



Level 1 267 St Georges Terrace
Perth WA 6000
PO Box 227 West Perth WA 6872
Tel: (618) 9420 5420
Fax: (618) 9420 5422
E-mail: info@asgroup.com.au
Internet: www.asgroup.com.au

ASX ANNOUNCEMENT

ASG GROUP 2005 RESULT ANNOUNCEMENT

7 September 2005

ASG Group Announces \$2.96 Million Profit, Forecasts Strong 2006

Highlights

ASG Group Limited:

- Strong organic and acquisitive growth
- Very strong second half turnover and earnings growth
- Solid earnings through high growth period
- Good cash generation from operations
- Balance sheet continues to strengthen
- Investment in regional structure for substantial earnings jump in FY06
- Confirmation of WA Government FRIT Contract with Oracle
- Completion of Canberra-based Exceed Systems Acquisition

IT services provider ASG Group Limited (ASX: ASZ) today announced a \$2.96 million profit for the 12 months to 30 June, 2005, an increase of 19.5% on the previous financial year.

The earnings growth came on revenue of \$40.8 million, up \$16 million or 67% on 2004.

Second half net profit was \$2.41 million, more than three times the first half and 24% up on the previous corresponding period. Together with the commencement of a number of recently secured contracts, this positions ASG well for a strong 2006 financial year.

The balance sheet continues to strengthen with debt having been reduced by 25% to \$3.6 million and operating cash flow satisfactory at \$2.8 million for the year. The debt to equity ratio has more than halved to 13.5% and EBITDA covers interest 27 times.

The Board has declared a final dividend of 2.2 cents, up 10% on last year.

ASG Managing Director Geoff Lewis said the company was pleased with the full year result, especially given the heavy investment made through the early part of the year to build a national structure for the successful execution of new contracts.

“2005 was a building year for ASG in many respects, with heavy focus on investing in a regional structure to manage the major new business secured by the company over the past 12 months,” he said.

“New contracts include a major component of the WA Government’s FRIT initiative, as well as new projects with Hutchison Telecommunications, Edith Cowan University, Sony, Hardman Resources and Powertel.

ASG has also concluded a renewal of an existing contract with Health WA for 5 more years to 2010. The value of this extension is in excess of \$20 million and the scope includes the management of the technology infrastructure for all core clinical and business applications.”

Mr Lewis said ASG is continuing to bid on major contracts throughout Australia and the Company continues to find appeal in the IT services sector due to its local focus, technical competence, and ability to deliver on time and on budget.

“The growth we are currently experiencing is producing a challenge in resourcing skilled personnel and this represents a major priority for the Company” he said.

“We have seen the benefits of our investment contribute to our business in the second half of FY05, with a major uplift in earnings from a stable cost base.”

Level 1 267 St Georges Terrace
Perth WA 6000
PO Box 227 West Perth WA 6872
Tel: (618) 9420 5420
Fax: (618) 9420 5422
E-mail: info@asggroup.com.au
Internet: www.asggroup.com.au

Mr Lewis said one of ASG's major strengths was the fact that a large portion of future revenue is locked into long-term contracts. For FY06, ASG already holds executed contracts for 60% of budgeted revenue.

The base of contracted revenue continues to grow as new contracts are added. All scheduled extensions or renewals have resulted in continuation of the client relationship.

Mr Lewis said another important factor behind the strong operating performance was ASG's ability to secure long-term contracts with government organisations, including through the acquisition of Canberra-based IT services group Exceed Systems.

"In August, Exceed Systems was also awarded a \$2.2million contract with the Commonwealth Department of Finance and Administration."

Mr Lewis said ASG Group was pursuing further organic and acquisitive growth opportunities and was committed to further building shareholder value through FY06.

"The second half of FY05, with its high profitability and strong business runrate, provides an excellent indicator for the new financial year, and we look forward to a very strong FY06."

-ends-

Appendix 4E

Preliminary Final Report to the Australian Stock Exchange

Name of Entity	ASG Group Limited
ABN	57 070 045 117
Financial Year Ended	30 June 2005
Previous Corresponding Reporting Period	30 June 2004

Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	40,836	67%
Profit / (loss) from ordinary activities after tax attributable to members	2,965	19%
Net profit / (loss) for the period attributable to members	2,965	19%
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	2.2 cents	100%
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	10th October 2005	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood: For explanation see announcement text and Commentary on Results		

Dividends

Date the dividend is payable	21st October 2005
Record date to determine entitlement to the dividend	10th October 2005
Amount per security	2.2 cents
Total dividend	\$2.3 million
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	Dividend fully eligible
The last date for receipt of an election notice for participation in any dividend	To be advised.

reinvestment plans	
--------------------	--

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security (cents per share)	2.2	4.53

Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

See Announcement text and Commentary of Results

Commentary on the Results for the Period

The earnings per security and the nature of any dilution aspects :	
Net Profit/Loss	2,965,315
Weighted Average No. of Shares Used in Calc EPS	92,548,118
Basic EPS (cents)	3.2
Returns to shareholders including distributions and buy backs:	
N/A	

Commentary on Results FY2005

ASG Group Limited has produced a strong development year during FY2005, having achieved its strategic objectives in the areas of regional management structures and also in business growth driven by both organic and acquisitive means.

Revenue has risen strongly during the year and, as noted in the 2004 AGM address and the commentary accompanying the December 2004 first half results, the expected improvement in second half profitability produced a result strongly ahead of the previous corresponding period.

Profitability measures were up across the Board with 67% higher revenue driving EBIT 15% higher for the full year (up 29% for the second half), NPBT 14% higher (up 31% in the second half) and NPAT 19% higher (up 24% in the second half).

The acquisition of Exceed Systems Integration Pty Ltd contributed to the revenue growth and positioned ASG very well for capturing Commonwealth Government business both directly through Exceed and indirectly through synergies with the broader Group. Also contributing to the revenue were a number of new contracts together with organic growth from existing customers. The costs of establishment of the regional structure that constrained profitability during the first half, paid off strongly in the second half with EBITDA increasing 33% on the previous corresponding period and producing \$4,685k for the full year, up by 21% over FY2004.

From a cost viewpoint, a number of factors influenced the performance of the Group during the year. As discussed in previous announcements, a deliberate decision to establish regional organisations covering Melbourne, Sydney and Canberra lead to an increased cost structure that resulted in flat profitability for the first half of the subject period. With revenue rising 45% between the two halves of the year the new cost base is being well supported by the increased revenue base and resulted in the planned increase in profitability being achieved. Also influential in the cost structure for this year was the increase in costs in preparation for a number of opportunities won during the year. In one specific case, the commencement date was delayed for some months, resulting in a one-time negative impact upon costs and staff utilisation. With all of these engagements now under way in the new financial year it is expected that there will be no recurrence of these issues and that these contracts will contribute to profitability through the 2006 financial year.

Rapid growth in business levels over the past two years has put an emphasis on working capital management as a key area of attention. Although investment in working capital has necessarily been on the increase, it is pleasing to note that positive cash flow from operations was \$2.7m for the year, a good result given the continued growth in turnover.

Although earnings per share (EPS) is lower than for the previous corresponding period, the result is satisfactory given the underlying developments in the business and its cost structure. The EPS was influenced by organisational development costs in the first six months of the year, and the introduction of Exceed into the Group at the mid-year. It is expected that a full year of profitability from Exceed, optimisation of duplicated costs and the commencement of a number of new contracts will continue the ability to leverage the higher cost base. The start of this trend has already been obvious in the second half of FY2005 and the Group expects a return to a growing EPS profile in FY2006.

A positive aspect of the business levels around Australia is the continued broadening of the business base. This has been a key objective and has been tracked by the Company since its geographical expansion initiatives began. The turnover of southern and east coast regions was 64% of the Company total for the second six months of the year up from 46% as at June 2004. This allows economies of scale to optimise the cost of provision of full services Australia-wide, spread business risk and allow greater depth of technical and management resources to be maintained within the Company.

Overall the result is indicative of a strengthening operating performance, market coverage, working capital position and contracted backlog. Continued strength is expected in the 2006 financial year.

The results of segments that are significant to an understanding of the business as a whole:

ASG Group Limited operates in one business and geographical segment.

Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:

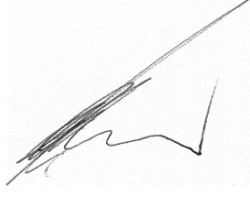
N/A

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input checked="" type="checkbox"/>	The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:			
N/A			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:			
N/A			

Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Financial Statements

Signed By (Director)	
Print Name	Geoff Lewis
Date	8 th September 2005

ATTACHMENT 1**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005**

	Consolidated	
	2005	2004
	\$'000	\$'000
CURRENT ASSETS		
Cash assets	3,538	2,891
Receivables	10,116	6,641
Inventories	247	276
Current tax assets	2,412	830
Other	635	205
Total current assets	16,948	10,843
NON-CURRENT ASSETS		
Receivables	-	-
Other financial assets	7	7
Plant and equipment	2,924	1,812
Intangible assets	24,909	13,155
Total non-current assets	27,840	14,974
TOTAL ASSETS	44,788	25,817
CURRENT LIABILITIES		
Payables	9,533	4,303
Interest-bearing liabilities	1,356	2,203
Provisions	41	-
Current tax liabilities	1,193	363
Other	220	37
Total current liabilities	12,343	6,906
NON-CURRENT LIABILITIES		
Payables	2,570	-
Interest bearing liabilities	2,323	2,580
Provisions	361	173
Total non-current liabilities	5,254	2,753
Total liabilities	17,597	9,659
NET ASSETS/(DEFICIENCY)	27,191	16,158

EQUITY

Contributed equity	42,396	32,752
Accumulated losses	(15,203)	(16,592)
Foreign Currency Translation Reserve	(2)	(2)
	<hr/>	<hr/>
Total equity and parent entity interest	27,191	16,158
	<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR 30 JUNE 2005

	Consolidated	
	2005	2004
	\$'000	\$'000
Revenue from sale of goods	2,523	665
Revenue from rendering of services	38,010	23,554
Other revenues from ordinary activities	303	141
Total revenue	40,836	24,360
Cost of sales	(2,330)	(523)
Borrowing costs	(293)	(341)
Depreciation and amortisation expenses	(1,721)	(1,294)
Employee expenses	(29,859)	(16,744)
Telecommunications and Internet expenses	(601)	(297)
Insurance	(366)	(211)
Write down of assets	-	-
Professional fees	(382)	(392)
Rental expenses	(654)	(488)
Other expenses from ordinary activities	(1,835)	(1,614)
Profit/(loss) from ordinary activities before related income tax expense	2,795	2,456
Income tax (expense)/ benefit relating to ordinary activities	170	26
Profit/(loss) from ordinary activities after related income tax (expense)/benefit	2,965	2,482
Net profit/(loss)	2,965	2,482
Net profit/(loss) attributable to members of the parent entity	2,965	2,482
Basic earnings per share (cents)	3.2	3.7
Diluted earnings per share (cents)	3.2	3.6

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated	
	2005	2004
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	38,480	21,214
Cash payments in the course of operations	(34,940)	(21,954)
Other Income/(Expenses)	-	1
Borrowing costs paid	(293)	(160)
Income tax paid	(657)	(697)
Interest Income	123	43
Net cash provided by/(used in) operating activities	<u>2,714</u>	<u>(1,553)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for business assets (net of cash acquired)	-	-
Proceeds on disposal of other non-current assets	-	-
Payments for plant, property and equipment	(2,023)	(362)
Payments for Intellectual Property	(1,700)	0
Proceeds on disposal of property, plant & equipment	160	10
Proceeds from sale of business	-	120
Payment for subsidiary, net of cash acquired	(5,261)	(1,141)
Loan from associated entity	-	-
Net cash used in investing activities	<u>(8,823)</u>	<u>(1,373)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	7,979	2,230
Proceeds from borrowings	383	2,500
Finance lease payments	495	(667)
Dividend paid	(913)	-
Repayment of borrowings	(1,189)	(680)
Net cash provided by financing activities	<u>6,755</u>	<u>3,383</u>
Net increase/(decrease) in cash held	647	457
Cash at the beginning of the financial year	<u>2,891</u>	<u>2,434</u>
Cash at the end of the financial year	<u>3,538</u>	<u>2,891</u>

1. BASIS OF PREPARATION

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of the ASX Appendix 4E

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2004 annual report.

Consolidated	
2005	2004
\$'000	\$'000

2. REVENUE FROM ORDINARY ACTIVITIES

Sale of goods revenue from operating activities	2,523	665
Rendering of services revenue from operating activities	38,010	23,554
Other revenues:		
<i>From operating activities</i>		
Interest:		
Other parties	123	43
Sale of secure payments business	-	-
Other	20	88
<i>From outside operating activities</i>		
Gross proceeds from sale of non- current assets	160	10
Total other revenues	303	141
Total revenue from ordinary activities	40,836	24,360

	Consolidated	
	2005	2004
	\$'000	\$'000
3. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (CONTINUED)		
Profit/(loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:		
Cost of goods sold	2,330	523
Depreciation of:		
- plant and equipment	304	157
- leasehold improvements	31	27
	<u>335</u>	<u>184</u>
Amortisation of:		
- leased plant and equipment	497	496
- Capitalised Costs	56	28
- Intellectual Property	144	157
- goodwill	689	429
	<u>1,721</u>	<u>1,294</u>
Total depreciation and amortisation		
Borrowing costs:		
other parties		
- interest expense	179	160
- finance charges on capitalised leases	114	181
	<u>293</u>	<u>341</u>
Net expense from movements in provision for: employee entitlements	259	19
4. EARNINGS PER SHARE		
Basic earnings per share (cents)	3.2	3.7
Diluted earnings per share (cents)	3.2	3.6
Weighted average number of ordinary shares used in the calculation of basic earnings per	92,548,118	66,702,486
Earnings reconciliation		
Net profit/(loss) – as reported	<u>2,965,315</u>	<u>2,482,524</u>
Basic earnings – used to calculate basis EPS	<u>2,965,315</u>	<u>2,482,524</u>
Earnings – used to calculate diluted EPS	2,965,315	2,482,524

5. 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 Australian and as such operates in one business and geographical segment.

6. INTERNATIONAL FINANCIAL REPORTING INFORMATION

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.

1. Goodwill

Under AASB 3 *Business Combination*, amortisation of goodwill will be prohibited and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

If the policy required by AASB 3 had been applied during the year ended 30 June 2005, consolidated goodwill at 30 June would have been \$673,687 higher and consolidated amortisation expense for the year ended 30 June 2005 would have been \$673,687 lower.

2. Intangible Assets

Under AASB 138 *Intangible Assets*, amortisation intellectual property will be prohibited and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which intangible assets with an indefinite useful life were amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

If the policy required by AASB 138 had been applied during the year ended 30 June 2005, ASG's consolidated intangible assets such as SMC and BMS at 30 June would have been \$144,254 higher and consolidated amortisation expense for the year ended 30 June 2005 would have been \$144,254 lower.

Software recorded in fixed assets that is not an integral part of the hardware that it runs on will need to be reclassified to intangibles under AASB 138. If this policy had been applied during the year ended 30 June 2005 tangible assets (software) would have been \$326,257 lower and intangible assets would have been \$326,257 higher.

3. Equity-based compensation benefits

Under AASB 2 *Share-based payments*, from 1 July 2004 the group is required to recognise an expense for those options that were issued under the ASG Group Ltd Employee Option Plan.

This will result in a change to the current accounting policy under which no expense is recognised for equity based compensation.

If the policy required for AASB 2 had been applied during the year ended 30 June 2005, consolidated and parent entity retained profits at 30 June 2005 would have been \$206,000 lower, with a corresponding increase in the share based payments reserve. For the year ended 30 June 2005, the consolidated and parent entity employee benefits expense would have been \$104,000 higher, with a corresponding increase in the net movement in the share-based payment reserve.

4. Income Tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position. In addition 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 future income tax benefits in the balance sheet. Also potential recognition of tax benefits as the entity becomes more certain of realisation of losses available under the consolidation regime.

	Account	AGAAP	Effect of Change	AIFRS
		\$'000	\$'000	\$'000
(2)	Intangible Assets	4,990	470	5,460
(2)	Fixed Assets	2,929	-326	2,598
(1)	Goodwill	19,741	689	20,430
(4)	FITB	2,412	686	3,098
(3)	Share Based Payments Reserve	0	-310	-310
(3) (4)	Retained Profits	15,203	-1,209	13,994
	Statement of Financial Position	44,788	-1519	43,751
(1) (2)	Amortisation Expense	833	-833	0
(3)	Employee Benefits expense	0	206	206
(4)	Income Tax expense	-170	845	675
	Statement of Financial Performance	633	218	881