

## **ASX ANNOUNCEMENT**

**Perth, 23 February 2006**

### **ASG Revenue and Profit Growth Exceed Predictions**

#### **Highlights:**

- **Revenue up 69.4% and NPAT up 325%**
- **EBITDA up 147%**
- **Earnings per Share up more than 200%**
- **Interim Dividend Declared**
- **Continued Strong Leverage across National Infrastructure**
- **Continued Strengthening of Cash Generation and Balance Sheet**
- **Positive Outlook for Second Half**

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](mailto:info@asggroup.com.au)  
Internet: [www.asgroup.com.au](http://www.asgroup.com.au)

IT services provider ASG Group Limited (ASX: ASZ) today announced a net profit after tax of \$2.2 million for the six months to December 2005, an increase of 325% on the previous corresponding period.

The earnings growth came on revenue of \$28.1 million, an increase of 69.4% on the first half of FY05.

Earnings per share were 2.04 cents, up from 0.63 cents previously. The Board has declared ASG's first interim dividend on 1 cent per share, which follows the 2.2 cents full year dividend paid in FY05.

EBITDA for the period was \$2.9 million, ahead of the \$2.7 million guidance issued at the Company's AGM last November.

ASG Managing Director and Chief Executive Geoff Lewis said that the result reflected the very strong growth in ASG operations across Australia, continuing a trend that was evident throughout FY05.

"The enhancement to the bottom line is the consequence of the resources and strategic work we have committed to building our markets, national infrastructure, client base and organisational capabilities," said Mr Lewis.

"Business conditions are good and ASG is well positioned to meet the emerging requirements of major government and corporate clients throughout Australia."

In the December half, ASG was successful in winning substantial new business throughout each of its markets. The biggest new contract was with the WA Government Office of Shared Services (OSS), which ASG believes will benefit the group substantially over the next ten years. However, the broader business growth and the revenue split for FY06 is expected to remain balanced in favour of the eastern states markets.

“This demonstrates the strength and breadth of the ASG market and client base. In particular, the full integration into the ASG national group of the Canberra-based Exceed Systems Integration has positioned ASG for further growth from the Federal Government market,” said Mr Lewis.

“We are in this market for the long haul. We are working hard at building our business base and capitalising on our reputation for effective long term delivery on multi-year selective outsourcing contracts. There are plenty of opportunities for an Australian owned and managed organisation like ASG.

“The stronger we become, the greater our capability and referenceability. Flowing from this, together with our pure services focus, more Australian selective outsourcing clients will perceive us as the best local alternative to the multi-national suppliers.

“These clients enjoy the accessibility of senior management and the flexible, rapid decision processes that build the effectiveness of our relationships. We expect this to continue to be a very significant and successful market for us.

“We believe there are very good opportunities in the federal government market for Australian owned and managed organisations of the size and capability of ASG.

“We have worked hard at building our business base and capitalising on our reputation for effective long term delivery on multi-year selective outsourcing contracts with major customers across a range of geographical locations.

“ASG has the capacity and the experience to handle the size and complexity of projects on a national scale, making us a real alternative to multinational suppliers who traditionally have attempted to pick off major contracts.”

Mr Lewis said the strong interim result also served to demonstrate the importance of ASG’s investment in national infrastructure.

“The availability of these resources has been crucial to our ability to win business at competitive prices and deliver those services at acceptable margins to major government and private sector customers,” Mr Lewis noted.

“With many IT costs and salaries being driven up by cyclic demand, it is vital to track and manage utilisation and effectiveness. It is pleasing to note that our overall cost base as a percentage of revenue is reducing.”

Mr Lewis said that cash flow has been strong and consistent, with long term contracts reducing the seasonal impact of variations in revenue and cash requirements.

“However, with the Company now generating consistent surpluses of operating cash, a more frequent dividend is possible,” said Mr Lewis.

