

## **ASX Announcement**

**Perth, Wednesday 30<sup>th</sup> August 2006**

### **ASG Surpasses Forecast, Posts Record Revenue and Earnings**

#### **Highlights:**

- **Revenue up 45% and NPAT up 99%**
- **EBITDA up 66%**
- **Record earnings per share**
- **Record Dividend**
- **Healthy Operating Cash flow**
- **Strengthening Balance Sheet**
- **Increased Contracted Backlog**
- **Strong Business Outlook for FY2007**

IT Services provider ASG Group Limited (ASX: ASZ) today announced a net profit after tax of \$5.2 million for the year to 30 June 2006, an increase of 99% over the previous financial year.

The strong earnings growth flowed from revenue of \$59.3 million, an increase of \$18.5 million or 45% on the previous year.

Basic earnings per share rose to 4.7 cents, up 68% from last year. The Board has declared a fully franked final dividend of 2.2 cents per share bringing this year's total to 3.2 cents, a 46% rise.

EBITDA for the year was \$7.2 million, 66% above the FY05 level and ahead of the \$6.7 million guidance released to the market in May 2006.

Second half EBITDA stood at \$4.3 million, representing almost 60% of the FY06 total.

ASG Group Ltd  
ABN 57 070 045 117

ASG Managing Director Geoff Lewis said that the result demonstrated the growing presence and strength of ASG across the Australian outsourcing and computer services markets.

“We are pleased revenue, net profit, earnings per share and dividends have all reached record levels and our business measures and performance criteria are on the increase across the board,” said Mr Lewis.

“We have also grown EBITDA at a rate greater than revenue growth, demonstrating our strong increase in business activity is also reflected in improving profits.

“Particularly important is that our improvements in revenue and profit performance have been achieved from organic growth.

“These gains have flowed directly from the investment made to optimise costs, improve productivity and to leverage our Australia wide infrastructure.”

Mr Lewis said the performance was also noteworthy given how the high demand for IT Services and technical staff has created cost pressures for the sector.

“ASG’s business model has enabled us to control unit costs through productivity and deliver ongoing savings to our clients whilst still delivering increased value to shareholders,” said Mr Lewis.

“Our access to skilled and experienced staff is very important to maintaining our growth. Significant attention is being addressed to this area and staff numbers have increased to more than 450 during the year, up around 25% over the year.”

During FY06, ASG continued to perform strongly in securing new long-term contracts across all geographic markets in which it operates.

“The reference sites now established by ASG have increased our profile across Australia and enable us to compete for larger and more complex systems management roles and projects in both government and corporate markets,” Mr Lewis noted.

“FY06 has been our best ever year for building up our backlog of contracted services to be delivered over the next five to ten years.

“Our Cumulative Revenue business model underpins our sustained growth and will prove to be our strong defence against any downturn in economic activity in the future.”

“We continue to compete against the traditional array of multinational suppliers with expanding success.

“Domestic clients are increasingly recognising the value of an Australian supplier that can offer similar services with comparable risk, more flexibility and on a cost competitive basis.

“Importantly, ASG has also gained the necessary recognition to successfully engage major multinationals as sub-contractors on some of our bigger contract engagements.”

“We expect to continue to build upon the recognition that we are receiving across Australia and that our ability to “upscale” into successively larger opportunities will be a source of yet more growth during FY07 and beyond.”

Operating cash generation reached \$4.6 million for the year after comfortably supporting the needs of the business even through a period of rapid growth. Debt has reduced to negligible levels and the Company is well positioned to fund its continued expansion.

“We pay a lot of attention to working capital management,” said Mr Lewis.

“The operations must sustain themselves, make an acceptable return on shareholders’ investment and support the payment of regular and improving dividends,”

“Higher profits are expected to generate additional cash, but we have continued to achieve improving generation of free cash flow when measured against revenue. Our intention is to preserve our capital and debt raising capability to support our acquisition program.”

Mr Lewis said ASG continues to seek significant acquisition candidates that meet the Company’s financial and business criteria.

“This still remains a key aspect of our growth program and the Company is well positioned from a balance sheet viewpoint when an opportunity arises. We are actively exploring a number of prospects and expect success in FY07,” he said.

The business outlook for computer services generally, and outsourcing in particular, is expected to remain strong.

“Competition remains keen, and the strength of market demand for our type of services places pressure on costs and access to technical resources required for expansion,” said Mr. Lewis.

