The entire result should be viewed in the context of the February 2004 Board announcement of a departure from the prospectus plan calling for a significant acceleration in infrastructure expenditure to place ASG in a position to win long lead-time eastern states bids as soon as possible. This expenditure was brought forward to position ASG for FY2005 by taking advantage of the benefits flowing from the acquisition of A.S.S.I.S.T. with its local presence and client contacts in Melbourne, Canberra and Sydney. The move is assessed as having been successful, with the securing of a number of key managers and marketing specialists. ASG has performed well in significant bidding situations and enjoys a much-improved profile, particularly with government clients.

A number of positive aspects of the trading for the year have emerged. For example, ASG has produced a services gross margin of 36% , a more than a two percentage point increase compared with our original

plan. In the case of products the margin gained was 22% versus the standard 10% . Also positive is the improvement in the mix between services and products, with services being 97% of the Group sales versus the plan of 91% . This is encouraging given the repetitive characteristics of our services revenue versus the once-off nature of product sales. This improvement in product mix and profitability delivered \$0.8 million of extra gross profit compared with the prospectus gross margin rate providing an offset to the impact of the revenue shortfall.

However, ASG did experience a shortfall in revenue, the majority of which was related to the sale of third party software products sold at low margin as an incidental part of our customer relationships. This shortfall was produced by two main factors; a reduction in demand and the delay of purchase decisions on a number of product opportunities until after the end of the financial year. In two instances the opportunities were converted to sales early in the new financial year.

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) was in line with the prospectus forecast, taking into account the extra market development expenditure previously discussed. It is estimated that expenses in excess of \$0.4 million were committed over and above the prospectus plan as part of the targeted strategy to produce significant contracts in the eastern markets as early as possible in FY2005.

Earnings Before Interest and Taxation (EBIT) is impacted by the same factors as EBITDA as well as \$0.1 million of additional non-cash amortisation and depreciation charges associated with the A.S.S.I.S.T. acquisition.

Net Profit after Taxation (NPAT) was influenced by the combination of an acquisition-driven increase of \$0.13 million in interest expense and a benefit in taxation expense resulting from the entry by the Group into the Tax Consolidation regime and the resultant gaining of taxation benefits from recoverable taxation losses within subsidiaries.

Overall the result has come in according to prospectus plan as modified by the variations described in February's half-year results announcement. The result is particularly pleasing given the strong finish to the year and the resultant volume of repeat and continuing business being carried forward to FY2005.

Dividend

The Company has declared its first dividend since commencing operations. At 2 cents per share the fully franked distribution is 11% higher than that planned in the prospectus and it represents a dividend yield of 6.5% on the June 2004 closing price and 10% on the offer price in the June 2003 prospectus.

Events during FY2003

Our most important strategic step during the period was the acquisition of Accounting Systems Software Implementation and Support Team Pty Ltd, known as A.S.S.I.S.T., the Canberra based Oracle applications computer services company. A.S.S.I.S.T. maintains offices in all Eastern States capital cities and provides a strong client base in both Government and corporate sectors throughout Australia as well as a presence in Southeast Asia and New Zealand. It is consistent with our strategy of acquiring profitable businesses that provide access to strong client relationships. These existing relationships can be expected to provide opportunities for additional outsourcing business for the Company. It is pleasing that there is little overlap

or direct competition between ASG and A.S.S.I.S.T. allowing both organisations to benefit from access to the customer base and service offerings of the other.

In May and June the Company raised \$2 million to provide working capital to manage the expanding revenue base. The mechanism chosen was a Share Purchase Plan, which was intended to allow small shareholders the opportunity to extend and consolidate their shareholding. This opportunity was provided to compensate for the over subscription of the June 2003 offer during which many small shareholders were unable to secure additional shares.

Staffing

During the course of the financial year the staff complement across the Australian operations grew by more than 60% to exceed 240 staff and contractors. Accessing experienced quality staff continues to be a major priority for the Group, and the control of staff turnover rates remains a key means of maintaining high rates of efficiency and utilisation. Gross margins and utilisation of billable staff continued to be maintained at high levels throughout the year. The Group expects more significant growth in staffing during FY2005 and has upgraded its human resource management organisation and structure.

Development Strategy and Plans

The 2004 financial year has seen very significant and rapid progress in the execution of the ASG strategy outlined in our previous annual report. The establishment of the Company in all major Australian markets was accomplished within the year and the building of the marketing and delivery organisations has proceeded somewhat ahead of plan. This has placed ASG in a position where its presence and profile now allow the Company to be a

strong contender for any major selective outsourcing opportunity, which is offered to the market in Australia.

The ASG strategy remains essentially unchanged.

The plan for expansion of our business combines organic growth enhanced by targeted acquisitions. The Cumulative Revenue Model underpins this programme. Our powerful business model continues to strongly support our growth and profitability as we enter FY2005. Our contracted revenue for delivery in FY2005 is in excess of \$18 million or 74% of last year's turnover. This exceeds our published benchmark of 70% for contracted repeat revenue carried forward from one year to the next. Organic expansion will be targeted in each of our major regions where significant opportunities are expected to arise during the year. These will come from:

- Existing clients where our ongoing outsourcing relationships will lead to additional contract opportunities provided we maintain the high degree of client satisfaction with our service levels;
- New clients in the Government and Commercial sectors where outsourcing decisions are being made and implemented by clients seeking proposals and bids from the key players in this market; and
- Clients gained through joint bidding activities and proactive proposals developed with our traditional allies with whom we have partnership arrangements for service delivery to clients throughout Australia. These arrangements optimise chances of success, allow each partner to concentrate on their particular strategic strengths and spreads risk for the client through multiple, proven suppliers being involved in delivery of their service.

Having absorbed our previous acquisition, completed in January this year, ASG remains well positioned in terms of management, systems and organisation to complete further transactions should the appropriate candidate become available. The Company has devoted considerable time to the examination of a number of potential acquisitions and continues to do so. Our criteria continue to emphasise access to profitable clients, expanded market coverage and securing of additional revenue that can be supported by our regional and central infrastructure. Businesses must be a strategic fit for our business models and the transaction must allow increased earnings per share in a full year of combined operation within the Group. Although a number of potential deals have been rejected on the basis of one or more of these criteria, the Board is confident that suitable opportunities will become available during the FY2005.

ASG also has a much-strengthened share register following the addition of a number of Australian investment institutions in May of this year. We are looking forward to enhancing the value of their investment, and to their support in the market, as well as their assistance in raising any capital that may be necessary to complete our acquisition program.

The key elements of geographic presence, marketing and sales profile, delivery capability, customer service and management depth remain our organisational priorities. All of these areas continue to be developed within our strategy for FY 2005 and beyond:

- Our Marketing and Sales organisation has gained considerable strength during the past six months and the addition of key personnel continues in the new financial year.
- In service delivery, strong local organisations are being created in Melbourne, Sydney and Canberra

and they are complementary to the centralised base of expertise that the Company has always maintained in Perth. ASG continues to develop its delivery profile, which integrates on-site, local and remote elements enabling the client to be serviced by the entire depth of the resources of our organisation in the most efficient and economical fashion. We believe that ASG now provides one of the most versatile, responsive and cost-effective service delivery models available in Australia.

- As our client base becomes larger, both the sales and delivery organisations are being re-structured and focussed. This aims to ensure that clients can continue to be serviced effectively by local management groups which control sufficient resources and decision-making capability to quickly meet customer needs, including access to our entire technical support capability, thereby continuing to differentiate ASG from its international competition.
- It has always been the ASG strategic requirement that the organisation, administration and systems of the Group should be sufficient to support the next step in the Company's development and this remains the case. All operations are now integrated under standard systems, which are considered adequate to support all medium term development and any acquisitions that may occur during our planning horizon. The financial, administration and human resource teams are all in a process of expansion to ensure that the management and control needs of the Group can be met.

Having established the Company in all major Australian markets, pursuit of our strategy involves the same long-term goals, but also a change of emphasis as we enter the next phase. The key task now is to build on the base that has been created in

the past year so that revenue can be grown rapidly and profitably across our broad geographic base. ASG seeks to end the 2005 financial year with a solid majority of its business base located in the eastern markets of Australia.

A major advantage in this task is the strengthening proportion of contracted repeat revenue, which carries forward from year to year. ASG continues to achieve renewal of existing clients, conversion of regular customers to multi-year contracts and strong offerings for competitive bid situations. Client satisfaction, leading to both renewal of business and vital reference sites for new opportunities, remains a major objective as well as a vital element supporting our growth. Success in this regard will continue to drive profits and shareholder value as well as attracting quality staff and securing new clients.

OVERVIEW OF THE ASG BUSINESS

Overview of the ASG Business

ASG Group Limited is positioned as an independent provider of a broad range of service solutions. It is important to note that this business is based on the provision of value-added services. Unlike technology companies that are exposed to the risks of capital intensive development, technology obsolescence and worldwide competition, the services model thrives on change. Technology evolution and revolution generates much of the demand for outsourced activities that the client cannot handle internally for cost, management and resource reasons. In particular, it is important to note that most outsourcing revenue is derived from the clients' recurrent budgets rather than from capital expenditure. The functions performed are nondiscretionary management and processing functions, which need to be continued regardless of business conditions or economic cycles. The model provides insulation from economic downturns and this is borne out by the regular and consistent growth of the ASG Group revenue over the past eight years.

The ASG business model has proven successful in both the government and corporate markets showing strong growth even through difficult economic periods. The majority of the revenue is generated by multi-year service contracts with similar timescales available as extension or renewal periods. In this way ASG Group can rely upon a strong base of contracted revenue that ensures a solid foundation for additional business growth.

ASG Group has proven to be consistently attractive to its clients because of:

- ASG's proven track record and ability to understand each client's business environment so that the IT

solutions provided are closely aligned to the client business needs;

- ASG is 100% Australian owned, which differentiates us from the majority of our competitors who are owned and run by overseas interests. Our ownership provides clients with access to all levels of management up to and including our Executive and Board;
- Strong references from our existing clients, every one of which will openly provide a reference for other prospective clients who require confirmation of our high levels of service, responsiveness and flexibility;
- The unique business-outcomes focus of our services, through which ASG seeks out innovative ways to improve service levels and reduce costs, together with adding value through the provision of strategic advice; and
- The Company's proactive service management solutions, which drive continuous improvements in service quality and operational cost efficiency. This is achieved through the linking of clients' IT environments to our unique Service Management Centre, with its proven processes, procedures and supporting workflow and automation software.

Service Offerings and Organisational Capabilities

ASG Group Limited offers a comprehensive range of Information Technology services to clients throughout Australia. ASG has a team of highly qualified technical and business IT consultants who are recognised as experts in their respective fields. They provide cost effective solutions to address client's business requirements in the areas of:

- Infrastructure and Applications Management Outsourcing;
- Oracle eBusiness Suite Implementation and Support;
- Applications Development;
- Business Intelligence Solutions;
- Systems Integration;
- IT Security; and
- Specialist Technical Services.

ASG has established partnerships with a number of IT solution providers. In particular, the Company is an Oracle Certified Advantage Partner and a Microsoft Gold Certified Solution Partner.

To ensure that services can be delivered with consistent high quality and predictability, ASG has created and maintained a series of systems, procedures and technologies, which are grouped under the broad headings of the Business Management System and the Service Management Centre.

The Service Management Centre uses powerful software tools to help manage systems remotely from our premises in an increasingly automated fashion. Where appropriate, this facility is bundled into the managed services to allow staff to remotely monitor and manage events on a customer's servers, databases and applications. This real-time monitoring capability allows the correction of problems at client sites

before they disrupt business operations. The Centre and its facilities help ensure that a client's IT systems are proactively managed to optimise uptime and performance.

The presence of these standard systems and procedures, together with the supporting toolsets and facilities, are instrumental in ASG being accredited to the ISO 9001:2000 standard, a necessary element in accessing major government and corporate clients.

The Company has devoted significant resources to the development of this intellectual property and will continue to allot funds to its maintenance and enhancement. Such expenditure is cost effective against the continuing requirement to increase efficiency and reliability in service provision and represents a competitive advantage for the Company.

