

# ASX ANNOUNCEMENT



**ASG GROUP LIMITED**  
**ASX ANNOUNCEMENT: H1 RESULTS**  
**RELEASE DATE: 23<sup>rd</sup> February 2011**

**ASG GROUP DELIVERING ON GROWTH STRATEGY WITH ACHIEVEMENT OF RECORD INTERIM REVENUE, EBITDA AND STRONG OPERATING MARGINS**

## **Financial Highlights:**

- Revenue up more than 27% to \$74.03 million.
- EBITDA up more than 17% to \$12.20 million.
- Fully franked interim dividend up 33% to 2.0 cents per share.

## **Operational Highlights:**

- Acquisition integration progressing well, revenue benefits already achieved and accelerating.
- \$53 million of new contracts secured in H1, including \$20 million in target growth business segments.
- Expanded pipeline of qualified competitive bidding opportunities.
- ASG Owned Data Centre scheduled for commissioning in early 2011.

## **Corporate Highlights:**

- Successfully completed acquisition of Progress Pacific.
- Newly expanded product offerings, product partners and geographies are leading to new, higher value contracts.

IT services provider **ASG Group** (ASX: ASZ) has recorded a strong interim result for the period ending 30 December 2010, delivering NPAT of \$6.09 million on revenue of \$74.03 million.

ASG Group achieved record revenue of \$74.03 million representing an increase of more than 27% on the prior corresponding period (pcp).

EBITDA grew to \$12.20 million representing a 17% increase on the pcp.

ASG Group recorded Earnings Per Share (EPS) of 4.05 cents per share, up 7% on the pcp adjusted to the statutory tax rate.

The Directors of ASG Group declared a fully franked interim dividend of 2.0 cents per share payable on 15 April 2011, an increase of 33% on pcp.

ASG achieved EBITDA margins of 16.5% a slight decline on pcp due to one off costs relating to integration of acquisitions and rebranding. Margins are expected to trend towards FY10 levels of 17.9% in the second half with the speed of further margin expansion in FY12 dependent on the

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pace and benefits of integration. Pleasingly, ASG's most significant expense, employee benefits was stable as a percentage of revenue during the period compared to prior year, in spite of demand and cost pressure in the IT Services labour market.

Reported NPAT was \$6.09 million, a 5.7% fall on pcp however represents a solid increase of more than 16% when the first half of FY10 is adjusted to the statutory tax rate. The prior corresponding period benefited from an unusually low tax rate of 13% driven by once-off tax credits pertaining to prior years. The ASG tax rate is expected to approximate the standard 30% for the foreseeable future.

Underlying cashflow was impacted by debtors in the Government sector, which were abnormally high at the end of December. The full year operating cashflow is expected to be strong and debtor days should be consistent with previous years.

During the period, ASG raised \$31.3 million by way of debt and equity issuance, the proceeds of which have been utilised to fund growth initiatives including ASG's new Data Centre and acquisitions.

The commissioning schedule of ASG Group's Data Centre remains on track.

## Operations

Operationally ASG Group is performing well and there is already evidence of planned long term contribution and synergies from the acquired businesses: Courtland Business Solutions, Capiotech, Dowling Consulting and Progress Pacific.

All acquisitions are contributing to our enhanced business model as expected and integration is on track. These businesses have already delivered \$20 million in new contracts in target growth areas of SAP services, Business Intelligence and Consulting. The rate of new contract wins is expected to continue to accelerate as customers become increasingly aware of ASG's newly expanded business capabilities and integration benefits continue to emerge.

Important recent contract wins highlight the benefits of ASG's decision to enter growth areas such as SAP and Cloud Computing:

- ASG and Courtland Business Solutions have secured three significant SAP contracts with Citic Pacific Mining, Hancock Prospects and Australian Premium Iron.
- ASG and Capiotech are undertaking a \$4 million extension of the Business Intelligence services provided to the Qantas eQ Program.
- ASG and Dowling Consulting have secured \$1.5 million in contracted revenue to provide high end consulting services to CorpTech, the Queensland Government's shared services solution.

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- ASG and Progress Pacific have also recently secured the prime contractor role for one of the largest FMCG companies in the soft drink and snack food industry worth \$6 million contracted for 2011 with extended services expected to be to the value of \$15-\$20 million beyond 2011.