“However, as we have demonstrated during FY06 ASG is well positioned to take advantage of the many opportunities represented by our business pipeline.

“The Company expects to convert these into delivery of further substantial profit and eps growth and directors anticipate that the current strong performance will be continued in FY07.”

**-ends-**

**For more information please contact:**

Geoff Lewis  
Chief Executive Officer  
ASG Group Ltd  
(08) 9420 5420

# Appendix 4E

## Preliminary Final Report to the Australian Stock Exchange

<b>Name of Entity</b>	ASG Group Ltd
<b>ABN</b>	57 070 045 117
<b>Financial Year Ended</b>	30 June 2006
<b>Previous Corresponding Reporting Period</b>	30 June 2005

### Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	59,337	45%
<b>Profit / (loss) from ordinary activities after tax attributable to members</b>	5,192	99%
<b>Net profit / (loss) for the period attributable to members</b>	5,192	99%
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	2.2 cents	100%
<b>Interim Dividend (paid)</b>	1.0 cent	100%
<b>Total issued and paid up ordinary shares</b>	113,779,571	
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>	For explanation see Announcement text and Commentary on results.	

### Dividends

<b>Date the dividend is payable</b>	23 <sup>rd</sup> October 2006
<b>Record date to determine entitlement to the dividend</b>	10 <sup>th</sup> October 2006
<b>Amount per security</b>	2.2 cents
<b>Total dividend</b>	2,503,151
<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>	10th October 2006

## NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	5.4 cents	2.2 cents

## 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

ASG Group Limited has taken advantage of its established infrastructure and Australia-wide organisation to produce a strong growth year, all of which was derived from organic sources.

Organic revenue growth has been particularly strong, rising 45% to \$59.3 million demonstrating the increasing strength of ASG's presence in the outsourcing and services markets. As predicted at the mid-year, strong growth has continued for the remainder of the period, accelerating in the second half, and finishing the year very well positioned as new clients and projects begin to come on stream.

Profit and financial performance records were established across the board, with EBITDA up 66% to \$7.2 million, finishing strongly and pushing the second six months 46% ahead of the first half of the year. Other measures include NPAT, up 99%, and EBIT up 71% for the year with the second half 57% ahead of the first.

Given that major organisational expansion was completed during the preceding year, the advantages of economies of scale have become apparent in the results. Organic growth rates have been strong whilst indirect overheads and corporate costs have been held in check, driving increased profitability, with EBITDA rising 45% more quickly than revenue. This improving cost performance has been despite the fact that staff and employment costs have increased by 1.5 cents for each dollar of revenue, representing more than \$900k expressed in absolute cost terms. This comparison validates the emphasis and scrutiny that resourcing and staff availability have been receiving for the past several years. It demonstrates that ASG's business model can continue to flourish in a tight resource market and highlights the effectiveness of our cost control measures and productivity improvement initiatives, which remain ongoing.

As emphasised in last year's reporting, the efficient management of working capital is a major objective of the Company. Cash generated by business operations increased to \$4.6 million, up from \$2.7m last time. This again occurred in the face of an expanding business and a tendency for the buoyant economy to drive cost increases. Working capital efficiencies enabled further improvements in the free cash flow derived from our revenue, with cash generation being 15% more efficient than last time. This continues to be a key priority.

Basic earnings per share, at 4.7 cents, is 68% ahead of FY2005. Some capital has been issued under the dividend reinvestment program and to complete commitments flowing from prior year acquisitions. Apart from that the business has been self-sustaining through this organic growth phase and has not sought funding for working capital purposes.

Interest bearing debt has reduced by 29% to \$2.6 million and the ratio of EBIT to interest costs is 31. The strengthening balance sheet has the Company well placed to support the ongoing organic business in this growing market.

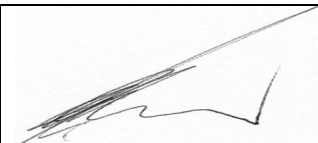
The contracted backlog has strengthened greatly during the year with major contracts being negotiated and beginning to come on stream. This sets the scene for a continuation of the strong growth profile that has been followed for the past several years. Increased revenue flowing from our enhanced backlog plus the opportunity to further exploit leverage on the Australia wide infrastructure is expected to allow FY2007 to continue the superior performance demonstrated in FY2006.