ASG has a significant client base, many involving long term outsourcing contracts to manage some or all of the IT functions of major government and corporate clients. The terms of the contracts range from 2 to 5 years and in many cases, options to renew for similar periods, providing ASG with a relatively predictable cash flow and earnings stream from this business.

The Information Technology Outsourcing Industry

Organisations working with the traditional self-sufficient IT model are likely to be under increasing pressure from their competitors with more cost efficient structures. Consequently, many organisations are turning to external service providers for the IT support function in order to reduce operating costs while still maintaining an up to date IT infrastructure. Leading industry analysts estimate that the Australian IT services sector, in which ASG is positioned, is expected to grow from approximately \$15.5 billion in 2002 to \$22 billion annually by 2007 across a range of sectors.

Whilst IT budgets remained tight throughout FY2004 with slower growth, industry analysts expect this market to improve in 2005 as user enterprises increase their level of IT implementations driven by economic growth. Over the past decade, all levels of Australian government have been actively outsourcing components of their IT functions in order to meet departmental budget constraints while improving the quality of their services. A similar trend has been occurring in the business sector. While the trend was initially confined to larger corporations, it is now extending to small to medium sized companies that are increasingly adopting variants of the outsourcing model. Industry data also indicates that more than half of all Australian enterprises outsource at least one IT function. The major portion of revenue generated from IT services comes from management services and development and integration assignments. These sectors are also set to experience higher than average annual growth in demand. ASG is firmly positioned within these industry sectors.

Emerging trends

There is an increasing acceptance of IT outsourcing as companies attempt to focus investment on their core business processes. Companies embrace IT outsourcing services as rapid changes and developments in technology have made it almost impossible for businesses to manage their own IT without resorting to external assistance. The economic climate has also resulted in companies seeking to avoid commitments associated with permanent employment. ASG has identified a number of market trends that it believes will benefit its business in the near future. These include the following:

Offshore and Remote Delivery of Outsourcing Services

Innovations in global telecommunications networks over recent years have provided new opportunities for IT outsourcing companies. Corporations in high cost regions such as the United States and Western Europe are increasingly looking to acquire IT outsourcing services from other geographic locations that offer more cost effective services. Historically, these services were predominantly in the application development sector and were acquired from countries such as India. Recently, demand is also emerging for infrastructure and applications management services, as there is a growing sense that these IT management services can be packaged and shipped to an offshore outsourcing company. Australian IT outsourcers such as ASG will be increasingly seen as a low cost, low risk alternative to provide these management services. We need something here to show why even lower cost Asian and Indian suppliers don't beat us in this area

Utility Computing Model

Companies are increasingly looking to pay for IT services as needed in preference to buying their own computing applications and infrastructure and hiring the support staff associated with its maintenance. Clients are looking to purchase IT processing power from an outsourcing company, which also takes care of its maintenance. Outsourcing providers are moving towards charging customers in the same way as does an electricity company, eg when usage spikes, so does the service charge. This emerging trend is referred to in the IT industry as "Utility Computing" and is being aided by the current economic climate in which chief information officers and other corporate buyers of information technology are wary of continuing escalation in IT spending. Most new outsourcing deals include utility elements at some level. The opportunity for ASG is to leverage our Oracle eBusiness Suite expertise, together with existing economies of scale and operational efficiencies derived from servicing multiple clients in a standardised fashion to provide "on demand" IT services in a flexible and cost effective way.

Increasing Focus on Business Value of IT

Clients are increasingly viewing IT as a creator of business value rather than a simple cost centre. This results from business units accepting accountability for realising the business benefits from IT activities. Clients are comparing the services portfolios of their internal IT departments against those of external service providers. Outsourcers are responding to this trend by increasing their focus on providing business orientated, value based IT service products. In some cases the internal IT departments are able to compete on the basis of their understanding of the business.

Increasingly, however, clients are turning to external service providers such as ASG who are tuned to providing business value in a commercially competitive environment.

Selective Outsourcing

There is a move towards the increased use of selective outsourcing, particularly in the government sector, following the Humphry Report. Richard Humphry, the managing Director of the Australian Stock Exchange Limited, reviewed the efficiency of the Australian government's large outsourcing projects, and reported that the Government's centralised IT contracting strategy was inefficient, recommending that decisions on the acquisition of IT services should rest with the individual agencies and departments. The move towards selective outsourcing is favouring medium sized Australian IT companies such as ASG, rather than the large multinational outsourcers that rely on the large all-inclusive deals to compete.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

The Board of Directors of ASG Group is committed to maintaining and promoting the principles of good corporate governance. The Board has reviewed and approved all charters, codes and policies, a summary of which is published in this section of this Annual Report. The relevant documents may be reviewed in their complete form on the Company website.

This Statement reflects our Corporate Governance policies and initiatives as at the date of publication of this Report. The ASX Principles of Good Corporate Governance and Best Practice Recommendations (the "ASX Principles"), in conjunction with the ASX Listing Rules, require companies to disclose whether their corporate governance practices follow the ASX Principles. The Company complies with the ASX Principles except in the following instances:

- Principle 2 – Structure of the Board: No formal Nomination Committee has been established given that the size of the Board allows the entire Board to participate directly in these functions. The procedures of the Board in relation to matters addressed by a nomination committee are in compliance with the Principles;
- Principle 4 – Safeguard Integrity of Financial Reporting: A vacancy for one of three Non-executive Director positions exists on the Board Audit Committee. The Audit Committee and its activities comply in all other respects;
- Principle 9 – Remuneration: Non-executive Directors are eligible to participate in an equity participation plan approved by a general meeting of members in FY 2003. An allocation of options to a Non-Executive Director was approved at the Company's annual general meeting in November 2003.

The Roles of the Board and Management

The role of the Board is to oversee and guide the management of ASG Group to protect and enhance the rights and interests of its shareholders, and to take into account the interests of other stakeholders including clients, employees, suppliers and the community as a whole. The Board sets the strategic direction of the Company, determines management objectives and targets, and monitors business performance in pursuit of the objectives. The Chief Executive Officer/Managing Director is responsible to the Board for day-to-day management of the Company.

The Board Charter describes the relationship between the Board and management, and defines their functions and responsibilities.

Board Composition

Membership of the Board is guided by the following principles:

- The number of Directors will be maintained at a level which will enable effective spreading of workload and efficient decision making;
- The Chairman of the Board shall be an independent non-executive Director and may not have served as an executive officer of the Company;
- A majority of the Board should be independent non-executive Directors;
- The Board should comprise Directors with a broad range of expertise, skills and experience from a diverse range of backgrounds; and
- The same individual may not hold the roles of Chairman and Chief Executive Officer.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board comprises a majority of non-executive independent Directors, a non-executive independent Chairman and different persons filling the roles of Chairman and Chief Executive Officer.

The Board regularly assesses the independence each Director according to the independence criteria in ASX Principle 2 and to relevant laws, regulations and listing rules. Directors facilitate this review by providing up-to-date information regarding their personal circumstances related to the Company, their external relationships and any potential conflicts of interest. The independence of new Directors is assessed upon appointment.

The Chairman, Mr Stanley Lewis, meets the independence criteria, given that he complies with all criteria set down for assessment of independence and that the Board has reviewed his disclosed family relationship with the Managing Director and found that it does not compromise his independence.

Mr Stephen Johnston and Mr Ronald Baxter are independent Directors in accordance with the independence criteria, given that each of these Directors complies with all criteria set down for assessment of independence.

The two Directors considered not to be independent are:

- Mr Geoffrey Lewis, the Managing Director; and
- Mr Colin Leman, the Chief Operating Officer

Meetings of the Board

The full Board conducts at least ten meetings per annum, plus special purpose meetings on strategy, budget review and approval, review and adoption of

reports, or other matters that require more time than a scheduled Board meeting normally permits.

Managers are invited to formal Board meetings and special purpose meetings, as required.

Appointment and Re-election of Board Members

The process for retirement by rotation and re-election of a Director is set down in the Company's constitution. If a retiring Director nominates for re-election, the Board will assess the performance of that Director in their absence, and determine whether the Board will recommend a shareholder vote in favour of the re-election, or otherwise.

Nomination and Appointment of New Directors

For new appointments, the Board identifies candidates with the appropriate expertise and experience, having regard to the weighted list of required Directors' competencies as maintained by the Company. The Board will appoint the most suitable candidate, but the shareholders at the next general meeting of the Company must ratify the appointment.

The key terms, conditions and requirements are set out in a standard letter of appointment as drafted by the Company's lawyers. New Directors are provided with an induction program specifically tailored to the needs of individual appointees. The program includes meetings with major shareholders, one-on-one meetings with the members of the management team and visits to key sites.

Directors are also encouraged to participate in the company's continual improvement program and are expected to highlight areas of activity that could potentially be improved.

CORPORATE GOVERNANCE STATEMENT

Board Access to Information and Independent Advice

All Directors have unrestricted access to all employees of the group and, subject to the law, access to all company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to A.S.S.I.S.T. the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The company will reimburse the Director for the reasonable expense of obtaining that advice.

Committees of the Board

Two standing Board Committees have been established to A.S.S.I.S.T. the Board to discharge its responsibilities. Their respective Charters, as approved by the Board, govern the Remuneration Committee and the Audit Committee. They review matters on behalf of the Board and make recommendations for consideration by the entire Board.

Remuneration Committee

The Board maintains remuneration policies aimed at attracting and retaining a motivated workforce and management team. The intention is to align the reward system to the performance of the Company, and ultimately to the long-term value received by our shareholders.

The Committee's purpose is:

- To review, approve and monitor remuneration policies and practices;
- To approve the remuneration package for the Chief

Executive and all Executive Directors;

- To make recommendations to the Board of Directors in relation to the remuneration of all Directors;
- To consult with the Chief Executive in setting remuneration packages of any direct reports of the Chief Executive who are not Directors of the Company.

The current members of the Remuneration Committee are:

- Stanley Lewis (Chairman)
- Ronald Baxter
- Geoffrey Lewis

Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting.

The primary role of the Committee is to A.S.S.I.S.T. the Board to discharge its responsibilities in relation to the Company's corporate governance objectives by fulfilment of its responsibilities relating to accounting and legal compliance by:

- Maintaining effective internal and supervisory control procedures;
- Identifying and managing business risks;
- Submitting and reviewing reports for Management, the Board and other external bodies;
- Ensuring the independence and effectiveness of the external auditor and in particular related to the production of quarterly, half-yearly and annual reports to shareholders and to ASX. In addition, the Committee reviews the nomination and performance of the auditor;
- Overseeing compliance with relevant laws and

regulations and in particular the Corporations Act and the Listing Rules:

- Ensuring the consistency and appropriateness of accounting policies and procedures and any amendments thereto; and
- Adhering to ethical standards, and in particular conflict of interest matters and related party transactions.

The current members of the audit Committee are:

- Ronald Baxter (Chairman)
- Stephen Johnston
- Additional (vacant) position

The Audit Committee has direct access to management and meets periodically with the external auditors to assess and review internal controls and matters relating to corporate governance, the truthful and accurate reporting of the Company's financial position.

Other Board members and other persons considered appropriate, for instance the external auditor or senior executives, are invited to attend Audit Committee meetings as required.

Integrity of Financial Reporting

The Board has a primary responsibility to ensure that:

- The Company presents and publishes accounts, which present a true and fair view of its results and financial position;
- The accounting methods adopted are appropriate to the Company and consistently applied in accordance with relevant accounting standards and the applicable laws; and
- The appointment and performance of the external auditor is appropriately monitored to ensure independence and the serving of the interests of shareholders.

This requirement is addressed by:

- The requirement that the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer each provide a written statement that the Company's financial reports for each half year and full year present "a true and fair view, in all material respects, of the Company's financial condition and operational results and that they are in accordance with the relevant accounting standards"; and
- The activities of the Board Audit Committee acting in accordance with its Charter.

The continuous disclosure provisions of the Corporations Act and the listing rules require that material, price sensitive information is released to the market immediately after it becomes known, unless it falls within an exception to the rule. Penalties may be imposed upon the Company and its officers in the event of non-compliance.