## Outlook

The outlook for ASG's operational and financial performance is very positive. For ASG Group, the current reporting period provides strong evidence that ASG's growth strategy is on track and delivering important results in our new market segments.

ASG has identified a solid pipeline of qualified opportunities which is expected to supplement the Company's bank of contracted business over the next few years.

With ASG's newly expanded product and service offering, the company expects to increase its conversion of the opportunity pipeline into new contracts, and importantly do so in direct competition with the major international service providers.

The Company is also positioned to secure much larger contracts. Until now, ASG has focussed on securing contracts up to the value of \$100 million but it is now positioned to increase its share of contracts in the \$100 to \$500 million segment, which is a total market scope that is almost four times the size of the current market opportunity.

ASG Group confirms its view that EBITDA for the second half of FY2011 is likely to be strongly higher than the result for the first six months. This is consistent with our normal business patterns and also reflects growth expectations for the newly integrated businesses.

The acceleration of revenue growth over the full year can be attributed to the seasonal weight in acquired businesses, new contracts contributing higher revenue in the second half and renewed project activity expected in the Government sectors. Revenue secured in H1 FY2011 was impacted in part by delays relating to skills shortage, slowdown related to the Federal election and some hangover from project service weakness at the end of FY10.

The outlook of the IT services industry in ASG's chosen markets remains strong, with business confidence levels high and expanding corporate earnings.

Overall business conditions are positive and when coupled with the benefits flowing from ASG's recently acquired business, strong revenue growth is expected in future reporting periods. ASG is confident in forecasting strong revenue growth in our businesses despite some industry segments experiencing headwinds including a slowdown in Federal and State government spending weakness in consulting and skills shortages.

ASG Group Managing Director Geoff Lewis was very pleased to deliver a result that so clearly shows the benefits flowing from the Company's growth strategy.

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“The record revenue achieved for this period is a reflection of the strength and diversity of our business and also the benefits of a truly national integrated IT service offering,” said Mr Lewis.

“ASG’s strategy to drive revenue growth by extending our geographical reach, product offering and successfully entering the strategically important SAP market is already delivering revenue growth and allowing us to compete more effectively with large foreign vendors.

“For example, our exposure to the SAP market has significantly increased our pipeline of available opportunities and has also led to the signing of \$12 million in new contracts with customers such as Citic, Hancock Prospecting, API, Macquarie, Woodgroup and Workcover.

“We are also very conscious of sticking to what we do best and we are pleased that our model of focussing on long term contracts with blue chip clients continues to underpin a strong stable recurring revenue base.

“ASG did incur a number of growth related one off costs during this reporting period which had some impact on the bottom line, however we see this as an investment in the future growth of the business, the full benefits of which we expect to see in FY12 and beyond.

“These are exciting times for ASG – the decisions we have made to strategically grow the business will play a critical role in the development of ASG Group. We believe a combination of a growing IT market and our enlarged service offering will lead to strong revenue and profit growth in the second half of the year and well into the future.”

– ENDS –

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ASG Group Limited  
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# Appendix 4D

## Half Year Report to the Australian Stock Exchange

<b>Name of Entity</b>	ASG Group Ltd
<b>ABN</b>	57 070 045 117
<b>Half Year Ended</b>	31 December 2010
<b>Previous Corresponding Reporting Period</b>	31 December 2009

### Results for Announcement to the Market

	\$'000	Percentage increase / (decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	74,034	28%
<b>Profit / (loss) from ordinary activities after tax attributable to members</b>	6,087	-6%
<b>Net profit / (loss) for the period attributable to members</b>	6,087	-6%
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	Nil
<b>Interim Dividend</b>	2.0 cents	100%
<b>Record date for determining entitlements to the dividends (if any)</b>	31 March 2011	
<b>Total issued and paid up ordinary shares</b>	168,259,483	

#### Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Revenue for the six months December 2010 was \$74.03 million representing an increase of more than 27% on the prior corresponding period (pcp).

EBITDA grew to \$12.20 million representing a 17% increase on the pcp.

ASG achieved EBITDA margins of 16.5% a slight decline on pcp due to one off costs relating to integration of acquisitions and rebranding. Margins are expected to return to FY10 levels of 17.9% in the second half with additional margin expansion in FY12 dependent on the pace and benefits of integration.

Employee benefits expense as a percentage of revenue was stable during the period compared to prior period.