### 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	<b>X</b>	The accounts have been subject to review	
<b>If the accounts are subject to audit dispute or qualification, a description of the dispute or qualification:</b>			

### Attachments Forming Part of Appendix 4E

Attachment #	Details
1	Financial Statements

<b>Signed By (Director/Company Secretary)</b>	
<b>Print Name</b>	Mr Geoff Lewis
<b>Date</b>	30th August 2006

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

**ANNUAL FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 JUNE 2006**

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

**Condensed Income Statement**  
**for the Year Ended 30 June 2006**

	<b>Consolidated</b>	
	<b>June 2006 \$(‘000)</b>	<b>June 2005 \$(‘000)</b>
Revenue from sale of goods	3,181	2,523
Revenue from rendering of services	56,068	38,010
Other revenues from ordinary activities	88	303
<b>Total revenue</b>	<b>59,337</b>	<b>40,836</b>
Cost of sales	(4,226)	(2,330)
Borrowing costs	(277)	(293)
Depreciation and amortisation expenses	(1,284)	(888)
Employee expenses	(44,318)	(29,859)
Telecommunications and Internet expenses	(645)	(601)
Insurance	(488)	(366)
Professional fees	(313)	(382)
Rental expenses	(872)	(654)
Other expenses from ordinary activities	(1,194)	(2,181)
<b>Profit before income tax expense</b>	<b>5,720</b>	<b>3,282</b>
Income tax (expense)/benefit	(528)	(676)
<b>Profit after tax from continuing operations</b>	<b>5,192</b>	<b>2,606</b>
<b>Net profit attributable to members of ASG Group Ltd</b>	<b>5,192</b>	<b>2,606</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	4.7	2.8
Diluted earnings per share	4.6	2.8

The above Condensed Income Statement should be read in conjunction with the accompanying notes

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

**Condensed Balance Sheet**  
**for the Year Ended 30 June 2006**

	<b>Consolidated</b>	
	<b>June 2006</b>	<b>June 2005</b>
	<b>\$(‘000)</b>	<b>\$(‘000)</b>
<b>CURRENT ASSETS</b>		
Cash assets	3,143	3,538
Receivables	13,723	10,116
Inventories	59	247
Current tax assets	4,393	3,098
Other	719	635
<b>Total current asset</b>	<b>22,037</b>	<b>17,634</b>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	11	7
Plant and equipment	2,532	2,924
Intangible assets	29,289	25,742
<b>Total non-current assets</b>	<b>31,832</b>	<b>28,673</b>
<b>TOTAL ASSETS</b>	<b>53,869</b>	<b>46,307</b>
<b>CURRENT LIABILITIES</b>		
Payables	12,681	9,533
Interest-bearing liabilities	1,148	1,356
Provisions	119	41
Current tax liabilities	2,010	1,193
Other	595	220
<b>Total current liabilities</b>	<b>16,553</b>	<b>12,343</b>
<b>NON-CURRENT LIABILITIES</b>		
Payables	0	2,570
Interest bearing liabilities	1,480	2,323
Provisions	403	361
<b>Total non-current liabilities</b>	<b>1,883</b>	<b>5,254</b>
<b>Total liabilities</b>	<b>18,436</b>	<b>17,597</b>
<b>NET ASSETS</b>	<b>35,433</b>	<b>28,710</b>
<b>EQUITY</b>		
Contributed equity	47,391	42,396
Accumulated losses	(12,407)	(14,030)
Share Based Payments	449	344
<b>Total equity and parent entity interest</b>	<b>35,433</b>	<b>28,710</b>
<b>TOTAL EQUITY</b>	<b>35,433</b>	<b>28,710</b>

The above condensed Balance Sheet should be read in conjunction with the accompanying notes

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

**Condensed Statement of Changes in Equity**  
**for the Year Ended 30 June 2006**

	<b>Issued Capital</b>	<b>Retained Earnings</b>	<b>Other Reserves</b>	<b>Total Equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 1 July 2004</b>	(32,752)	15,061	2	(17,689)
Issue of share capital	(9,636)			(9,636)
Profit for the period		(521)		(521)
Dividends Paid		1,576		1,576
Share-based payments			(198)	(198)
<b>At 31 December 2004</b>	<b>(42,388)</b>	<b>16,116</b>	<b>(196)</b>	<b>(26,468)</b>
Issue of share capital	(8)			(8)
Profit for the period		(2,086)		(2,086)
Share-based payments			(148)	(148)
<b>At 30 June 2005</b>	<b>(42,396)</b>	<b>14,030</b>	<b>(344)</b>	<b>(28,710)</b>
Issue of share capital	(4,994)			(4,994)
Dividends paid		3,568		3,568
Profit for the period		(5,192)		(5,192)
Share-based payments			(105)	(105)
<b>At 30 June 2006</b>	<b>(47,391)</b>	<b>12,407</b>	<b>(449)</b>	<b>(35,433)</b>