The Board's policy is to comply with the letter and spirit of the relevant laws and regulations and to ensure that shareholders, and the markets generally, are informed of all material developments that impact on the Company and that all disclosures made by the Company are clear, complete, objective and not misleading. There is a detailed Disclosure Procedure in place, which is intended to maintain the market integrity of the Company's shares listed on the Australian Stock Exchange Limited (ASX). The Company has established written policies and procedures designed to manage the Company's compliance with its continuous disclosure obligations and to attribute management accountability for that compliance.

The Chief Executive Officer has ultimate authority and responsibility for approving market disclosure, which in

CORPORATE GOVERNANCE STATEMENT

practice is exercised in consultation with the Company Secretary. All such releases, including relevant external briefing and presentation materials will be made available on the ASG website. The independent auditor reviews adherence to these procedures and findings are reported directly to the Board Audit Committee.

Remuneration Policies

Non-executive Directors

Non-executive Directors' fees are paid within an aggregate limit, which is approved by the shareholders from time to time. Each non-executive Director is paid fees of \$30,000 per annum, and the Chairman receives an additional \$20,000 per annum.

Non-Executive Directors serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. Retirement payments are determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-executive Directors are entitled to receive options under the rules of the ASG Group Limited Employee Option Plan as approved by the shareholders on 12th June 2003.

Executive Directors and senior executives

The Remuneration Committee is responsible for determining the remuneration policies for the group, including those affecting the executive Directors and the senior executives. The committee may seek appropriate external advice to A.S.S.I.S.T. its decision-making.

Remuneration policies and practices are directed at attracting and retaining a motivated workforce and management team. Key principles in setting remuneration include shareholder value, market

competitiveness and internal equity.

Senior executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any Directors' fees in addition to their employment salary and remuneration arrangements.

The monetary package is divided between a base salary and an incentive portion. Base salary is set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

The incentive portion is payable based upon attainment of objectives related to the executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

All employees including Executive Directors and Senior Executives are eligible to participate in the ASG Group Limited Employee Option Plan (the "Plan"). Actual participation is dependent upon the discretion of the Board Remuneration Committee exercising the powers of the Plan Committee under the terms of the approved Plan. The Committee exercises its discretion to apply vesting and hurdle conditions which are intended to ensure that rewards are available only to employees who contribute to the Company over the medium to long term and that the benefits flowing from the Plan are aligned to value achieved by shareholders.

Audit Governance and Independence

As part of ASG's commitment to safeguarding integrity in financial reporting, procedures have been put in place to ensuring the independence and effectiveness of the external auditor. This applies particularly to the production of quarterly, half-yearly and annual reports to shareholders and to ASX.

In addition, the Committee reviews the nomination and performance of the auditor. The external auditor regularly meets with members of the Audit Committee. The Audit Committee intends, for each financial reporting period, to have the external auditor meet at least twice per annum with the Audit Committee without management being present.

The external auditor will also be provided with the opportunity, at their request, to meet with the Board of Directors without management being present.

The external auditors were appointed on 1st June 2003. The lead external audit engagement partner has been the audit partner since the Company was listed on ASX on 1st July 2003 and will be rotated off the engagement during 2008.

The external auditors attend, and are available to answer questions at, the Company's annual general meetings.

Risk Identification and Management

ASG has developed policies and procedures to identify, manage and monitor business risks and has ensured that its management and reporting systems contain risk management controls. These include:

- a formal planning process of preparing and annually reviewing strategic plans for all parts of the group;
- annual budgeting and monthly reporting systems

for all businesses, to enable progress to be evaluated against performance targets, and trends to be identified;

- guidelines and limits for capital expenditure and investment approval;
- due diligence procedures for acquisitions and divestments;
- policies and procedures to manage financial risk, including treasury operations such as exposure to movements in interest rates;
- a comprehensive insurance programme including external risk management surveys;
- a regulatory compliance programme supported by approved guidelines and standards covering such key areas as disclosure, legal and insurance;
- Directors' financial due diligence questionnaires; and
- risk assessment and management systems for all service delivery activities in the group.

Management is responsible to the Board for ASG's system of internal control and risk management. The Audit Committee assists the Board in monitoring this role.

Share Trading

The Constitution of the Company permits Directors and officers to acquire shares in the Company.

In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Stock Exchange Limited, Directors must advise the Company and the ASX of any transactions they conducted in securities in the Company.

The ASG Insider Trading Policy prohibits the buying or selling of Company securities at any time by any Director, officer, executive, contractor, consultant or employee ("Insiders") who possesses price-sensitive

CORPORATE GOVERNANCE STATEMENT

information about the company that is not available to investors and the stock market generally.

This prohibition applies regardless of how the person learns of the information. This policy is intended to enhance investor confidence and help to minimise the suspicion of trading by company Directors, executive managers or employees who maybe in possession of price sensitive information which has not been publicly released.

As a broad principle, Insiders are permitted to trade Company shares in the 30-day period immediately following the release of ASG's half yearly and annual results and in the 30-day period immediately following the Company's Annual General Meeting. However, possession of price-sensitive information during these periods would negate the right of individuals to engage in trading during these periods.

Individuals who have price-sensitive information not generally available to investors and the stock market:

- Must not trade in any securities of the Company;
- Must not engage any other person or entity to trade in the Company's securities;
- Must not allow the price-sensitive information to be disclosed to another person who may use the information for improper trading purposes; and
- Must not communicate inside information to any other individual who works within the ASG Group except on a "need to know" basis.

If an individual liaises with stock brokers, industry analysts or business journalists and the like regarding the business activities of ASG, they must not disclose to them any inside information about ASG, or confirm any analysis, the confirmation of which would constitute price-sensitive and non-public information.

Continuous Disclosure

The Corporations Act and the Listing Rules require that material price sensitive information be released to the market immediately it becomes known, unless it falls within an exception to the rule.

The Board's policy is to comply with the letter and spirit of the relevant laws and regulations and to ensure that shareholders, and the markets generally, are informed of all material developments that impact on the Company; and that all disclosures made by the Company are clear, complete, objective and not misleading.

A detailed Disclosure Procedure exists to maintain the market integrity of the Company's shares listed on the Australian Stock Exchange Limited (ASX). The Company has established written policies and procedures designed to manage the Company's compliance with its continuous disclosure obligations and to assign management accountability for compliance.

The Chief Executive Officer has ultimate authority and responsibility for approving market disclosure, which in practice is exercised in consultation with the Company Secretary. All releases, including relevant external briefing and presentation materials, will be made available on the ASG website. The independent auditor reviews adherence to these procedures, and findings are reported directly to the Board Audit Committee.

Communications with Shareholders

ASG recognises its duty to inform shareholders of matters that may affect their investment in the company. ASG will be open and transparent to all stakeholders, providing information in a timely, easily understandable and balanced way as follows:

- Compliance to the ASX Listing Rules on disclosure;
- Prompt appearance on the ASG Website of annual reports, market announcements, major press releases and the terms of reference of the Board Committees;
- A Calendar of Events advising stakeholders of key dates of reports and presentations;
- At the AGM, shareholders are encouraged to ask questions of Board members or of the external auditor;
- Notices and explanatory memoranda of AGMs and Letters of interest from the Chief Executive Officer are available to all stakeholders; and
- Special notices are forwarded to shareholders whenever there are major developments to report.

In addition, shareholders are encouraged to make their views known or to seek clarification on information available in the public arena by contacting the Company Secretary.

Conduct and Ethics

ASG has established and documented the standards of ethical behaviour expected of its Directors, management, employees and contractors. The Code of Ethics is a practical set of principles giving direction and reflecting an open and ethical approach to business conduct. The Code supports the Company's long-term goals, as adherence will demonstrate integrity and will create loyalty and trust in employees, clients, the community and other stakeholders.

The Code aims to ensure that ASG, through its officers, employees and agents, acts with high standards of honesty, integrity, fairness and equity. ASG Staff will not knowingly participate in any illegal or unethical activity. They will not enter into any arrangement or participate in any activity that

would conflict with the interests of ASG or prejudice the performance of their duties to the Company. The Board and management of the Company will actively promote compliance with all relevant laws and regulations, together with the Code.

Social Responsibility

ASG recognises the need to create and maintain high environmental, social and ethical standards. Sustainable long-term shareholder growth can be delivered only with strong corporate responsibility in every aspect of business operations.

ASG's Social Responsibility Charter outlines what stakeholders can expect of ASG: fair dealing and responsible treatment for clients, staff and the community at large, with the objective of promoting positive outcomes for all parties while maximising economic value.

The Directors present their report together with the financial report of ASG Group Limited ("ASG or the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2004 and the auditors' report thereon.

DIRECTORS REPORT

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name and qualifications

Mr Stanley Lewis, CPA
Chairman of the Board

Experience and special responsibilities

Stan Lewis has extensive corporate, financial and management experience gained in the mining and exploration industry and from his involvement in commercial, merchant banking and government enterprises. He is a Fellow of the Australian Society of Certified Practising Accountants.

For more than 25 years, Stan was engaged in the mining and exploration industry. His career has spanned Australian and international activities in management and executive Directorship roles covering corporate, commercial, and financial activities. He was Managing Director of a listed company engaged in gold production and exploration activities in Australia and Asia. Stan has been associated with the private ASG Group since 1996.

Director since 27 June 2003

Mr Geoff Lewis,
Managing Director and Chief Executive Officer

Geoff Lewis established ASG with co-founder Stephen Tull with the vision of providing quality technical services to users of mid range enterprise computer systems. Geoff has over 20 years experience in the delivery of Information Technology services. This experience was gained during an international career working with top tier consultants and in very large banking, insurance, commercial and government environments. He is acknowledged as a leader of the outsourcing industry in Australia and was recognised with the Entrepreneur of the Year Award in Western Australia in 2003. Geoff has been Managing Director of the private ASG Group since inception in 1996.

Director of the listed Entity since 27 June 2003

Mr Colin Leman,
Executive Director
Chief Operating Officer

Colin Leman has an impressive range of management, consulting, technical and sales experience spanning 37 years in the Information Technology and Telecommunications (IT&T) industry. He has experience gained in Europe, Canada, United States, Asia and Australia across a broad range of industry sectors. Colin joined ASG in 2000 and directs all commercial operations of the Group and in particular, delivery of services to our contracted client base. During the previous ten years he was an executive Director of a listed, Australian-based international computer services company and responsible for all of its consulting, systems integration and project management services throughout Australia and South East Asia.

Director since 27 June 2003

Mr Ronald Baxter, CPA
Non-Executive Director
Chairman of the Audit Committee

Ron Baxter is a specialist in finance, accounting and audit and has held a variety of management positions in commercial, manufacturing and mining industries in Australian and American organisations. He has been involved in the information technology industry for more than 35 years and has held executive positions with responsibility for information technology within large commercial and industrial organisations. Ron also has significant experience in merger and acquisition activity and advises ASG on these matters.

He is an independent, non-executive Director, chairs the audit committee and is an advisor to the Company on corporate governance and management of research and development.

Director since 30 January 1996

DI RECTORS REPORT

Mr Stephen Johnston, CA
Non-Executive Director

Stephen Johnston has significant international experience in investment, corporate finance, mergers and acquisitions and commercial management gained over 20 years in listed Australian industrial and investment organisations. Stephen is Managing Director and major shareholder of a leading firm involved in industrial packaging operations across Australia, New Zealand and parts of South East Asia. He previously worked with Bell Group of Companies and Heytesbury Holdings where he held senior positions in the investment and corporate finance areas of these firms.

He advises ASG in the areas of banking, merger and acquisition activities, risk management and quality systems and accreditation.

Director since 27 June 2003.

Mr Peter Ironside, CA
Company Secretary

Peter Ironside is a Chartered Accountant and business consultant with over 18 years experience in the exploration and mining industry. He is a Director and/or company secretary of several ASX listed companies. Peter is a Director of BacTech Mining Corporation, a Canadian listed company, and Ausvaal Limited, a corporate services company.

Peter brings a significant level of accounting, compliance and corporate governance experience to the Board, together with support in the areas of corporate initiatives and capital raisings.