Mr Lewis advised that the ASG Dividend Re-investment plan would not be made available for the interim dividend as the Directors believe it will have a dilutionary effect to shareholders.

In the current period, ASG has continued to focus on the Company’s organisational strength and management capability, with continuing investment in organisational capability to support clients through a multi-year outsourcing relationship and beyond.

“We are securing long-term contracts and as such it is important that our executive management are of a calibre that can constructively engage the client in a continuing relationship, whilst building and maintaining a strong capable team within ASG,” said Mr Lewis.

“We are extremely pleased to find that experienced managers of the highest quality are keen to join ASG. As always, we are looking to move the Company to the next level and we are confident that our new management additions together with the established team will continue to realise our growth aspirations.”

He said the business environment in the second half of FY06 was expected to remain strong.

“Although we expect strong profitability throughout the rest of the year, we will want to assess any potential short term cost impacts of OSS before announcing full year profit guidance to the market,” said Mr Lewis.

“Regardless of any short term delays, the outlook looks good for the remainder of the year and into the early part of FY2007.”

Mr Lewis said ASG remained alert to the opportunity for further strategic acquisitions, with an emphasis on the Sydney and Melbourne markets.

-ends-

# 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 2005
<b>Previous Corresponding Reporting Period</b>	31 December 2004

### Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	28,108	69.4%
<b>Profit / (loss) from ordinary activities after tax attributable to members</b>	2,213	324.6%
<b>Net profit / (loss) for the period attributable to members</b>	2,213	324.6%
<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>	1 cent	1 cents
<b>Record date for determining entitlements to the dividends (if any)</b>	17 March 2006	
<b>Total issued and paid up ordinary shares</b>	113,006,169	
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>		
<p>This commentary should be read in conjunction with the accompanying announcement to the Australian Stock Exchange Limited.</p> <p>The ASG Group has been fully integrated and operates as a single business activity operated through a number of regions.</p>		

Revenue for the half year to December 2005 was \$28.1 million, up 69.4% from the previous corresponding period. EBITDA was \$2.9 million, up 147% and NPAT was \$2.2 million, an increase of 325%.

All values and comparisons are based upon the International Financial Reporting Standards (IFRS) the December 2004 half-year having been restated for the purpose.

Apart from the increase in revenue, the major influence on the profit increase was the containment and utilisation of costs across the organisation. During the preceding year significant effort and expenditure was undertaken to structure the group to establish management and delivery mechanisms which would economically deliver services to clients across the range of geographic locations serviced by ASG.

Primarily as a result of these measures the overall costs structure increased at a rate at least 12% lower than the rate of revenue increase. This was in the face of some demand-related increase in costs of certain technical resources required by the group. Key in the profit performance was the fact that infrastructure and overhead costs increased at a rate that was approximately one-third of the rate at which revenue was increasing. This superior utilisation of overheads indicates the success of the structure adopted to deliver services throughout the Australian market.

The balance sheet reflects efforts to manage cash and working capital generally. Significant improvements in debtor control have assisted in the generation by operations of \$2.6 million in cash. This was instrumental in retention of a healthy cash balance of \$4.4 Million at the end of the period.

Shares issued during the period were in respect of exercise of previously existing options, the dividend re-investment plan and an instalment of the purchase price of the Exceed group, which was contracted in December 2004.

Total debt continues to decrease in accordance with scheduled bank debt repayment and net interest remains at negligible levels. The company remains in a strong balance sheet position should an opportunity arise for a capital transaction.

Earnings per share rose to 2.04 cents (on weighted average shares on issue of 108.6 million vs 0.63 cents (on 82.4 million shares) for the corresponding period.