Reported NPAT was \$6.09 million, a 5.7% fall on pcp however it actually increased by more than 16% when the first half of FY10 is adjusted to the statutory tax rate. The prior corresponding period benefited from tax credits related to prior years producing a reduced tax rate of 13%. The tax rate has now returned to a more typical rate of 30% and is expected to remain at this level in the future.

ASG Group record Earnings Per Share (EPS) of 4.05 cents per share, down 13.1% on pcp however up 7% when FY10 is adjusted for the tax rate.

Operating cash flow was impacted by an abnormal increase in debtor days to 82 days during the reporting period. This is significantly higher than ASG's historic average of 57.5 days (based on average of debtor days in H1 over past three years). The outstanding debtors were primarily large Government entities and the outstanding balances have now been received.

The company anticipates a return to historical debtor day average in future reporting periods. Normalised operating cash flow (adjusted to historical debtor day average) was \$10.39 million.

Balance sheet is strong and during the period, ASG raised \$31.3 million by way of debt and equity issuance, the proceeds of which have been utilised to fund growth initiatives including ASG's new Data Centre and acquisitions.

ASG's outlook is positive and the Company has identified a solid pipeline of qualified opportunities which is expected to supplement the Company's bank of contracted business over the next few years.

The current reporting period provides evidence that ASG's acquisitions and growth strategy is on track as ASG has won business in new target areas, in some cases competing with and beating foreign service providers. ASG's newly expanded product and service offering, the company expects to increase its conversion of the opportunity pipeline into new contracts.

These benefits are expected to accelerate into the second half and into FY12 and beyond.

#### Dividends

<b>Date the dividend is payable</b>	15 April 2011
<b>Record date to determine entitlement to the dividend</b>	31 March 2011
<b>Amount per security</b>	2.0 cent
<b>Total dividend</b>	\$3,365,190
<b>Amount per security of foreign sourced dividend or distribution</b>	N/A
<b>Details of any dividend reinvestment plans in operation</b>	Dividend fully eligible DRP discount of 5% will apply
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plans</b>	31 March 2011

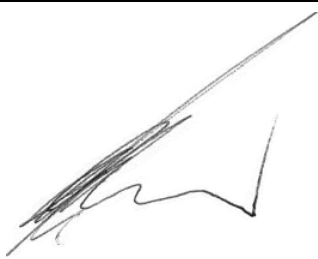
**NTA Backing**

	<b>Current Period</b>	<b>Previous corresponding period</b>
<b>Net tangible asset backing per ordinary security</b>	N/A	6.4 cents

**Audit/Review Status**

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input checked="" type="checkbox"/>
<b>If the accounts are subject to audit dispute or qualification, a description of the dispute or qualification:</b>			

**Attachments Forming Part of Appendix 4D**

<b>Attachment #</b>	<b>Details</b>
1	Half Year Financial Report
2	Review Report
<b>Signed By (Director/Company Secretary)</b>	
<b>Print Name</b>	Mr Geoff Lewis
<b>Date</b>	22 <sup>nd</sup> February 2011



**ASG Group Limited  
and its Controlled Entities  
ACN 070 045 117**

**INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2010**

**ASG Group Limited and its Controlled Entities**  
**ACN 070 045 117**

**DIRECTORS' REPORT**

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Your Directors submit the financial report of the consolidated group for the half-year ended 31 December 2010.

**DIRECTORS**

The names of the Directors who held office during or since the end of the half-year:

Mr Ronald Baxter  
Mr Ian Campbell  
Mr John McConnell

Mr Geoff Lewis  
Mr Trevor O'Hoy

**Review of Operations**

A review of the operations of the consolidated group during the financial period is set out on pages 1 to 4 of the announcement attached to the Appendix 4D.

**Events Subsequent to Reporting Date**

The Board resolved to pay a 2.0 cent fully franked dividend on the 15<sup>th</sup> of April 2011.

**Auditor's Independence Declaration**

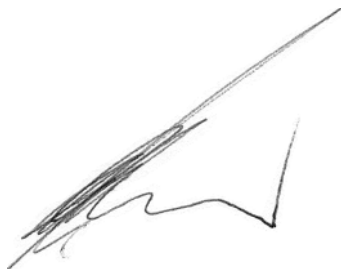
The Auditor's Independence Declaration on page 22 forms part of the Director's Report for the half-year ended 31 December 2010.