Company Secretary since 19 August 2003.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

Directors	Board Meetings		Committee Meetings	
			Audit Committee	
	A	B	A	B
Mr Stanley Lewis	13	13	-	-
Mr Ronald Baxter	13	13	4	4
Mr Geoff Lewis	13	13	-	-
Mr Colin Leman	13	13	-	-
Mr Stephen Johnston	13	13	4	4

A Number of meetings attended

B Reflects the number of meetings held during the time the Director held office during the year or was a member of the respective committee.

Principal activities

The principal activities of the consolidated entity during the year were the provision of information technology services.

Results

The activities of the consolidated entity for the year resulted in a net profit after income tax of \$2,482,524. (2003: loss \$650,373).

Review of operations

A review of the operations of the consolidated entity during the financial year is set out pages 4 to 7 of this report.

Dividends

The Directors on 27 August 2004 declared a final dividend of 2.0 cents per fully paid ordinary share, fully franked, equal to a total distribution of

\$1,503,863.04, to be payable on 25 October 2004 to the holders of record as at 15 October 2004.

State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On 3 November 2003, the Company announced that it had agreed to acquire Accounting Systems Software Implementation and Support Team Pty Ltd, (A.S.S.I.S.T.) a Canberra based company specialising in Oracle solutions and associated computer services. The consideration was an initial payment of \$2,500,000 in cash with further amounts totalling \$410,310. This final payment replaces the final purchase priced based on the actual profit results of the A.S.S.I.S.T businesses for the years ended 30 June 2004 and 30 June 2005. The transaction was confirmed and became

effective on 1 January 2004.

- On 21 May 2004, the Company announced a Share Purchase Plan (SPP) to raise between \$2 million and \$2.5 million for working capital to fund revenue expansion pursuant to new contracts secured by the ASG Group. The SPP was underwritten by Tolhurst Noall Limited. Shareholders on record on 1 June 2004 were each eligible to apply for up to \$5,000 worth of new shares at a price calculated as the lower of 32 cents per share or 95% of the Volume Weighted Average Price (VWAP) of the shares of the Company traded on the ASX during the ten days following the closing of the SPP on 17 June 2004. The SPP resulted in 6,777,322 fully paid shares being issued at \$0.295 cents per share being the calculated VWAP value.

Likely developments

Some matters related to future activities of the Company are discussed in pages 4 to 7 of this report. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Events subsequent to balance date

On the 5 July 2004, ASG Group Ltd completed a Share Purchase plan raising \$2,000,000. A total of 6,777,322 ordinary shares were issued at \$0.295 each per share. The proceeds from the SPP have been included in contributed equity at balance date. The balance of issued shares will increase after balance date when the ordinary shares are issued.

During August 2004, the Company conducted

negotiations with the vendor of Accounting Systems Software Implementation and Support Team Pty Ltd (A.S.S.I.S.T) with a view to completing the acquisition transaction earlier than the scheduled date of approximately August 2005. The parties agreed to a final purchase price instalment amount of \$410,310, which replaces the additional purchase price based upon actual profitability of A.S.S.I.S.T in the two years ended 30 June 2005. The A.S.S.I.S.T transaction is now concluded.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Directors' and senior executives' emoluments

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The Board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that

remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive Directors and senior executives may receive bonuses in the form of cash or shares, based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow).

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the three named officers of the Company and the consolidated entity receiving the highest emolument are:

	Base emolument \$	Super contributions \$	Non-cash benefits \$	Shares issued \$	Total \$
Director					
Non-executive					
Mr S Lewis	50,000	-	-	-	50,000
Mr R Baxter	230,200	2,700	42,920 ^(B)	-	275,820
Mr S Johnston	30,000	2,700	-	-	32,700
Executive					
Mr G Lewis	325,000	29,250	58,173 ^(A)	-	412,423
Mr C Leman	275,000	24,750	52,473 ^(A)	-	352,223
Executive officers (Excluding Directors)					
The Company					
Current					
Mr S Tull	208,000	18,720	42,904 ^(A)	-	269,624
Mr P Rapaic	192,032	17,284	-	-	209,316
Mr B Zekulich	175,358	15,783	-	-	191,141
Mr B DeCinque	167,298	15,058	-	-	182,356

A Includes costs associated with the provision of a Motor Vehicle.

B Refers to Options Issued during the year which were approved by Shareholders at the AGM. The value of the options is based on the fair value determined using the Black-Scholes option pricing model.

DI RECTORS REPORT

Options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of options	
		Quoted	Unquoted
25 December 2004	\$0.24	-	2,987,113
25 December 2004	\$0.23	-	800,121
31 May 2005	\$2.22	-	376,714
17 September 2005	\$0.39	-	1,500,000
20 December 2005	\$0.40	-	500,000
25 June 2006	\$0.27	-	2,987,113
25 June 2006	\$0.23	-	800,121
17 March 2007	\$0.39	-	1,500,000
20 June 2009	\$0.65	-	500,000
30 June 2013	\$0.39	-	1,410,000
31 December 2014	\$0.42	-	510,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Directors' interests

The relevant interest of each Director in the share capital issued by the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Ordinary shares

	Quoted	Unquoted	Options over ordinary shares
S Lewis	1,131,851	-	533,414
R Baxter	146,764	-	392,503
G Lewis	17,023,127	-	1,600,238
C Leman	3,774,513	-	2,667,064
S. Johnston	200,000	-	373,390

Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

The Company has agreed to indemnify the current Directors of the Company and the former Directors against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

The Company has also agreed to indemnify the current Directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of the conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Auditors

The Company has not entered into any agreement to indemnify its auditors against any claims made by third parties arising from their report on the financial statements.

Dated at Perth this 30 day of August 2004.

Signed in accordance with a resolution of the Directors:



Mr Geoff Lewis
Director

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from sale of goods	2	665,178	1,623,804	168,182	985,349
Revenue from rendering of services	2	23,554,022	2,925,879	2,108,075	1,388,067
Other revenues from ordinary activities	2	140,768	424,494	13,552	409,117
Total revenue	2	24,359,968	4,974,177	2,289,809	2,782,533
Cost of sales	3(b)	(523,071)	(1,433,026)	(172,916)	(836,126)
Borrowing costs	3(b)	(341,099)	(114,894)	(83,990)	(97,126)
Depreciation and amortisation expenses	3(b)	(1,294,474)	(351,480)	(81,915)	(277,426)
Employee expenses		(16,744,108)	(2,554,030)	(2,042,585)	(1,471,284)
Telecommunications and Internet expenses		(296,819)	(134,171)	(51,938)	(119,693)
Insurance		(210,542)	(45,049)	(13,888)	(34,970)
Write down of assets		-	(426,184)	-	(426,184)
Professional fees		(391,667)	(315,712)	(309,466)	(311,355)
Rental expenses		(488,042)	(73,796)	(79,965)	(65,094)
Other expenses from ordinary activities		(1,613,706)	(149,603)	(89,885)	(32,074)
Profit/(loss) from ordinary activities before related income tax expense		2,456,440	(623,738)	(636,739)	(888,799)
Income tax (expense)/benefit relating to ordinary activities	5(a)	26,084	(26,605)	622,184	-
Profit/(loss) from ordinary activities after related income tax (expense)/benefit		2,482,524	(650,373)	(14,555)	(888,799)
Net profit/(loss)		2,482,524	(650,373)	(14,555)	(888,799)
Net profit/(loss) attributable to members of the parent entity	21	2,482,524	(650,373)	(14,555)	(888,799)
Basic earnings per share	7	\$0.037	(\$0.009)		
Diluted earnings per share	7	\$0.036	-		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 32 to 72.

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
CURRENT ASSETS					
Cash assets	8	2,890,827	2,433,536	1,986,157	842,082
Receivables	9	6,640,632	2,623,621	834,125	248,990
Inventories	11	276,118	511	137,824	511
Current tax assets	12	830,455	364,706	830,455	-
Other	13	204,539	53,459	-	2,258
Total current assets		10,842,571	5,475,833	3,788,561	1,093,841
NON-CURRENT ASSETS					
Receivables	9	-	-	218,329	22,000
Other financial assets	10	7,260	7,260	15,675,916	12,575,949
Plant and equipment	14	1,811,930	795,750	106,498	26,329
Intangible assets	15	13,154,807	10,417,247	465,533	354,865
Total non-current assets		14,973,997	11,220,257	16,466,276	12,979,143
TOTAL ASSETS		25,816,568	16,696,090	20,254,837	14,072,984
CURRENT LIABILITIES					
Payables	16	4,302,997	2,860,938	687,713	876,810
Interest-bearing liabilities	17	2,203,349	1,546,322	942,985	-
Provisions	18	-	28,991	-	-
Current tax liabilities	19	362,789	182,311	404,600	-
Other	20	36,940	181,370	36,940	55,887
Total current liabilities		6,906,075	4,799,932	2,072,238	932,697
NON-CURRENT LIABILITIES					
Payables	16	-	-	3,080,850	2,000,000
Interest bearing liabilities	17	2,580,323	450,814	1,746,031	-
Provisions	18	172,316	-	-	-
Total non-current liabilities		2,752,639	450,814	4,826,881	2,000,000
Total liabilities		9,658,714	5,250,746	6,899,119	2,932,697
NET ASSETS		16,157,854	11,445,344	13,355,718	11,140,287
EQUITY					
Contributed equity	22	32,751,940	30,521,954	32,751,940	30,521,954
Accumulated losses	21	(16,591,934)	(19,074,458)	(19,396,222)	(19,381,667)
Foreign currency translation reserve		(2,152)	(2,152)	-	-
Total equity and parent entity interest		16,157,854	11,445,344	13,355,718	11,140,287

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 32 to 72.

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		21,214,393	5,536,985	1,344,948	2,622,897
Cash payments in the course of operations		(21,953,563)	(7,265,833)	(3,003,726)	(4,216,928)
Dividends received		550	-	-	-
Borrowing costs paid		(159,620)	(101,760)	(83,990)	(97,126)
Income tax paid		(696,668)	-	-	-
Interest received		42,845	11,538	1,479	11,538
Net cash provided by/(used in) operating activities	27(b)	(1,552,063)	(1,819,070)	(1,741,289)	(1,679,618)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for business assets (net of cash acquired)		-	(51,671)	-	(51,671)
Proceeds on disposal of non-current assets		-	-	-	6,626
Payments for plant, property and equipment		(362,351)	(30,326)	(127,711)	-
Proceeds on disposal of property, plant & equipment		9,712	6,626	9,722	-
Proceeds from sale of business		120,000	90,000	120,000	130,842
Payment for subsidiary, net of cash acquired	26	(1,140,891)	751,195	(2,689,657)	-
Loan from associated entity		-	287,000	-	-
Net cash provided by investing activities		(1,373,530)	1,052,824	(2,687,646)	85,797
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		2,229,986	1,752,667	2,229,986	1,752,667
Proceeds from borrowings		2,500,000	690,984	4,155,486	370,000
Finance lease payments		(667,016)	-	-	-
Repayment of borrowings		(680,086)	(12,218)	(812,462)	(455,113)
Net cash provided by financing activities		3,382,884	2,431,433	5,573,010	1,667,554
Net increase/(decrease) in cash held		457,291	1,665,187	1,144,075	73,733
Cash at the beginning of the financial year		2,433,536	768,349	842,082	768,349
Cash at the end of the financial year	27(a)	2,890,827	2,433,536	1,986,157	842,082

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 32 to 72.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Principles of consolidation

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are

not recognised as revenues.

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Rendering of services

Revenue from rendering services is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured. The stage of completion is assessed by reference to surveys of work performed.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is possible that the costs will be recovered, revenue is only recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised

using a weighted average capitalisation rate.

Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

As a consequence of ASG Group Ltd entering into the tax consolidation legislation, ASG Group Ltd, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in the group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing arrangement with the tax-consolidated entities are recognised separately as tax-related amounts receivable and payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidation group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime, with one exception. The deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group, have been remeasured based on the carrying amount of those assets at the tax consolidated group level and their reset tax values. The remeasurement adjustments to those deferred tax balances are also recognised in the consolidated financial statement as income tax expense or revenue, or as direct debits to the asset revaluation reserve to the extent the adjustments relate to the revaluation of assets. The impact on the income tax expense for the year is disclosed in note 3.