### Dividends

<b>Date the dividend is payable</b>	7 <sup>th</sup> April 2006
<b>Record date to determine entitlement to the dividend</b>	17 <sup>th</sup> March 2006
<b>Amount per security</b>	1 cent
<b>Total dividend</b>	\$1,130,062
<b>Amount per security of foreign sourced dividend or distribution</b>	N/A
<b>Details of any dividend reinvestment plans in operation</b>	N/A
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plans</b>	N/A

### NTA Backing

	<b>Current Period</b>	<b>Previous corresponding period</b>
<b>Net tangible asset backing per ordinary security</b>	5.90 cents	4.20 cents

### Control Gained Over Entities Having Material Effect

<b>Name of entity (or group of entities)</b>	N/A
<b>Date control gained</b>	N/A

### Loss of Control Gained Over Entities Having Material Effect

<b>Name of entity (or group of entities)</b>	N/A
<b>Date control lost</b>	N/A
<b>Consolidated profit / (loss) from ordinary activities for the current period to the date of loss of control</b>	N/A
<b>Profit / (loss) from ordinary activities of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period</b>	N/A

### Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
<b>Aggregate Share of Net Profits</b>				

### Foreign Entities Accounting Framework

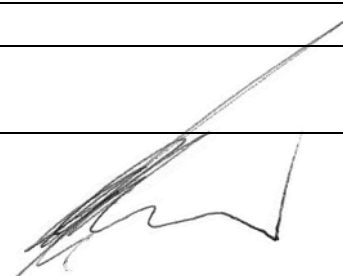
For foreign entities provide details of which accounting standards have been adopted (e.g. International Accounting Standards) N/A

### 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

Attachment #	Details
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>	23rd February 2006

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

**INTERIM FINANCIAL REPORT**

**FOR THE PERIOD ENDED 31 DECEMBER 2005**

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

**DIRECTORS' REPORT**

---

Your Directors submit the financial report of the economic entity for the half-year ended 31 December 2005.

**DIRECTORS**

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

Mr Stanley Lewis  
Mr Geoff Lewis  
Mr John McConnell

Mr Ronald Baxter  
Mr Stephen Johnston

**Review of Operations**

A review of the operations of the consolidated entity during the financial period is set out on pages 1 to 3 of the announcement attached to the Appendix 4D.

**Events Subsequent to Reporting Date**

Since the half year end, the directors have recommended an interim dividend amounting to \$1,130,062 representing a fully franked dividend of 1.0 cent per fully paid ordinary shares

**Auditors Independence Declaration**

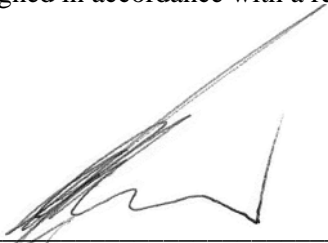
The Auditor's Independence Declaration on page 22 forms part of the Director's Report for the half-year ended 31 December 2005.

**Rounding of Amounts**

The economic entity 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 23rd day of February 2006

Signed in accordance with a resolution of the Directors:



---

Mr Geoff Lewis  
Director

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

**Condensed Income Statement**  
**for the Half-Year Ended 31 December 2005**

	Consolidated	
	December 2005 \$(‘000)	December 2004 \$(‘000)
Revenue from sale of goods	1,093	-
Revenue from rendering of services	26,953	16,542
Other revenues from ordinary activities	62	53
<b>Total revenue</b>	<b>28,108</b>	<b>16,595</b>
Cost of sales	(1,643)	(10,635)
Borrowing costs	(144)	(150)
Depreciation and amortisation expenses	(621)	(562)
Employee expenses	(21,066)	(2,622)
Share Based Payments	(93)	(198)
Telecommunications and Internet expenses	(299)	(281)
Insurance	(244)	(188)
Professional fees	(167)	(165)
Rental expenses	(415)	(331)
Other expenses from ordinary activities	(1,203)	(942)
<b>Profit before income tax expense</b>	<b>2,213</b>	<b>521</b>
Income tax expense	-	-
<b>Profit after tax from continuing operations</b>	<b>2,213</b>	<b>521</b>
<b>Net profit for the half year</b>	<b>2,213</b>	<b>521</b>
<b>Net profit attributable to members of ASG Group Ltd</b>	<b>2,213</b>	<b>521</b>
	Cents	Cents
Basic earnings per share	2.04	0.63
Diluted earnings per share	2.01	0.63