The above condensed 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**

**Condensed Cash Flow Statement**  
**for the Year Ended 30 June 2006**

	<b>Consolidated</b>	
	<b>June</b>	<b>June</b>
	<b>2006</b>	<b>2005</b>
	<b>\$('000)</b>	<b>\$('000)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts in the course of operations	56,016	38,480
Cash payments in the course of operations	(51,723)	(34,940)
Borrowing costs paid	(277)	(293)
Interest received	89	123
Income tax paid	466	(657)
Other	-	-
<b>Net cash provided by/(used in) operating activities</b>	<b>4,571</b>	<b>2,713</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant, property and equipment	(892)	(2,020)
Proceeds from plant, property and equipment	(54)	160
Payments for IP	(1,195)	(1,700)
Payments for Subsidiaries, net of cash acquired	(615)	(5,261)
<b>Net cash used in investing activities</b>	<b>(2,756)</b>	<b>(8,821)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,311	7,979
Proceeds from borrowings	552	383
Dividends Paid	(2,484)	(913)
Finance lease payments	(416)	495
Repayment of borrowings	(1,173)	(1,189)
<b>Net cash provided by financing activities</b>	<b>(2,210)</b>	<b>6,755</b>
<b>Net increase/(decrease) in cash held</b>	<b>(395)</b>	<b>647</b>
<b>Cash at the beginning of the financial period</b>	<b>3,538</b>	<b>2,891</b>
<b>Cash at the end of the financial period</b>	<b>3,143</b>	<b>3,538</b>

The above condensed Cash Flow statement 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 Year Ended 30 June 2006**

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This General Purpose financial report for full year reporting period ended 30 June 2006 has been prepared in accordance with Australian Accounting Standard 134 “ Interim Financial Reporting” and the Corporations Act 2001.

**Note 1. Summary of significant accounting policies**

**(a) Basis of Preparation**

The historical cost basis has been used, except for investment properties, land and buildings, derivatives and available-for-sale financial assets which have been measured at fair value.

This is the first full year financial report which has been prepared using equivalents to International Financial Reporting Standards (“AIFRS”) and comparatives have been restated accordingly. Reconciliations of equity, retained earnings and profit under the previous accounting standards and AIFRS have been included at note 4 below.

This interim report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as would the full financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by ASG Group Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report. Where accounting policies have changed because of first-time adoption of AIFRS, these have been set out below:

**Intangibles Assets**

**Goodwill** – Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary/associate at date of acquisition. Goodwill acquired in business combination is not amortised. Instead goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

**Research and development-** Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development.

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

**Notes to the Financial Statements**  
**for the Year Ended 30 June 2006**

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The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit.

**Income Tax** – The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or a liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

ASG Group Ltd and its wholly-owned Australian controlled entities have enacted the tax consolidation legislation. The entities also entered into a tax sharing agreement.

**Impairment of Assets** – Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which cash flows are separately identifiable (cash generating units)

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

**Notes to the Financial Statements**  
**for the Year Ended 30 June 2006**

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**Share based payments** - Share options granted after 7 November 2002 and vested after 01 January 2005.

The fair value of options granted under ASG's Employee Option plans are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and is recognised over the period during which the employee becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option

The fair value of the options granted excluded the impact of any non-market vesting condition (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to these options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

**(b) Statement of Compliance**

The financial report complies with Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statement and notes comply with International Financial Reporting Standards (IFRS)

This is the first financial report prepared under AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and loss for the June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 6.