Acquisition of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1 Borrowing Costs.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors to be settled within 90 days are carried at amounts due. The carrying value of trade debtors not settled within 90 days is reviewed on a case by case basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Intangible Assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to the net assets at the date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over 20 years.

The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Intellectual Property

ASG Group Limited has valued and recorded amounts for intellectual property. Intellectual property will be amortised on a straight-line basis over 20 years, commencing 1 July 2003. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Recoverable amount of non-current assets valued on cost basis

The carrying amount of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value.

Depreciation and amortisation

Complex assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Useful lives

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, with the exception of finance leases which are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation/amortisation rates used for each class of asset are as follows:

	2004	2003
Plant and equipment		
Plant and equipment	10-40%	10-40%
Intangibles		
Goodwill	5%	5-20%
Intellectual Property	5%	5%

Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

Employee entitlements

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the

balance date, calculated at undiscounted amounts based on current wage and salary rates including related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

Superannuation plan

The Company and other controlled entities contribute to several defined contribution superannuation plans as selected by the employee members. Contributions are charged against income as they are made.

Earnings per share

Basic earnings per share

The consolidated entity has adopted the Accounting Standard AASB 1027 "Earnings Per Share" and has determined basic and diluted earnings per share in accordance with the Standard. Basic earnings per share (EPS) is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earning per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive ordinary shares.

Segment reporting

ASG Group Limited operates in the information technology sector where it provides technical services to the users of mid range computers for enterprise systems delivery in Australia and as such operates in one business and geographical segment.

Capitalised Cost

ASG Group Ltd capitalises costs associated with the initial transition of long term managed service contracts where ASG is required to fund the transition. The capitalised costs are amortised at a rate equal to the contracted period of the managed service contract.

International Financial Reporting Standards

ASG Group Limited will be required to prepare consolidated financial statements using Australian Standards that fully comply with International Financial Reporting Standards and their related pronouncements (IFRS) at 30 June 2006.

Entities complying with IFRS for their first time must restate their comparative financial statements using all International Accounting Standard (IAS) equivalents, except for IAS 32 Financial Instruments: Disclosure and Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts. Most adjustments required on transition to IAS equivalents will be made, retrospectively, against opening retained earnings on 1 July 2004; however transitional adjustments relating to those standards where comparatives are not required will only be

made at 1 July 2005.

During 2004, ASG Group Ltd has monitored the release of IAS equivalents and has planned for their adoption. ASG Group Ltd has followed the developments of the IFRS and assessed the likely impact that these standards will have on the financial reports and accounting policies. Each relevant work stream is being worked through three phases of work: technical evaluation, design and implementation.

The following areas have been identified as significant for the Group:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Work stream	Key Difference with Current Accounting Policy
<p>Goodwill</p> <p>Initial impact on retained earnings 1 July 2004</p> <p><i>Lower expenses, volatility of results in event of impairment</i></p>	<p>Goodwill acquired in a business combination, such as our acquisition of A.S.S.I.S.T Pty Ltd, will not require amortisation, but instead be subject to impairment testing at least annually. If there is impairment, it will be recognised immediately in the statement of financial performance.</p>
<p>Intangible Assets</p> <p>Initial impact on retained earnings 1 July 2004</p> <p><i>Lower expenses, volatility of results in event of impairment.</i></p>	<p>Identifiable intangible assets acquired, that do not have a identifiable useful life, such as the BMS and SMC, will not require amortisation, but instead be subject to impairment testing at least annually. If there is impairment, it will be recognised immediately in the statement of financial performance.</p>
<p>Share-Based Payments</p> <p>Initial impact on retained earnings 1 July 2004.</p> <p><i>Higher expenses</i></p>	<p>The Group does not currently recognise as an expense for options issued to staff under the ASG Group Ltd Employee Option Plan. On adoption of IFRS based standards, the Group will recognise an expense for all share based remuneration, including options issued under the Employee Option Plan, including deferred options and will amortise the expense over the relevant vesting periods.</p>
<p>Taxation</p> <p>Initial impact on retained earnings 1 July 2004.</p> <p><i>Increased Assets</i></p>	<p>The group currently brings to account a future income tax benefit in relation to past tax losses based on "virtually certain" future profits. On adoption of IFRS the test changes to "probable" future profits. This will result in an increase in the future income tax benefit in the balance sheet. Also potential recognition of tax benefits as entity becomes more certain of realisation of losses available under the consolidation regime.</p>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

2 REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Sale of goods revenue from operating activities	665,178	1,623,804	168,182	985,349
Rendering of services revenue from operating activities	23,554,022	2,925,879	2,108,075	1,388,067
Other revenues:				
<i>From operating activities</i>				
Interest:				
Other parties	42,845	11,538	1,479	11,538
Sale of secure payments business	-	255,000	-	255,000
Other	88,211	157,956	2,351	142,579
<i>From outside operating activities</i>				
Gross proceeds from sale of non-current assets	9,712	-	9,722	-
Total other revenues	140,768	424,494	13,552	409,117
Total revenue from ordinary activities	24,359,968	4,974,177	2,289,809	2,782,533

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

3. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
(a) Individually significant items included in profit/(loss) from ordinary activities before income tax expense:				
Employee retrenchment costs	-	253,945	-	253,945
b) Profit/(loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Cost of goods sold	523,071	1,433,026	172,916	836,126
Depreciation of:				
- plant and equipment	157,311	177,564	47,542	177,492
- leasehold improvements	26,618	14,622	-	-
	183,929	192,186	47,542	177,492
Amortisation of:				
leased plant and equipment	496,662	29,298	-	-
Capitalised costs	28,003	-	9,615	-
Intellectual property	156,753	-	-	-
goodwill	429,127	129,996	24,758	99,934
Total depreciation and amortisation	1,294,474	351,480	81,915	277,426
Borrowing costs:				
other parties				
- interest expense	159,620	101,760	83,990	97,126
- finance charges on capitalised leases	181,479	13,134	-	-
	341,099	114,894	83,990	97,126
Net expense from movements in provision for:				
employee entitlements	19,139	62,713	26,990	(82,090)
Operating lease rental expense:				
minimum lease payments	188,631	59,316	-	43,176
Net (gain)/loss on disposal of non-current assets:				
property, plant and equipment	(9,712)	426,184	(9,712)	426,184

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

4. AUDITOR'S REMUNERATION

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Audit services:				
Auditors of the Company				
Audit and review of the financial reports:				
- KPMG	-	33,205	-	33,205
- BDO Chartered Accountants	56,184	17,700	31,140	17,700
	56,184	50,905	31,140	50,905
Other services:				
Auditors of the Company				
Other services	34,237	52,500	30,052	52,500
Taxation services	97,374	30,000	97,374	30,000
	131,611	82,500	127,426	82,500

5. TAXATION

(a) Income tax expense

Prima facie income tax expense/(benefit) calculated at 30% (2003: 30%) on the profit/(loss) from ordinary activities:	736,932	(187,131)	(191,022)	(266,640)
- Other members of the consolidated group	-	-	996,535	-
Increase in income tax expense due to:				
Amortisation of intangible assets	75,036	38,999	7,428	29,980
Legal expenses	-	7,941	-	7,941
Entertainment	19,650	2,382	19,650	1,076
Employee expenses	-	(29,362)	-	(29,362)
Sundry items	(12,214)	337	(12,214)	-
Income tax expense/(benefit) on operating profit/(loss) before individually significant income tax items	819,404	(166,824)	820,377	(257,005)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

5. TAXATION (continued)

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Individually significant income tax items:				
Recoupment of tax losses not brought to account	-	(64,854)	-	-
Future income tax benefit not brought to account	-	258,283	-	257,005
Future income tax benefit of current year timing differences	-	-	(20,985)	-
Prior year (under) / over provision	6,726	-	-	-
Recoupment of prior year tax losses not previously brought to account	(852,214)	-	(852,214)	-
Income tax benefit attributable to other members of the consolidated group	-	-	(569,362)	-
Income tax expense/(benefit) attributable to operating profit/(loss)	(26,084)	26,605	(622,184)	-
(b) Deferred tax assets				
Future income tax benefit arising from tax losses brought forward taken to account	415,454	-	415,454	-
Future income tax benefit not taken to account				
The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:				
Tax losses carried forward	4,240,358	4,614,146	4,240,358	4,614,146
Timing differences	-	41,666	-	41,666
	4,240,358	4,655,812	4,240,358	4,655,812

The potential future income tax benefit will only be obtained if:

- i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised or the benefit can be utilised by another Company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- ii) the Company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- iii) no changes in tax legislation adversely affect the Company and/or the consolidated entity in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

(c) Franking Credits	2004 \$	2003 \$
Franking credits available for subsequent reporting periods	998,303	420,298

Tax consolidated legislation

ASG Group Limited and its wholly owned Australian subsidiaries have decided to implement the tax-consolidated legislation as of 1 July 2003. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised.

As a consequence, ASG Group Limited, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax sharing agreement will be recognised separately by ASG Group Limited as tax-related amounts receivable or payable. The impact on the income tax expense and results of ASG Group Limited is unlikely to be material because of the tax sharing agreement. This is not expected to have a material impact on the consolidated assets and liabilities and results.

6. SEGMENT INFORMATION

Segment reporting

ASG Group Limited operates in the information technology sector where it provides technical services to the users of mid range computers for enterprise systems delivery in Australia and as such operates in one business and geographical segment.

7. EARNINGS PER SHARE

	2004 \$	2003 \$
Basic earnings per share	\$0.037	\$(0.009)
Diluted earnings per share	\$0.036	-

No potential ordinary shares on issue during the year ended 30 June 2003 have been included in the calculation of diluted EPS as they are not dilutive.

	Consolidated	
	2004 \$	2003 \$
Weighted average number of ordinary shares used in the calculation of basic earnings per.	66,702,486	70,559,276
Weighted average number of options outstanding	2,504,234	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive earnings per share	69,206,720	70,559,276

Earnings reconciliation

Net profit/(loss) – as reported	2,482,524	(650,373)
Basic earnings – used to calculate basis EPS	2,482,524	(650,373)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

7. EARNINGS PER SHARE (continued)

The following options are not included in the calculation of diluted EPS as they are not dilutive.

Expiry date	Exercise price	Number of options	
		Quoted	Unquoted
31 May 2005	\$2.22	-	376,714
17 September 2005	\$0.39	-	1,500,000
20 December 2005	\$0.40	-	500,000
17 March 2007	\$0.39	-	1,500,000
20 June 2009	\$0.65	-	500,000
30 June 2013	\$0.39	-	1,410,000
31 December 2014	\$0.42	-	510,000

8. CASH ASSETS

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Cash at bank	2,890,827	2,433,536	1,986,157	842,082
	2,890,827	2,433,536	1,986,157	842,082

9. RECEIVABLES

Current

Trade debtors	6,509,814	2,465,016	797,614	22,438
	6,509,814	2,465,016	797,614	22,438
Amount receivable from:				
Loan to controlled entity	-	-	-	85,366
Net GST Receivable		-	20,346	-
Other debtors	130,818	158,605	16,165	141,186
	6,640,632	2,826,500	834,125	248,990

Non-current

Loan to controlled entity	-	-	218,329	22,000
---------------------------	---	---	---------	--------

Loans to controlled entities consist of a non-current amount receivable from eSec Pty Ltd of \$22,000 and ASG Ltd of \$196,329.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

10. OTHER FINANCIAL ASSETS

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Non-current				
Investments in controlled entities				
Unlisted shares at cost	-	-	15,675,916	12,575,949
Other financial assets - listed shares at cost	7,260	7,260	-	-
	7,260	7,260	15,675,916	12,575,949

11. INVENTORIES

Finished goods	511	511	511	511
Work in Progress	275,607	-	137,313	-
	276,118	511	137,824	511

12. TAX ASSETS

Future Income Tax Benefit	830,455	364,706	830,455	-
	830,455	364,706	830,455	-

13. OTHER CURRENT ASSETS

Prepayments	181,471	53,459	-	2,258
Other	23,068	-	-	-
	204,539	53,459	-	2,258

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

14. PLANT AND EQUIPMENT

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Plant and equipment					
At cost		863,493	338,559	195,622	180,687
Accumulated depreciation		(360,434)	(185,497)	(89,124)	(154,358)
		503,059	153,062	106,498	26,329
Motor Vehicles					
At cost		589,124	445,117	-	-
Accumulated depreciation		(223,336)	(151,905)	-	-
		365,788	293,212	-	-
Leased plant and equipment					
At cost		1,554,786	774,315	-	-
Accumulated amortisation		(875,063)	(480,181)	-	-
		679,723	294,134	-	-
Leasehold improvements					
At cost		493,203	61,490	-	-
Accumulated depreciation		(229,843)	(6,148)	-	-
		263,360	55,342	-	-
Total plant and equipment net book value		1,811,930	795,750	106,498	26,329

All leased plant and equipment is subject to specific charges over the leased plant and equipment by the finance companies.