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 Half-Year Ended 31 December 2005**

	<b>Consolidated</b>	
	<b>December</b>	<b>June</b>
	<b>2005</b>	<b>2005</b>
	<b>\$(‘000)</b>	<b>\$(‘000)</b>
<b>CURRENT ASSETS</b>		
Cash assets	4,364	3,538
Receivables	11,126	10,116
Inventories	142	247
Current tax assets	3,098	3,098
Other	475	635
	<u>19,205</u>	<u>17,634</u>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	150	7
Plant and equipment	2,429	2,598
Intangible assets	26,564	26,068
	<u>29,143</u>	<u>28,673</u>
<b>TOTAL ASSETS</b>	<u>48,348</u>	<u>46,307</u>
<b>CURRENT LIABILITIES</b>		
Payables	10,541	9,533
Interest-bearing liabilities	1,075	1,356
Provisions	233	41
Current tax liabilities	553	1,193
Other	323	220
	<u>12,725</u>	<u>12,343</u>
<b>NON-CURRENT LIABILITIES</b>		
Payables	-	2,570
Interest bearing liabilities	2,016	2,323
Provisions	378	361
	<u>2,394</u>	<u>5,254</u>
<b>Total liabilities</b>	<u>15,119</u>	<u>17,597</u>
<b>NET ASSETS</b>	<u>33,230</u>	<u>28,710</u>
<b>EQUITY</b>		
Contributed equity	47,048	42,396
Accumulated losses	(14,255)	(14,030)
Share Based Payments	439	346
Foreign Currency Translation Reserve	(2)	(2)
	<u>33,230</u>	<u>28,710</u>
Total equity and parent entity interest	<u>33,230</u>	<u>28,710</u>
<b>TOTAL EQUITY</b>	<u>33,230</u>	<u>28,710</u>

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 Half-Year Ended 31 December 2005**

	Issued Capital	Retained Earnings	Other Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
<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	(4,652)			(4,652)
Dividends paid		2,438		2,438
Profit for the period		(2,213)		(2,213)
Share-based payments			(93)	(93)
<b>At 31 December 2005</b>	<b>(47,048)</b>	<b>14,255</b>	<b>(437)</b>	<b>(33,230)</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 Cash Flow Statement**  
**for the Half-Year Ended 31 December 2005**

	Consolidated	
	December 2005 \$(‘000)	December 2004 \$(‘000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts in the course of operations	27,139	16,059
Cash payments in the course of operations	(25,110)	(16,724)
Borrowing costs paid	-	(150)
Interest received	62	52
Income tax paid	(144)	-
Other	640	-
<b>Net cash provided by/(used in) operating activities</b>	<b>2,587</b>	<b>(763)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant, property and equipment	(245)	(148)
Proceeds from plant, property and equipment	-	160
Payments for IP	(199)	-
Proceeds from sale of business	-	-
Payments for Subsidiaries, net of cash acquired	(45)	(4,180)
<b>Net cash used in investing activities</b>	<b>(489)</b>	<b>(4,168)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	968	7,971
Payments for capital raising	-	-
Dividends Paid	(1,353)	(913)
Finance lease payments	(324)	(519)
Repayment of borrowings	(564)	(895)
<b>Net cash provided by financing activities</b>	<b>(1,273)</b>	<b>5,644</b>
<b>Net increase/(decrease) in cash held</b>	<b>825</b>	<b>713</b>
<b>Cash at the beginning of the financial period</b>	<b>3,539</b>	<b>2,891</b>
<b>Cash at the end of the financial period</b>	<b>4,364</b>	<b>3,604</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 Half-Year Ended 31 December 2005**

---

This General Purpose financial report for the interim half-year reporting period ended 31 December 2005 has been prepared in accordance with Australian Accounting Standard 134 “ Interim Financial Reporting” and the Corporations Act 2001.