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and economic entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

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

**Notes to the Financial Statements**  
**for the Year Ended 30 June 2006**

<b>AASB Amendment</b>	<b>Affected Standard</b>	<b>Nature of Change to Accounting Policy</b>	<b>Application date of standard</b>	<b>Application date for Group</b>
2004-3	AASB 1: First time Adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 124: Related Party Disclosures	No change, No Impact	1 January 2006	1 July 2006
2005-1	AASB 139: Financial Instruments: Recognition and Measurement	No change, No Impact	1 January 2006	1 July 2006
2005-5	AASB 1: First-time adoption of AIFRS AASB 139: Financial Instruments and Recognition	No change, No Impact	1 January 2006	1 July 2006
2005-6	AASB 3: Business Combinations	No change, No Impact	1 January 2006	1 July 2006
2005-9	AASB 132: Financial Instruments: Recognition and Measurement	No change, No Impact	1 January 2006	1 July 2006
2005-10	AASB 139: Financial Instruments and Recognition AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earning Per Share AASB 132: Financial Instruments Disclosure and Presentation AASB 1: First time Adoption of AIFRS AASB 4: Insurance Contracts AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts	No change, No Impact	1 January 2007	1 July 2007
New Standard	AASB 7: Financial Instruments Disclosure	No change, No Impact	1 January 2007	1 July 2007
New Standard	AASB 119: Employee Benefits	No change, No Impact	1 January 2006	1 July 2006

The following amendments are not applicable to the Group and therefore have no impact.

<b>AASB Amendment</b>	<b>Affected Standard</b>
2005-2	AASB 1023: General
2005-4	AASB 139: Financial instruments recognition and Measurement, AASB 132: Financial Instruments: Disclosure and presentation, AASB 1: First-time adoption of AIFRS, AASB, AASB 1023: General Insurance Contracts and AASB 1028: Life Insurance Contracts
2005-9	AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts, AASB 139: Financial instruments recognition and Measurement, AASB 132: Financial Instruments: Disclosure and presentation
2005-12	AASB 1038: Life Insurance Contracts, AASB 1023: General Insurance Contracts
2005-13	AAS 25: Financial Reporting by Superannuation Plans

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

**Notes to the Financial Statements**  
**for the Year Ended 30 June 2006**

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>		
Sale of goods revenue from operating activities	3,181	2,523
Rendering of services revenue from operating activities	56,068	38,010
<b>Other revenues:</b>		
<i>From operating activities</i>		
Interest:	89	123
Other parties		
Other	-3	20
<i>From outside operating activities</i>		
Gross proceeds from sale of non- current assets	2	160
Total other revenues	88	303
<b>Total revenue from ordinary activities</b>	<b>59,337</b>	<b>40,836</b>
<b>3. PROFIT/ (LOSS) FROM ORDINARY ACTIVITES BEFORE INCOME TAX EXPENSE.</b>		
<b>Profit/(loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:</b>		
Cost of goods sold	4,226	2,330
Depreciation of:		
- plant and equipment	503	304
- leasehold improvements	32	31
- leased Plant and Equipment	434	497
	970	832
Amortisation of:		
- Software	150	-
- Capitalised Costs	165	56
Total depreciation and amortisation	1,285	888

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

**Notes to the Financial Statements**  
**for the Year Ended 30 June 2006**

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Borrowing costs:		
- Interest expense	153	179
- Finance charges on capitalised leases	124	114
	277	293
Net expense from movements in provision for:	127	259
-Employee entitlements		
Operating Lease rental expense:	545	518
Net (gain)/loss on disposal of non-current assets:		
-Property plant and Equipment	54	21
<b>4. EARNINGS PER SHARE</b>		
Basic earnings per share (cents)	4.7	2.8
Diluted earnings per share (cents)	4.6	2.8
<b>Earnings reconciliation</b>		
Net profit/(loss) – as reported	5,191,695	2,606,134
Basic earnings – used to calculate basis EPS	5,191,695	2,606,134
Earnings – used to calculate diluted EPS	5,191,685	2,606,134
Weighted average number of ordinary shares used in the calculation of basic earnings per share	110,753,062	92,548,118
Weighted average number of options outstanding	1,993,980	906,671
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive earnings per share	112,747,041	93,545,789

**ASG Group Limited and its Controlled Entities**  
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**Notes to the Financial Statements**  
**for the Year Ended 30 June 2006**

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**Note 5. Contingent Liabilities**

A bank guarantee of \$3,000,000 (three million dollars) has been issued in connection with the OSS Contract RFP20003-04. The beneficiary of the guarantee is the Department of Premier and Cabinet from the Bank of Western Australia at the request of the company. With the exception of the above mentioned guarantee there has been no change in contingent liabilities since the full year.

**Note 6. Impact of Adopting Equivalents to International Reporting Standards (“AIFRS”)**

**(a) AASB Transitional Exemptions**

Group has elected to use the following transitional exemptions allowed by AASB 1: First-Time Adoption of Australian Equivalents to International Reporting Standards:

*Business Combination*

AASB 3: Business Combinations has not been applied retrospectively to business combinations that were effected prior to transition date.

*Share-based payments*

AASB 2: Share-Based Payments has only been applied to equity instruments granted after 7<sup>th</sup> November 2002 that had not vested by January 1 2005

**(b) Reconciliation of total equity presented under AGAAP to that under AIFRS**

The impact of adopting AIFRS on the total equity as reported under Australian Accounting Standards applicable before 1 January 2005 (“AGAAP”) is as follows:

		<b>Consolidated Entity</b>		
		<b>30-June-05</b>	<b>31-Dec-04</b>	<b>1 July-04</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Total Equity under AGAAP</b>	<b>Notes</b>	27,191	24,770	16,158
Goodwill – Reverse amortisation	(i)	689	100	
Intangibles – Reverse amortisation	(ii)	144	67	-
Income Tax	(iii)	686	1,531	1,531
<b>Total Equity under AIFRS</b>		28,710	26,468	17,689

**ASG Group Limited and its Controlled Entities**  
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**Notes to the Financial Statements**  
**for the Year Ended 30 June 2006**

**(c) Reconciliation of retained earnings presented under AGAAP to the under AIFRS**

The impact of adopting AIFRS on the retained earnings as reported under Australian Accounting Standards applicable before 1 January 2005 (“AGAAP”) is as follows:

	Notes	Consolidated Entity		
		30-June-05 \$'000	31-Dec- 04 \$'000	1-July-04 \$'000
<b>Total retained earnings (Accumulated losses) under AGAAP</b>		(15,203)	(17,616)	(16,592)
Share based payments expense	(iv)	(346)	(198)	-
Reversal of amortisation - Goodwill	(i)	689	100	-
Reversal of amortisation - Intangibles	(ii)	144	67	-
Income tax expense	(iii)	686	1,531	1,531
<b>Retained earnings (accumulated losses) under AIFRS</b>		(14,030)	(16,116)	(15,061)

**(d) Reconciliation of profit after tax presented under AGAAP to that under AIFRS**

The impact of adopting AIFRS's on the profit as reported under Australian Accounting Standards applicable before 1 January 2005 (“AGAAP”) is as follows:

	Notes	Consolidated Entity
		Year ended 30-June-05 \$'000
<b>Profit after tax as previously reported</b>		2,966
Reversal of amortisation	(i) (ii)	833
Share-based payment expense	(iv)	(346)
Income Tax Expense	(iii)	(846)
<b>Profit after tax under AIFRS</b>		<u>2,606</u>

**Notes:**

(i) (ii) Goodwill was amortised under AGAAP but is no longer amortised under AASB 3: Business Combinations. This results in a positive impact on profit and retained earnings for the comparative AIFRS period.

(iii) The Group currently brings to account a future income tax benefit in relation to past tax losses based on “Probable” future profits. This has resulted in an increase in future income tax benefits in the balance sheet.

(iv) Share-based payments must now be expensed under AIFRS, AASB 2: Share-Based Payments. This results in a negative impact on profit and retained earnings for the comparative AIFRS period.

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

**Notes to the Financial Statements**  
**for the Year Ended 30 June 2006**

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**Note 7. Segmental Information**

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

**Note 8. Subsequent Events**

Since the end of the year, the directors have recommended payment of a full year dividend amounting to \$2,503,151 representing a fully franked dividend of 2.2 cents per fully paid ordinary share. The dividend has not been provided for in the Annual Financial Report

**DIRECTORS' DECLARATION**

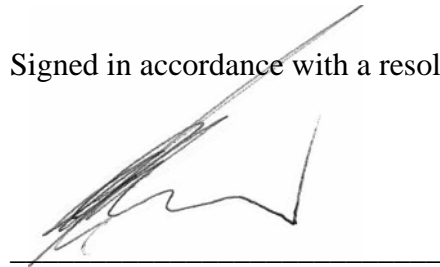
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The directors of the company declare that;

1. The financial statements and notes, as set out on pages 4 to 20:
  - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the economic entity's financial position as at 30 June 2006 and of its performance for the full-year ended on that date.
2. 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 30th day of August 2006.

Signed in accordance with a resolution of the Directors:



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Mr Geoff Lewis  
Director