**Rounding of Amounts**

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the Directors' report have been rounded off to the nearest \$1,000.

Dated at Perth this 22<sup>nd</sup> day of February 2011.

Signed in accordance with a resolution of the Directors:



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Mr Geoff Lewis  
Director



ASG Group Limited and its Controlled Entities  
ACN 070 045 117

Statement of Comprehensive Income  
For the Half-Year Ended 31 December 2010

	Consolidated	
	December 2010 \$'000	December 2009 \$'000
Revenue from sale of goods and services	74,034	58,040
Other income	59	123
Change in inventories of finished goods and work in progress	500	816
Raw materials and consumables used	(2,618)	(1,032)
Employee benefits expense	(54,692)	(44,249)
Depreciation and amortisation expenses	(2,577)	(2,489)
Finance costs	(802)	(409)
Operating lease payments	(2,075)	(1,929)
Other expenses	(3,007)	(1,383)
<b>Profit before income tax expense</b>	<b>8,822</b>	<b>7,488</b>
Income Tax Expense	(2,734)	(1,035)
<b>Net profit and Comprehensive income for the half year attributable to members of ASG Group Limited</b>	<b>6,087</b>	<b>6,453</b>
	Cents	Cents
Basic earnings per share	4.05	4.66
Diluted earnings per share	4.03	4.62

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



ASG Group Limited and its Controlled Entities  
ACN 070 045 117

Statement of Financial Position  
As at 31 December 2010

	Consolidated	
	December 2010 \$'000	June 2010 (Restated) \$'000
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	10,979	6,770
Trade Receivables	37,312	31,057
Inventories	1,703	1,205
Other	4,183	2,976
<b>Total current assets</b>	<b>54,177</b>	<b>42,008</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	7,614	4,438
Deferred tax assets	6,459	6,480
Intangible assets	130,446	115,359
Investment using equity method	181	181
<b>Total non-current assets</b>	<b>144,700</b>	<b>126,459</b>
<b>TOTAL ASSETS</b>	<b>198,877</b>	<b>168,465</b>
<b>CURRENT LIABILITIES</b>		
Trade Payables	18,675	20,041
Financial Liabilities	7,048	2,219
Provisions	1,539	2,437
Deferred Vendor Payment	1,371	4,553
Current tax liabilities	2,335	2,292
Other	492	667
<b>Total current liabilities</b>	<b>31,460</b>	<b>32,209</b>
<b>NON-CURRENT LIABILITIES</b>		
Financial Liabilities	17,975	10,411
Provisions	5,382	4,304
Deferred Vendor Payment	35,437	29,293
Deferred tax liabilities	7,011	6,603
<b>Total non-current liabilities</b>	<b>65,806</b>	<b>50,611</b>
<b>TOTAL LIABILITIES</b>	<b>97,266</b>	<b>82,819</b>
<b>NET ASSETS</b>	<b>101,611</b>	<b>85,646</b>
<b>EQUITY</b>		
Contributed equity	98,383	80,933
Retained Earnings	1,907	3,502
Reserves	1,321	1,211
<b>TOTAL EQUITY</b>	<b>101,611</b>	<b>85,646</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