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

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 half-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 Half-Year Ended 31 December 2005**

---

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 Half-Year Ended 31 December 2005**

---

**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.

**Note 2. Dividends**

	<b>Half Year</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary Shares		
Dividends paid for during half year	2,437	1,576

**Note 3. 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 ASG (Asia Pacific) Pty Ltd. With the exception of the above mentioned guarantee there has been no change in contingent liabilities since the full year.

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

**Notes to the Financial Statements**  
**for the Half-Year Ended 31 December 2005**

---

**Note 4. 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 2005</b>	<b>31 Dec 2004</b>	<b>1 July 2004</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Total Equity under AGAAP</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

**(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:

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

**Notes to the Financial Statements**  
**for the Half-Year Ended 31 December 2005**

<b>Consolidated Entity</b>				
	<b>Notes</b>	<b>30 June 2005</b>	<b>31 Dec 2004</b>	<b>1 July 2004</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<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:

<b>Consolidated Entity</b>				
	<b>Notes</b>	<b>Year ended 30 June 05</b>	<b>Half-year ended 31 Dec 05</b>	
		<b>\$'000</b>	<b>\$'000</b>	
<b>Profit after tax as previously reported</b>		2,966	552	
Reversal of amortisation	(i) (ii)	833	167	
Share-based payment expense	(iv)	(346)	(198)	
Income Tax Expense	(iii)	(846)	-	
<b>Profit after tax under AIFRS</b>		2,607	521	

**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.

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

**Notes to the Financial Statements**  
**for the Half-Year Ended 31 December 2005**

---

(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.

**Note 5. 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 6. Subsequent Events**

Since the end of the half year, the directors have recommended payment of an interim dividend amounting to \$1,130,062 representing a fully franked dividend of 1.0 cent per fully paid ordinary share. The dividend has not been provided for in the half-year interim financial report

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

**DIRECTORS DECLARATION**

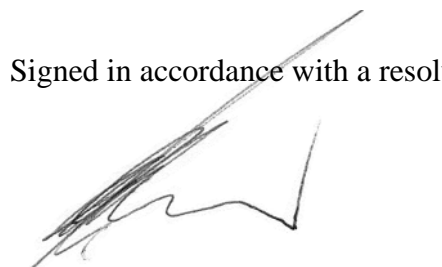
---

The directors of the company declare that;

1. The financial statements and notes, as set out on pages 10 to 19:
  - (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 31 December 2005 and of its performance for the half-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 23rd day of February 2006.

Signed in accordance with a resolution of the Directors:



---

Mr Geoff Lewis  
Director

## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ASG GROUP LIMITED

### Scope

We have reviewed the financial report of ASG Group Limited for the half-year ended 31 December 2005 as set out on pages 8 to 18. The financial report includes the financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Independence

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

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

### Statement

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:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

### BDO

#### Chartered Accountants



#### BG McVeigh

Partner

Perth, Western Australia

Dated this 23<sup>rd</sup> day of February 2006



Chartered Accountants  
& Advisers

Level 8, 256 St George's Terrace Perth WA 6000  
PO Box 7426 Cloisters Square Perth WA 6850  
Tel: (61-8) 9360 4200  
Fax: (61-8) 9481 2524  
Email: [bdo@bdowa.com.au](mailto:bdo@bdowa.com.au)  
[www.bdo.com.au](http://www.bdo.com.au)

23 February 2006

The Directors  
ASG Group Limited  
PO Box 227  
WEST PERTH WA 6872

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF ASG GROUP LIMITED**

To the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

**BDO**  
**Chartered Accountants**

**BG McVeigh**

Partner

Perth, Western Australia

Dated this 23<sup>rd</sup> day of February 2006