Reconciliations

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

Plant and equipment

Carrying amount at beginning of year		153,062	145,406	26,329	141,145
Additions		361,368	30,328	127,712	17,325
Disposals		-	(2,258)	-	(2,257)
Acquisition through entity acquired	26	145,940	123,368	-	-
Depreciation		(157,311)	(143,782)	(47,543)	(129,884)
Carrying amount at end of year		503,059	153,062	106,498	26,329

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

Leased plant and equipment & Motor Vehicles

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Carrying amount at beginning of year		587,346	-	-	-
Additions		954,827	-	-	-
Disposals		-	-	-	-
Acquisition through entity acquired	26	-	616,644	-	-
Amortisation		(496,662)	(29,298)	-	-
Carrying amount at end of year		1,045,511	587,346	-	-

Leasehold improvements

Carrying amount at beginning of year		55,342	563,837	-	563,837
Additions		-	-	-	-
Disposals		-	(563,837)	-	(563,837)
Acquisition through entity acquired	26	234,636	55,414	-	-
Depreciation		(26,618)	(72)	-	-
Carrying amount at end of year		263,360	55,342	-	-

15. INTANGIBLE ASSETS

Intellectual property		3,283,801	2,877,365	-	-
Capitalised Costs		562,664	-	168,694	-
Goodwill - at cost	26	26,113,199	23,708,190	495,160	495,160
Accumulated amortisation		(16,804,857)	(16,168,308)	(198,321)	(140,295)
		13,154,807	10,417,247	465,533	354,865

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

16. PAYABLES

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Current					
Trade creditors		926,109	892,314	396,882	627,517
Other creditors and accruals		1,896,624	1,400,248	240,141	123,694
Annual leave liability		960,067	568,376	50,690	23,700
Net GST Payable		520,197	-	-	-
Loans, controlled entities - unsecured		-	-	-	101,899
		4,302,997	2,860,938	687,713	876,810
Non Current					
Payable to:					
Wholly owned entities		-	-	3,080,850	2,000,000
		-	-	3,080,850	2,000,000

Loans payable to related entities consist of non-current amounts payable to eSec Pty Ltd for \$67,244, Accounting Systems Software Implementation & Support Team Pty Ltd of \$9,331, The Amcon Solutions Unit Trust \$2,969,620 and Technix Consulting Pty Ltd for \$34,675.

Trade creditors includes amounts payable that attract penalty interest charges at 30 June 2004.

Number of employees

Number of employees at year end	192	137	21	8
---------------------------------	-----	-----	----	---

17. INTEREST-BEARING LIABILITIES

Current					
Directors loans		269,463	423,221	-	-
Employee loans		322,800	437,800	-	-
Lease liabilities - secured	25	624,919	439,629	-	-
Lease liability incentive		43,182	70,455	-	-
Deferred Vendor Payment		410,310	-	410,310	-
Bank loan		532,675	175,217	532,675	-
		2,203,349	1,546,322	942,985	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Non Current					
Lease liabilities – secured	25	811,895	450,814	-	-
Bank loan		1,768,428	-	1,746,031	-
		<u>2,580,323</u>	<u>450,814</u>	<u>1,746,031</u>	<u>-</u>
Financing arrangements					
The consolidated entity has access to the following lines of credit:					
Total facilities available:					
BankWest overdraft		500,000	500,000	-	-
Director loan		500,000	500,000	-	-
Employee loan		500,000	500,000	-	-
		<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
Facilities utilised at balance date:					
BankWest overdraft		96,359	-	-	-
Director loan		269,463	423,221	-	-
Employee loan		322,800	437,800	-	-
		<u>688,622</u>	<u>861,021</u>	<u>-</u>	<u>-</u>
Facilities not utilised at balance date:					
BankWest overdraft		403,641	500,000	-	-
Director loan		230,537	76,779	-	-
Employee loan		177,200	62,200	-	-
		<u>811,378</u>	<u>638,979</u>	<u>-</u>	<u>-</u>

BankWest Overdraft Facility

The overdraft facility is with BankWest. The security for this overdraft is a fixed and floating charge over all assets of the group. The interest rate applicable is 10.85% and the facility is current until 30 June 2004.

Director and Employee Loans

Loans from Directors and employees are unsecured and attract an interest rate of 9%. These loans are repayable on or before the 31 August 2004.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

18. PROVISIONS

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Current				
Other	-	28,991	-	-
	-	28,991	-	-
Non-current				
Employee entitlements - Long Service Leave	172,316	-	-	-
	172,316	-	-	-

19. CURRENT TAX LIABILITIES

Provision for income tax	194,488	136,763	236,299	-
Provision for deferred tax liability	168,301	45,548	168,301	-
	362,789	182,311	404,600	-

20. OTHER CURRENT LIABILITIES

Unearned income	34,729	181,370	34,729	55,887
Other	2,211	-	2,211	-
	36,940	181,370	36,940	55,887

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

21. ACCUMULATED LOSSES

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Accumulated losses at beginning of year		19,074,458	18,424,085	19,381,667	18,492,868
Net (profit) /loss attributable to members of the parent entity		(2,482,524)	650,373	14,555	888,799
Accumulated losses at end of year		16,591,934	19,074,458	19,396,222	19,381,667

22 CONTRIBUTED EQUITY

Issued and paid up share capital					
68,415,830 (2003:66,149,004) ordinary shares, fully paid		32,751,940	30,521,954	32,751,940	30,521,954
Ordinary shares					
Movements during the year					
Balance at the beginning of the year		30,521,954	17,969,016	30,521,954	17,969,016
Shares issued					
- pursuant to the Exempt Offer	(i)	-	76,536	-	76,536
- pursuant to Public Offer	(ii)	-	1,900,000	-	1,900,000
- pursuant to Employee Offer	(iii)	-	18,500	-	18,500
- acquisition of controlled entity	(iv)	-	10,575,949	-	10,575,949
- pursuant to performance share plan	(v)	-	74,617	-	74,617
- Directors' remuneration	(vi)	-	189,233	-	189,233
- upon exercise of options	(vii)	245,370	-	245,370	-
- pursuant to Employee Offer	(viii)	360,000	-	360,000	-
- pursuant to Share Purchase Plan	(ix)	2,000,000	-	2,000,000	-
- Transaction costs relating to share issues		(375,384)	(281,897)	(375,384)	(281,897)
Balance at end of year		32,751,940	30,521,954	32,751,940	30,521,954

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

22 CONTRIBUTED EQUITY *(continued)*

- (i) 765,356 shares were issued at \$0.10 each pursuant to the Exempt Offer (May 2002).
- (ii) 9,500,000 shares issued at \$0.20 each pursuant to a prospectus.
- (iii) 92,500 shares issued at \$0.20 each pursuant to a prospectus.
- (iv) 52,879,745 shares were issued on 1 June 2003 at \$0.20 for acquisition of the entity ASG Limited.
- (v) 7,219,277 shares were issued pursuant to the ASG Group Limited's Performance Share Plan.
- (vi) 1,892,330 shares were issued at \$0.10 in lieu of cash for Directors' fees incurred in respect of the 2002 financial year.
- (vii) 1,066,826 shares were issued from the exercise of options granted at \$0.23 each.
- (viii) 1,200,000 shares issued at \$0.30 each pursuant to an Employee Offer.
- (ix) 6,777,322 shares issued at \$0.2951 on 5 July 2004 pursuant to a Share Purchase Plan put in place on the 1 June 2004. The proceeds from the issue of the ordinary shares through the Share purchase plan have been included in the contributed equity balance. The shares were unissued as at balance date.

On 1 June 2003, a share consolidation occurred on a

1:22.22 share basis.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

ASG Group Employees Option Plan terms and conditions

Information relating to the ASG Group Employee Option Plan; including details of options issued, exercised and lapsed during the financial year, and options outstanding at the end of the financial year are set out in note: 28 Employee Benefits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

23. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted average interest rate \$	Floating interest rate \$	Fixed interest maturing in:			Non- interest bearing \$	Total \$
			1 year or less \$	1 to 5 years \$	More than 5 years \$		
2004							
Financial assets							
Cash assets	3.55%	2,890,827	-	-	-	-	2,890,827
Receivables	-	-	-	-	-	6,509,814	6,509,814
		2,890,827	-	-	-	6,509,814	9,400,641
Financial liabilities							
Payables	-	-	-	-	-	926,109	926,109
Bank Loans	7.96%	-	531,105	1,769,998	-	-	2,301,103
Amounts payable to related parties	9.00%	-	592,263	-	-	-	592,263
Lease Liabilities	7.87%	-	624,919	811,895	-	-	1,436,814
Other Liabilities	-	-	-	-	-	410,310	410,310
	-	-	1,748,287	2,581,893	-	1,336,419	5,666,599
2003							
Financial assets							
Cash assets	3.65%	2,433,536	-	-	-	-	2,433,536
Receivables	-	-	-	-	-	2,465,016	2,465,016
		2,433,536	-	-	-	2,465,016	4,898,552
Financial liabilities							
Payables	8.5%	-	510,084	450,814	-	892,314	1,853,212
Loans	9%	-	1,036,238	-	-	-	1,036,238
	-	-	1,546,322	450,814	-	892,314	2,889,450

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

23. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE *(continued)*

Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments, of the consolidated entity, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

Unrecognised financial instruments

The consolidated entity does not have any financial instruments not recognised on the statement of financial position.

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Recognised financial instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of trade debtors, other debtors,

payables, lease liabilities and employee entitlements approximate net fair value.

Net fair values

Recognised financial instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

Unrecognised financial instruments

The consolidated entity does not have any financial instruments not recognised on the statement of financial position.

24. RELATED PARTIES DISCLOSURE

Directors

The following persons were Directors of ASG Group Ltd during the financial year:

Chairman – non-executive

S. Lewis

Executive Directors

G. Lewis, Managing Director and Chief Executive Officer

C. Leman, Chief Operating Officer

Non-executive Directors

R. Baxter

S. Johnston

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Executives (other than Directors) with the greatest authority for strategic direction and management

The following persons were the five executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

Name	Position	Employer
S. Tull	Chief Solutions Officer	ASG (Asia Pacific) Pty Ltd
J. Rajan	Chief Sales & Marketing Officer	ASG Group Ltd
B. DeCinque	Professional Services Manager	ASG (Asia Pacific) Pty Ltd
P. Rapaic	Executive Business Manager	ASG (Asia Pacific) Pty Ltd
B. Zekulich	Executive Business Manager	ASG (Asia Pacific) Pty Ltd

All of the above persons were also specified executives during the year ended 30 June 2004, except for J. Rajan who commenced employment with the group on the 1 June 2004.

(a) Remuneration of Directors and executives

Principles used to determine the nature and amount of remuneration

The objective of the company's executive framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage /alignment of executive compensation;
- transparency; and
- capital management.