**ASG Group Limited and its Controlled Entities**  
ACN 070 045 117

**Statement of Changes In Equity**  
**For the Half-Year Ended 31 December 2010**

	<b>Contributed Equity</b>	<b>Retained Earnings</b>	<b>Share Base Payment Reserve</b>	<b>Other Reserves</b>	<b>Total Equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 July 2009</b>	<b>(63,290)</b>	<b>452</b>	<b>(970)</b>	<b>(167)</b>	<b>(63,975)</b>
<b>Total Comprehensive Income for the half year</b>	<b>-</b>	<b>(6,453)</b>	<b>-</b>		<b>(6,453)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs	(2,284)	-	-		<b>(2,284)</b>
Shares issued under dividend reinvestment plan	(1,438)	-	-		-
Dividends paid	-	6,185	-		<b>4,747</b>
Employee share scheme	-		(25)		<b>(25)</b>
	<b>(3,722)</b>	<b>6,185</b>	<b>(25)</b>		<b>2,438</b>
<b>Balance at 31 December 2009</b>	<b>(67,012)</b>	<b>184</b>	<b>(995)</b>	<b>(167)</b>	<b>(67,992)</b>
	<b>Contributed Equity</b>	<b>Retained Earnings</b>	<b>Share Base Payment Reserve</b>	<b>Other Reserves</b>	<b>Total Equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 July 2010</b>	<b>(80,932)</b>	<b>(3,502)</b>	<b>(1,045)</b>	<b>(167)</b>	<b>(85,646)</b>
<b>Total Comprehensive Income for the half year</b>		<b>(6,087)</b>			<b>(6,087)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs	(14,365)				<b>(14,365)</b>
Shares issued for acquisition of subsidiary	(1,846)				<b>(1,846)</b>
Shares issued under dividend reinvestment plan	(1,240)				<b>(1,240)</b>
Dividends paid		7,681			<b>7,681</b>
Employee share scheme			(110)		<b>(110)</b>
	<b>(17,451)</b>	<b>7,681</b>	<b>(110)</b>		<b>(9,880)</b>
<b>Balance at 31 December 2010</b>	<b>(98,383)</b>	<b>(1,907)</b>	<b>(1,155)</b>	<b>(167)</b>	<b>(101,611)</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



**ASG Group Limited and its Controlled Entities**  
**ACN 070 045 117**

**Statement of Cash Flows**  
**For the Half-Year Ended 31 December 2010**

	<b>Consolidated</b>	
<b>Notes</b>	<b>December 2010 \$'000</b>	<b>December 2009 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	68,734	55,469
Cash payments to suppliers and employees	(66,587)	(45,677)
Interest received	49	107
Payment of interest	(802)	(409)
Income tax paid	(2,033)	(424)
<b>Net cash (used in)/ provided by operating activities</b>	<b>(639)</b>	<b>9,066</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant, property and equipment	(3,435)	(212)
Loss from sale of plant, property and equipment	-	-
Payments for Software	(2,755)	(255)
Payments for Development Costs	(3,240)	(2,808)
Payments for Subsidiaries, net of cash acquired	<b>7</b>	(196)
<b>Net cash used in investing activities</b>	<b>(14,755)</b>	<b>(3,471)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	15,611	3,722
Proceeds from borrowings	14,682	-
Dividends Paid	(7,681)	(6,185)
Finance lease payments	(232)	(436)
Repayment of borrowings	(2,778)	(1,162)
<b>Net cash generated from/(used in) financing activities</b>	<b>19,602</b>	<b>(4,062)</b>
<b>Net increase in cash held</b>	<b>4,209</b>	<b>1,534</b>
<b>Cash at the beginning of the financial period</b>	<b>6,770</b>	<b>8,789</b>
<b>Cash at the end of the financial period</b>	<b>10,979</b>	<b>10,323</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



**ASG Group Limited and its Controlled Entities**  
**ACN 070 045 117**

**Notes to the Financial Statements**  
**For the Half-Year Ended 31 December 2010**

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**Note 1 Basis of Preparation of Half-Year Financial Statements.**

The general purpose financial statements for the interim half-year reporting period ending 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These interim financial statements do not include all the notes of the type normally included in annual financial statement. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by ASG Group Limited during the interim period reporting in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**Note 2 Dividends**

	Half Year Ended	
	2010	2009
	\$'000	\$'000
Dividends paid during the half-year	7,681	6,185

**Note 3 Contingent Liabilities**

There have been no changes to the contingent liabilities from the previous financial year.

**Note 4 Segmental Information**

Management has determined the operating segments based on the reports that are provided monthly to the executive team, which has been identified as the Chief Operating Decision Maker ("CODM") of the group. The executive team consists of those personnel responsible for national delivery & sales, operational efficiencies and financial and human resources management.

When making strategic and operational decisions and reviewing performance, information reviewed by the executive team may consist of results by cost centre, results by state, results by division, and other information as required for the executive team to make an informed decision. The executive team monitors the group using this variety of information and also by the six geographic regions in which the group operates. As the most consistent breakdown in internal reporting is by division, management have identified the five divisions in which the group operates as individual operating segments within the group. Management has considered the aggregation criteria under *AASB 8 Operating Segments* and has determined that the group has only one reportable segment as aggregation criteria for these segments have been met.

**Note 5 Subsequent Events**

The Board resolved to a pay a 2.0 cent fully franked dividend on the 15<sup>th</sup> of April 2011.



**ASG Group Limited and its Controlled Entities  
ACN 070 045 117**

**Notes to the Financial Statements  
For the Half-Year Ended 31 December 2010**

**Note 6 Equity Securities Issued**

<b>Issue of ordinary securities during the half year</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>	<b>2010 No of shares (‘000)</b>	<b>2009 No of shares (‘000)</b>
Issue of ordinary shares in relation to Dowling Consulting	546	-	417	-
Issue of ordinary shares in relation to Progress Pacific	1,300	-	1,040	-
Issue of ordinary shares under the Dividend Re-investment Plan	1,240	1,438	939	1,498
Issue of ordinary shares in relation to share placement	9,666	-	8,333	-
Issue of ordinary shares for options converted	4,572	2,284	5,681	3,540
	<b>17,324</b>	<b>3,722</b>	<b>16,412</b>	<b>5,038</b>

**Note 7 Business Combination**

**Current Period**

On 20 October 2010 ASG Group Limited acquired 100% of the shares of Progress Pacific, a Sydney based SAP provider. This transaction had an effective date of 1 July 2010.

This acquisition sees ASG consolidate its SAP service offering into the eastern states market.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	<b>\$'000</b>
Net Cash Payment	1,395
Equity instruments (1,040,000 ordinary shares)	1,300
Contingent Consideration	8,700

Their fair value of the ordinary shares issued was based on the VWAP for the 20 days prior to the completion date.

**Contingent consideration**

The Group has agreed to pay the selling shareholders additional consideration over financial years 2011 and 2012 based on contributions of EBIT. The fair value of the contingent consideration was calculated by applying the income approach using the probability-weighted expected contingent consideration and a discount rate of eight percent. The contingent consideration will be paid in a combination of both shares and cash.

The assets and liabilities recognised as a result of the acquisition are as follows. These assets have been recognised provisionally at reporting date as accounting is incomplete relating to the potential tax affect upon consolidation of assets.



**ASG Group Limited and its Controlled Entities**  
**ACN 070 045 117**

**Notes to the Financial Statements**  
**For the Half-Year Ended 31 December 2010**

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	<b>Cost</b>	<b>Fair</b>
	<b>\$'000</b>	<b>Value</b>
		<b>\$'000</b>
Property, plant and equipment	116	116
Intangible assets	-	-
Trade and other receivables	1,290	1,290
Cash and cash equivalents	606	606
Deferred Tax Asset	423	423
Employee Benefits Provision	(471)	(471)
Tax Provision	(300)	(300)
Trade and other payables	(855)	(855)
Other Liabilities	(1,218)	(1,218)
Fair value assets acquired	<u>(409)</u>	<u>(409)</u>

Goodwill was recognised as a result of the acquisition as follows:

Total consideration transferred	3,300
Fair Value of contingent consideration	7,676
Add deficit of assets acquired	409
Total goodwill acquired	<u>11,385</u>

The goodwill is attributable mainly to the skills and technical talent of Progress Pacific's workforce.

**Adjustments to Business Combinations that relate to Previous Reporting Period**

On 3 March 2010 the parent entity acquired 100% of the shares in Dowling Consulting Pty Ltd. During the current period, the group paid \$732,757 in cash and \$546,163 in shares as deferred vendor payment for this acquisition.

On 31 May 2010 the group acquired 100% of the shares in Capiotech Pty Ltd. In September 2010, a payment of \$3,196,649 in cash was made to the previous vendors.

On 28 April 2010 the group acquired 100% of the shares in Courtland Pty Ltd. Details of this and all other business combinations were disclosed in note 30 of the group's annual financial statements for the year ended 30 June 2010.

As a result of changes in EBIT forecasts for the business combinations, the group has adjusted its initial accounting estimates for deferred vendor payments. This has resulted in a reduction to Deferred Vendor payments for \$7,604,644 and investments in acquisitions for the same amount; see below.