Non-Executive Directors

Fees and payments to non-executive Directors reflects the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees on non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Director Fees

The current base remuneration was last reviewed with effect from the 1 July 2003. The chairman's and other non-executive Directors' remuneration is inclusive of committee fees. Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$30,000 per Director.

Executive pay

The executive pay and reward framework has four components:

- base pay benefits;
- short-term performance incentives;
- long-term incentives through participation in the ASG Group Employee Option Plan; and
- other remuneration such as superannuation.

A combination of these comprises the executives total remuneration.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

24. RELATED PARTIES DISCLOSURE *(continued)*

Base pay

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. There is no guaranteed base pay increases fixed in any senior executives' contracts.

Benefits

Executives receive benefits including motor vehicle allowances.

Short-term incentives

Should the company achieve a pre-determined profit target set by the remuneration committee then a pool of short-term incentives (STI) is available for executives for allocation during the annual review. Cash

incentives (bonuses) are payable in cash on or before the 30 September each year. Using a profit target ensures variable award is only available when value has been created for shareholders and when profit is consistent with the business plan.

The incentive pool is leveraged for performance above the threshold to provide an incentive for executive over-performance.

Details for each of the Director of ASG Group Ltd and each of the five specified executives of the consolidated entity, including their personally related entities, are set out in the following tables.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Primary Salary & Fees	Cash Bonus	Non- Monetary	Post Employment				TOTAL
				Superannuation	Retirement Benefits	Equity Options	Other Benefits	
Parent Entity Directors								
Lewis, S: Chairman (non-executive)								
2004	50,000	-	-	-	-	-	-	50,000
2003	2,500	-	-	-	-	-	-	2,500
Lewis, G: Director and Chief Executive Officer								
2004	354,250	-	-	-	-	-	58,173	412,423
2003	29,116	-	-	-	-	-	4,364	33,481
Baxter, R: Director (non-executive)								
2004	232,900	-	-	-	-	42,920	-	275,820
2003	30,000	-	-	-	-	60,000	-	90,000
Leman, C: Director and Chief Operating Officer								
2004	299,750	-	-	-	-	-	52,473	352,223
2003	24,637	-	-	-	-	-	4,139	28,776
Johnston, S: Director (non-executive)								
2004	32,700	-	-	-	-	-	-	32,700
2003	-	-	-	-	-	-	-	-
Total Remuneration Specified Directors								
2004	969,600	-	-	-	-	42,920	110,646	1,122,536
2003	86,253	-	-	-	-	60,000	8,503	154,756

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

24. RELATED PARTIES DISCLOSURE (continued)

	Primary Salary & Fees	Cash Bonus	Non- Monetary	Post Employment				TOTAL
				Superannuation	Retirement Benefits	Equity Options	Other Benefits	
Specified Executives								
Tull, S: Chief Solutions Officer								
2004	226,720	-	-	-	-	-	42,904	269,624
2003	18,621	-	-	-	-	-	1,701	21,913
Rajan, J: Chief Sales and Marketing Officer (appointed 1 June 2004)								
2004	23,544	-	-	-	-	150,000	2,698	176,242
2003	-	-	-	-	-	-	-	-
De Cinque, B: Professional Services Manager								
2004	141,296	41,060	-	-	-	-	-	182,356
2003	11,774	4,719	-	-	-	-	-	16,494
Rapaic, P: Executive Business Manager								
2004	141,296	68,020	-	-	-	-	-	209,316
2003	11,774	4,430	-	-	-	-	-	16,204
Zekulich, B: Executive Business Manager								
2004	141,296	49,845	-	-	-	-	-	191,141
2003	11,774	4,489	-	-	-	-	-	16,264
Total Remuneration: Specified Executives								
2004	674,152	158,925	-	-	-	150,000	45,602	1,028,679
2003	53,945	13,638	-	-	-	-	3,292	70,875

Group totals in respect of 2004 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

24(b) REMUNERATION OPTIONS

	Vested No.	Granted No.	Grant Date	Value Per Option at Grant Date \$	Terms & Conditions for Each Grant		
					Exercise Price \$	First Exercise Date	Last Exercise Date
Parent Entity Director							
Mr R Baxter (a)	-	370,000	18.8.03	\$0.116	\$0.39	1.7.04	30.6.13
Specified Executive							
Mr J Rajan	750,000	750,000	18.3.04	\$0.087	\$0.39	18.3.04	17.9.05
Mr J Rajan	750,000	750,000	18.3.04	\$0.113	\$0.39	18.3.04	17.3.07

(a) These options were granted to Mr R Baxter on the 18 August 2003 and vest on the 30 June 2004, contingent on Mr R Baxter remaining a Director of ASG Group Ltd during this period.

24 (c) Options and Rights Holdings by Directors & Specified Executives

	Balance 1.7.03	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.04	Total Vested 30.6.04	Total Exercisable 30.6.04	Total Unexercisable 30.6.04
Parent Entity Director								
Stan Lewis	533,414	-	-	-	533,414	533,414	533,414	-
Geoff Lewis	1,600,238	-	-	-	1,600,238	1,600,238	1,600,238	-
Colin Leman	2,667,064	-	-	-	2,667,064	2,667,064	2,667,064	-
Ron Baxter	22,503	370,000	-	-	392,503	22,503	22,503	370,000
Stephen Johnston	373,390	-	-	-	373,390	373,390	373,390	-
Total	5,196,609	370,000	-	-	5,566,609	5,196,609	5,196,609	370,000
Specified Executives								
Stephen Tull	800,120	-	-	-	800,120	800,120	800,120	-
Jega Rajan	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-
Bentley DeCinque	533,414	-	-	-	533,414	533,414	533,414	-
Peter Rapaic	533,414	-	-	-	533,414	533,414	533,414	-
Brent Zekulich	533,414	-	-	-	533,414	533,414	533,414	-
Total	2,400,362	1,500,000	-	-	3,900,362	3,900,362	3,900,362	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

24 (d) Share Holdings by Directors & Specified Executives (continued)

	Opening Balance	Received Remuneration	Options Exercised	Net Other Change	Closing Balance
Parent Entity Director					
Stan Lewis	1,482,965	-	-	(185,000)(1)	1,297,965
Geoff Lewis	17,023,127	-	-	-	17,023,127
Colin Leman	3,774,513	-	-	-	3,774,513
Ron Baxter	84,264	-	-	62,500 (1)	146,764
Stephen Johnston	-	-	-	-	-
Total	22,364,869			(122,500)	22,242,369
Specified Executives					
Stephen Tull	15,491,302	-	-	-	15,491,302
Jega Rajan	-	-	-	1,200,000 (2)	1,200,000
Bentley DeCinque	2,373,280	-	-	(350,000) (1)	2,023,280
Peter Rapaic	12,500	-	-	-	12,500
Brent Zekulich	12,500	-	-	-	12,500
Total	17,599,582			1,140,000	18,739,582

Directors' and specified executives transactions in shares and share options

1. Various share trades were made during the year
2. Mr Jega Rajan was issued 1,200,000 shares at \$0.30 per ordinary share on the 29 April 2004 for cash at market rates.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

Director Loans

	2004 \$	2003 \$
Balance payable to Geoff Lewis	269,463	423,221
Reconciliation of loan account as follows:		
Opening balance receivable from Director	423,221	(171,997)
Amount advanced to Director on 30 March 2003	-	(828,003)
Amounts advanced from Directors on 17 April 2003	-	250,000
Loan offset on 1 June 2003	-	1,000,000
Amount advanced from Director on 27 June 2003	-	250,000
Amount repaid to Director during 4 June 2003	-	(76,779)
Amount repaid to Director during November 2003	(108,758)	-
Amount repaid to Director during December 2003	(45,000)	-
	269,463	423,221

Loan from the Director is payable by 31 August 2004 and bears interest at the rate of 9% per annum payable monthly in arrears. The loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

24. RELATED PARTIES DISCLOSURE *(continued)*

Specified Executive Loans

	2004 \$	2003 \$
Balance payable to Stephen Tull	322,800	437,800
Reconciliation of loan account as follows:		
Opening balance receivable from Executive	437,800	(60,068)
Amount advanced to Executive on 30 March 2003	-	(939,932)
Amounts advanced from Executive on 17 April 2003	-	254,800
Loan offset on 1 June 2003	-	1,000,000
Amount advanced from Executive on 27 June 2003	-	250,000
Amount repaid to Executive during May 2003	-	(67,000)
Amount repaid to Executive during November 2003	(100,000)	-
Amount repaid to Executive during December 2003	(15,000)	-
	322,800	437,800

Loan from the specified executive is payable by 31 August 2004 and bears interest at the rate of 9% per annum payable monthly in arrears. The loan is unsecured.

Other related party transactions

1. ASG (Asia Pacific) Pty Ltd (a wholly owned controlled entity of the parent) is the trustee of the Amcon Solutions Unit Trust.
2. Cost of Vehicles leased by the economic entity for use by Directors: \$343,011 (2003: \$343,011)
3. Ron Baxter through his management company, Baxter Management Services, has entered into an agreement with ASG to provide management consulting services as required.

24 (e) Service agreements of Directors and executives

Service agreements

Remuneration and other terms of employment for the Managing Director, Chief Operating Officer, Chief Solutions Officer and Chief Sales and Marketing Officer and other specified executives are specified in formalised service agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including motor vehicle allowances, and when eligible, in the ASG Group Employees Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

G. Lewis, Managing Director and Chief Executive Officer

- Term of Agreement – Ongoing commencing 8 October 2001
- Base Salary, inclusive of superannuation, for the year ended 30 June 2005 of \$354,250
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for 3 months.

C. Leman, Chief Operating Officer

- Term of Agreement – Ongoing commencing 9 October 2001
- Base Salary, inclusive of superannuation, for the year ended 30 June 2005 of \$299,750
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for 3 months.

S. Tull, Chief Solutions Officer

- Term of Agreement – Ongoing commencing 8 October 2001
- Base Salary, inclusive of superannuation, for the year ended 30 June 2005 of \$266,720
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for 3 months.

J. Rajan, Chief Sales & Marketing Officer

- Term of Agreement – Ongoing commencing 1 June 2004
- Base Salary, inclusive of superannuation, for the year ended 30 June 2005 of \$288,850
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for 2 years.

B. DeCinque, Professional Services Manager

- Term of Agreement – Ongoing commencing 1 July 2003
- Base Salary, inclusive of superannuation, for the year ended 30 June 2005 of \$141,296
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for 4 weeks.

P Rapaic, Executive Business Manager

- Term of Agreement – Ongoing commencing 1 July 2003
- Base Salary, inclusive of superannuation, for the year ended 30 June 2005 of \$141,296
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for 4 weeks.

B. Zekulich, Executive Business Manager

- Term of Agreement – Ongoing commencing 1 July 2003
- Base Salary, inclusive of superannuation, for the year ended 30 June 2005 of \$141,296
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for 4 weeks.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

		Consolidated		The Company	
	Note	2004 \$	2003 \$	2004 \$	2003 \$
25. COMMITMENTS					
Non-cancellable operating lease expense commitments					
Future operating lease commitments not provided for in the financial statements and payable:					
Finance Lease Commitments					
Payables:					
Not later than 1 year		376,211	344,608	-	-
Later than 1 year but not later than 5		425,229	81,544	-	-
Minimum lease payments		801,440	426,152	-	-
Less: future finance charges		(78,966)	(24,433)	-	-
Total lease liability		722,474	401,719	-	-
Current liability	17	323,479	323,890	-	-
Non - current liability	17	398,995	77,829	-	-
		722,474	401,719	-	-
Hire Purchase Commitments					
Payables:					
Not later than 1 year		345,915	150,382	-	-
Later than 1 year but not later than 5		447,655	407,258	-	-
Minimum hire purchase payments		793,570	557,640	-	-
Less: future finance charges		(79,230)	(69,016)	-	-
Total lease liability		714,340	488,624	-	-
Current liability	17	301,440	115,739	-	-
Non - current liability	17	412,900	372,985	-	-
		714,340	488,724	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

26. CONTROLLED ENTITIES

	2004 %	2003 %
(a) Particulars in relation to controlled entities		
Name		
ASG Group Limited		
Controlled entities		
Technix Consulting Pty Ltd	100	100
eSec Pty Ltd	100	100
ASG Limited	100	100
ASG (Asia Pacific) Pty Ltd	100	100
Amcon Solutions Unit Trust	100	100
ASG Ltd (UK)	100	100
Accounting Systems Software Implementation and Support Team Pty Ltd	100	-

All companies except for ASG Ltd (UK), which was incorporated in the United Kingdom, were incorporated in Australia.

The following controlled entities were acquired during the financial year:

Acquisition of controlled entity:

On 1 January 2004 the parent entity acquired 100% of the issued share capital of Accounting Systems Software Implementation and Support Team Pty Ltd for \$2,500,000 in cash and \$410,310 deferred consideration. The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition. The principal activities

of Accounting Systems Software Implementation and Support Team Pty Ltd are the provision of information technology services.

On 1 June 2003 the parent entity acquired 100% of the issued share capital of ASG Limited for \$10,575,949 in ASG Group Limited shares and \$2,000,000 in loans adoption to the two former owners of ASG Limited. The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

26. CONTROLLED ENTITIES (continued)

Details of the acquisitions are as follows:	2004 \$	2003 \$
Plant and equipment	380,576	802,684
Trade debtors	1,240,284	2,957,023
Cash	1,541,040	751,195
WIP	62,353	-
Capitalised Costs	1,531,607	-
Loans to Directors	-	2,000,000
Loan to ASG Group Ltd	-	287,000
Other assets	57,348	483,929
Payables	(1,501,140)	(1,209,066)
Accruals	(9,142)	(1,161,051)
Provisions	(85,589)	(78,404)
Other creditors	-	(682,787)
Loans from Directors	-	(435,614)
Lease liabilities	(258,563)	(1,003,652)
Company Tax Payable	(437,481)	-
Other liability	(37,214)	(229,890)
	<u>2,483,772</u>	<u>2,481,367</u>
Add: Foreign currency translation reserve	-	2,138
Intellectual property on acquisition	-	2,877,365
	-	<u>2,879,503</u>
Less: Provision for Restructuring	(359,331)	-
Provision for Leave On-Costs	(155,577)	-
Capitalised Cost revalued	(1,531,607)	-
	<u>437,257</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Goodwill on consolidation	2,654,985		7,215,079	
Purchase consideration:				
Cash	2,500,000		-	
Share capital in ASG Group Ltd	-		10,575,949	
Loan Adoption	-		2,000,000	
Deferred consideration	410,310		-	
Acquisition Costs	181,932		-	
	3,092,242		12,575,949	
Outflow of cash to acquire controlled entity, net of cash acquired	2,681,931	-	-	-
Balances acquired				
Cash	1,541,040	(751,195)	-	-
Outflow / (inflow) of cash	1,140,891	(751,195)	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
27. NOTES TO THE STATEMENTS OF CASH FLOWS					
(a) Reconciliation of cash					
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at year end as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:					
Cash on hand and at bank	8	2,890,827	2,433,536	1,986,157	842,082
		<u>2,890,827</u>	<u>2,433,536</u>	<u>1,986,157</u>	<u>842,082</u>
(b) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by operating activities					
Profit / (Loss) from ordinary activities after income tax		2,482,525	(650,373)	(14,555)	(888,799)
Add/(less) items classified as investing/financing activities:					
(Profit) /loss on sale of non-current assets		(9,712)	426,184	(9,722)	426,184
Add/(less) non-cash items					
Depreciation and amortisation		1,294,475	355,702	81,915	277,427
Shares issued not for cash		-	-	-	229,780
Net cash provided by operating activities before change in assets and liabilities		<u>3,767,288</u>	<u>131,513</u>	<u>57,638</u>	<u>44,592</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

	Consolidated		The Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Change in assets and liabilities adjusted for effects of purchase of controlled entities and businesses during the financial year:				
(Increase)/decrease in intercompany loans	-	-	-	2,000,000
(Increase)/decrease in investments	-	(225,000)	-	(12,575,949)
(Increase)/decrease in trade debtors	(2,808,513)	824,599	(775,176)	313,689
(Increase)/decrease in other receivables	(68,832)	72,621	5,021	(57,930)
(Increase)/decrease in other assets	(488,817)	-	(830,455)	-
(Increase)/decrease in capitalised costs	(174,873)	-	(145,041)	-
(Increase)/decrease in intangible assets	(289,954)	-	-	-
(Increase)/decrease in inventories /WIP	(443,902)	3,540	(137,313)	3,540
(Increase)/decrease in prepayments	(91,834)	31,855	4,469	2,866
(Decrease)/Increase in trade creditors	(1,038,928)	(1,772,414)	(230,635)	(1,730,467)
(Decrease)/Increase in provisions	17,375	(475,819)	310,984	(95,270)
(Decrease)/Increase in unearned revenue	(146,641)	-	(21,171)	(144,618)
(Decrease)/Increase other creditors	(27,273)	(107,576)	-	-
(Decrease)/Increase in accruals	242,841	(302,389)	20,390	(16,020)
(Decrease)/Increase in equity	-	-	-	10,575,949
Net cash provided by/(used in) operating activities	(1,552,063)	(1,819,070)	(1,741,289)	1,679,618

(c) Non-cash financing and Investing activities

During the year the economic entity acquired plant and equipment with an aggregate value of \$954,827 (2003: \$nil) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

28. EMPLOYEE BENEFITS

1. On the 4 December, 1,100,000 share options were granted to employees with more than 1 years of full time service under the ASG Employees Option Plan to take up ordinary shares at an exercise price of \$0.39 each. These options are exercisable after the 30 June 2004 and before the 30 June 2013. The options are unlisted, hold no voting or dividend rights and are not transferable. At reporting date none of these options have lapsed.
2. On the 28 April 2004, 510,000 share options were granted to employees with more than 1 years of full time service under the ASG Employees Option Plan to take up ordinary shares at an exercise price of \$0.42 each. These options are exercisable after the 31 December 2004 and before the 31 December 2014. The options are unlisted, hold no voting or dividend rights and are not transferable. At reporting date none of these options have lapsed.
3. On the 28 April 2004, 1,500,000 share options were granted to under the ASG Employees Option Plan to take up ordinary shares at an exercise price of \$0.39 each. These options are exercisable before the 17 March 2007. The options are unlisted, hold no voting or dividend rights and are not transferable. At reporting date none of these options have lapsed.
4. On the 28 April 2004, 1,500,000 share options were granted to senior employees under the ASG Employees Option Plan to take up ordinary shares at an exercise price of \$0.39 each. These options are exercisable before the 17 September 2005. The options are unlisted, hold no voting or dividend rights and are not transferable. At reporting date none of these options have lapsed.

The closing share price of an ordinary share of ASG Group Ltd on the Australian Stock exchange at 30 June 2004 was \$0.31 (30 June 2003: \$0.24)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

(a) Movement in the number of share options held by employees are as follows:

	Economic Entity		Parent Entity	
	2004 No.	2003 No.	2004 No.	2003 No.
Movement in the number of options held by employees are as follows:				
Opening balance	-	-	-	-
Granted during the year	4,610,000	-	4,610,000	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Closing balance	4,610,000	-	4,610,000	-

(b) Details of share options outstanding as at year end:

	Expiry Date	Exercise Price \$	Economic Entity		Parent Entity	
			2004 No.	2003 No.	2004 No.	2003 No.
	30.06.13	\$0.39	1,100,000	-	1,100,000	-
	31.12.14	\$0.42	510,000	-	510,000	-
	17.09.05	\$0.39	1,500,000	-	1,500,000	-
	17.03.07	\$0.39	1,500,000	-	1,500,000	-
			4,610,000	-	4,610,000	-

29. EVENTS SUBSEQUENT TO BALANCE DATE

On the 5 July 2004, ASG Group Ltd completed a Share Purchase plan raising \$2,000,000. A total of 6,777,322 ordinary shares were issued at \$0.295 each per share. The proceeds from the Share Purchase plan have been included in contributed equity at balance date. The balance of issued shares will increase after balance date when the ordinary shares are issued.

During August 2004, the Company conducted negotiations with the vendor of A.S.S.I.S.T Pty Ltd with a view to completing the acquisition transaction earlier than the scheduled date of approximately

August 2005. The parties agreed to a final purchase price instalment amount of \$410,310, which replaces the additional purchase price based upon actual profitability of A.S.S.I.S.T in the two years ended 30 June 2005. The A.S.S.I.S.T transaction is now concluded.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

ASG GROUP LIMITED &
CONTROLLED ENTITIES

DI RECTOR' S DECLARATI ON

In the opinion of the Directors of ASG Group Limited:

- (a) the financial statements and notes set out on pages 28 to 71 are in accordance with the Corporations Act 2001, including:
1. giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 2. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 30 day of August 2004.

Signed in accordance with a resolution of the Directors:



Mr Geoff Lewis
Director

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ASG GROUP LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both ASG Group Limited ("the company") and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during the year.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial report requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as requested by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ASG GROUP LIMITED

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of ASG Group Limited is in accordance with:

- a) the Corporations Act 2001, including
 - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.



BDO
Chartered Accountants

A handwritten signature in black ink, appearing to read 'BG McVeigh'.

BG McVeigh
Partner

Perth, Western Australia
Dated: 30 August 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ASG GROUP LIMITED

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings

Substantial Shareholders

The number of shares held by the substantial shareholders at 19 August 2004 was:

Name	Number of Ordinary Shares Held			Percentage
	Quoted	Unquoted	Total	
Geoff Lewis	17,023,127	-	17,023,127	22.64%
Michelle Mary Thomas & Stephen Norman Tull	15,491,302	-	15,491,302	20.60%
ANZ Nominees Limited	5,782,435	-	5,782,435	7.69%
Colin Graham Leman	3,764,513	-	3,764,513	5.01%

Class of shares and voting rights

At 19 August 2004, there were 2,023 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in clause 14 of The Company's Constitution, are:

" Subject to any rights or restrictions for the time being attached to any class or classes of shares:

at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held."

On-market buy-back

There is no current on-market buy-back.

ASX ADDITIONAL INFORMATION

Distribution of equity security holders (as at 30 July 2004)

Category	Number of Shareholders	
	Ordinary ^A	Options ^B
1-1,000	1,382	-
1,001-5,000	185	-
5,001-10,000	170	-
10,001-100,000	236	95
100,001 and over	50	22
	<u>2,023</u>	<u>117</u>

^A Holders of quoted and unquoted shares ^B Holders of restricted and unrestricted options

Twenty Largest Shareholders (as at 19 August 2004)

Name	Number Held	Percentage
Geoffrey James Lewis	17,023,127	22.64%
Michelle Mary Thomas & Stephen Norman Tull	15,491,302	20.60%
ANZ Nominees Limited	5,782,435	7.69%
Colin Graham Leman	3,764,513	5.01%
Mirrabooka Investments Limited	3,125,000	4.16%
Camellia Corporation Pty Ltd	2,250,000	2.99%
Bentley Charles DeCinque	2,023,280	2.69%
Equity Trustees Limited <SGH Micro Cap Trust A/C>	1,268,739	1.69%
BKV Investments Pty Ltd <BKV Superannuation A/C>	1,200,000	1.60%
Phoenix Development Fund Ltd	1,197,899	1.59%
Cogent Nominees Pty Limited <SMP Accounts>	1,100,000	1.46%
Mr Douglas Alexander Hall	1,057,868	1.41%
Mr Stanley James Lewis	999,908	1.33%
AUS-CARE Management Services Pty Ltd	795,547	1.06%
National Nominees Limited	756,563	1.01%
Mrs Dianne Kathleen Hall	651,309	0.87%
Dixson Trust Pty Limited	558,873	0.74%
John Bell Allen Holdings Pty Ltd	441,943	0.59%
Mr Peter Tuckwood Nightingale	328,543	0.44%
Christe James Funds Management Pty Ltd	312,500	0.42%
	<u>60,129,343</u>	<u>79.99%</u>

The number of shareholders holding less than a marketable parcel is 1,588.

This page has been left intentionally blank

This page has been left intentionally blank