**ASG Group Limited and its Controlled Entities  
ACN 070 045 117**

**Notes to the Financial Statements  
For the Half-Year Ended 31 December 2010**

<b>Goodwill</b>					
	<b>30-Jun-10</b>	<b>Reduction from change in EBIT Forecast</b>	<b>Restated 30-Jun-2010</b>	<b>Acquisitions During the Period</b>	<b>31-Dec-10</b>
	\$000	\$000	\$000	\$000	\$000
Dowling	6,052	(392)	5,660	-	5,660
Courtland	17,000	(3,822)	13,178	-	13,178
Capiotech	34,617	(3,391)	31,226	-	31,226
Progress Pacific	-	-	-	11,385	11,385
Other	65,295	-	65,295	-	65,295
<b>Total</b>	<b>122,964</b>	<b>(7,605)</b>	<b>115,359</b>	<b>11,385</b>	<b>126,744</b>

<b>Deferred Vendor Payment Liability</b>						
	<b>30-Jun-10</b>	<b>Reduction from change in EBIT Forecast</b>	<b>Restated 30-Jun-2010</b>	<b>Payments Made During the Period</b>	<b>Acquisitions During the Period</b>	<b>31-Dec-10</b>
	\$000	\$000	\$000	\$000	\$000	\$000
Dowling	3,949	(392)	3,557	(1,279)	-	2,278
Courtland	11,972	(3,822)	8,150	-	-	8,150
Capiotech	25,530	(3,391)	22,139	(3,197)	-	18,942
Progress Pacific	-	-	-	-	8,700	8,700
<b>Total</b>	<b>41,451</b>	<b>(7,605)</b>	<b>33,846</b>	<b>(4,476)</b>	<b>8,700</b>	<b>38,070</b>

AASB 3 *Business Combinations* requires any restatement and adjustments to be taken to Goodwill as it was provisionally accounted for at 30 June 2010. Dowling Consulting Pty Ltd, Courtland Pty Ltd, and Capiotech Pty Ltd are still provisionally accounted for as at 31 December 2010 pending taxation.



**ASG Group Limited and its Controlled Entities**  
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**Notes to the Financial Statements**  
**For the Half-Year Ended 31 December 2010**

**Note 8 Non-current borrowings**

In August 2010, the group negotiated new loan facilities to finance the business combinations of 2010. The new facility included a \$15,000,000 commercial advance, of which \$9,682,000 is drawn down as at 31 December 2010. The group also renegotiated its Multi Option Facility to \$16,300,000, of which \$10,300,000 is drawn down at 31 December 2010. As at 31 December 2010, the contractual maturities of the group's no derivative financial liabilities were as follows:

Group – At 31 December 2010	Less than 6 months	6-12 months	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total contractual cash flow	Carrying Amount (assets)/liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non Interest Bearing</b>							
Trade Creditors	3,186					3,186	3,186
Bank Guarantee	5,378						
Deferred Vendor Payment	-	1,371	39,731	-	-	41,102	36,808
<b>Variable Rate</b>							
Bank Borrowings	3,046	3,046	6,092	12,959		25,143	23,498
<b>Fixed Rate</b>							
Finance Lease	407	396	383	817		2,003	1,802
Group – At 30 June 2010	Less than 6 months	6-12 months	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total contractual cash flow	Carrying Amount (assets)/liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non Interest Bearing</b>							
Trade Creditors	5,824					5,824	5,824
Bank Guarantee	5,378					5,378	5,378
Deferred Vendor Payment	4,610	4,000	19,520	17,756	-	45,886	41,451
<b>Variable Rate</b>							
Bank Borrowings	903	903	1,170	8,668	-	11,644	10,923
<b>Fixed Rate</b>							
Finance Lease	291	302	595	739	-	1,927	1,673

**ASG Group Limited and its Controlled Entities**  
**ACN 070 045 117**

**DIRECTORS' DECLARATION**

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The directors of the company declare that;

- a) The financial statements and notes, as set out on pages 10 to 18 are in accordance with the Corporations Act 2001, including:
  - (i) Complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001, and
  - (ii) Give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
- b) In the directors opinion 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 22<sup>nd</sup> day of February 2011.

This declaration is made in accordance with a resolution of the Directors:



Mr Geoff Lewis  
Director

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ASG GROUP LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ASG Group Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ASG Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ASG Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ASG Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (WA) Pty Ltd**

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**Brad McVeigh**  
Director

Perth, Western Australia  
Dated this 22<sup>nd</sup> day of February 2011

22<sup>nd</sup> February 2011

The Directors  
ASG Group Limited  
Level 1, 267 St Georges Terrace  
Perth WA 6000

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF ASG GROUP LIMITED**

As lead auditor of ASG Group Limited for the year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ASG Group Limited and the entities it controlled during the period.



**Brad McVeigh**  
Director



**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia