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ASG Group Limited
ABN Number: 57 070 045 117

ASX ANNOUNCEMENT
Perth, 25 November 2008

Annual General Meeting

ASG Group Limited today conducted its Annual General Meeting in Perth. Addressing the meeting, the Chairman Mr Ron Baxter reviewed the recent progress against the Company's development plans and outlined key developments, plans and objectives for the current year.

Highlights included:

- **Record FY08 Revenue, Profitability and Dividends**
- **Difficult Economic Outlook**
- **Plans to Safeguard Current Business and Build Profitable Growth**
  - **Strong Focus on Bid Selection, National Delivery Efficiencies and Profitability**
  - **Strong Balance Sheet, Escalating Emphasis on Cash Generation**
- **Continuing Strength in our Application-based Market Positioning**
  - **Tougher Outlook Suits Defensive Features of ASG Business Model**
  - **Continuing Strong Outlook for Marketing and Sales in our Targeted Segments**
- **Guidance Indicating Record Revenue and Profits for First Half of FY**

A full text of Mr Baxter's address accompanies this release.

The outcome of the Resolutions put to the meeting was as follows:

	Resolution	***Outcome of Resolution***
1	Adoption of Remuneration Report	Approved at the meeting
2	Re-election of Mr Ron Baxter	Approved at the meeting
3	Re-election of Mr Stephen Johnston	Approved at the meeting
4	Issue of Options to Mr Geoff Lewis	Approved at the meeting

All resolutions were decided upon by a show of hands. The Proxy details received for each resolution were as follows:

Resolution	Total Proxies Received	In Favour	Against	Abstain	Open
1	75,919,872	67,304,461	8,602,720	11,173	1,518
2	75,919,872	74,746,958	1,156,007	15,389	1,518
3	75,919,872	75,858,526	45,916	13,912	1,518
4	75,897,462	51,743,401	10,274,577	13,877,966	1,518

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Chairman's Address to the FY2008 Annual General Meeting on 25 November 2008

Clearly major worldwide changes have occurred in national economies, capital markets and finance activities since our last shareholders meeting. It is also clear that the full impact of these changes is yet to be felt in Australia.

Our country and its markets can be expected to be strongly influenced by changes in the economic conditions impacting Australia and its trading partners throughout the world. The ASG Board and the executive team have spent considerable time assessing the likely influences which are relevant to the Company.

Today I will discuss our conclusions and current actions together with the reasons that our record of profitable growth can be continued in the changed economic environment.

Financial Year 2008

Prior to that however I will comment on the highlights of the 2008 financial year, which was an excellent one for the Company. All financial performance records were again surpassed.

Revenue grew by more than 46% over the previous record year, in line with Earnings before Interest, Taxation, Depreciation and Amortisation. Net Profit after Taxation increased by 28%. Earnings per Share were up by 22% and Franked Dividends increased by 25% to 5 cents per share for the entire year.

Key in the success of FY2008 has been the continued growth of selective outsourcing and our emphasis on the application specialties that have cemented our prime contractor position, promoted strong long term relationships with clients and provided access to the skills and resources of our sub-contractor base.

Although part of the financial year was impacted by economic instability, ASG experienced no apparent effect on the activity or business levels in our target markets. Broadly based growth was seen throughout our regions and prospect pipelines were again built to record levels.

Planning for Market Conditions

Regardless of the continuing strong conditions in our own target markets, the ASG directors and the executive team accept that more difficult times are ahead and have been working hard on measures to safeguard the business base, focus strongly on new opportunities, control costs and expand profitability and cash flow.

Although we were happy with our operating cash generation and our investment in the Intellectual Property which supports our market positioning and value-adding proposition, we are adopting a high priority on the strength of our balance sheet and our financial self-sufficiency.

It is reasonable for shareholders to expect the Company to depart from the usual messages regarding positioning, prospects and carefully worded indications about how the future results might relate to last year's performances.

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It is important to directly address our view of ASG, in the current context.

At the outset, it is important to differentiate between events related to normal running of the business that the Board can influence and those factors which cannot be influenced, but need to be taken into account in the effective running of the business. It is the latter category that is being concentrated upon at the moment.

Debt and Capital Markets

The first major area of potential impact is working capital funding, both capital and debt. We believe that the Company is in a solid position.

I note that the adverse stock market conditions experienced over the past 12 months have seen a reduction of between 65% and 80% in the share prices of listed ASX market participants that are normally bracketed in IT Services. ASG itself has seen a 75% drop in the 12 months up to November 14th.

None of this has any identifiable link with the business performance of ASG, or that of its competitors or the IT sector up to the current time.

It has a lot to do with the state of the nerves of investment managers as well as the state of their portfolios and the attitudes of their investors.

It is not useful for directors and executives of small and mid-cap listed companies to continue to talk only about internal factors such as product offerings, market positioning and trends in business levels.

Depending on their business models, they may be right or they may be wrong. The fact is that their target audience is not listening, being pre-occupied with clear and present threats to their businesses as investment managers.

Clearly, even if it was ever ethical or possible or sensible for them to try to "talk-up" a company share price, now is not the time, given that positive factors related to individual companies will have little impact on the market for the company's shares.

In the current climate, it is apparent that the global issues related to bank liquidity, economic recessions, effectiveness of the bail-out measures taken by various governments and the ultimate impact on consumer and business demand for products and services are still playing out and will dominate investment decisions.

Clearly the Board aims to ensure that ASG has access to working capital sufficient to support the operations and to take advantage of opportunities that arise.

The bottom line is we accept that the state of the capital markets makes equity-raising very hard or prohibitively expensive in strategic equity terms.

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It narrows a Company's ability to access funding, and places increased emphasis on internal company performance and the ability to meet forecasts. Similar potential constraints surround the sourcing of debt.

The Board is therefore placing even more than usual emphasis on the effectiveness of its cash flow and particularly its debt facilities.

Recently, debt facilities were pro-actively reviewed with our bankers resulting in the confirmation of a satisfactory arrangement for the next three years. Our modest fixed term debt totalling $13.9 million is now settled until its review date of October 2011.

Approximately one-quarter of the facility is at fixed interest with the remainder floating. ASG also has a further $7 million overdraft facility available for short term working capital needs.

I can also report that our banking covenants are based, as they always have been, upon controllable and directly relevant business factors and do not include external measures dependent upon the company's share price or market capitalisation. Our current working projections have the Company well within each of these covenant conditions.

Regarding matters related to cash flow and working capital, the Board has adopted the conservative planning position that we must operate the business on the assumption that further access to capital should not be required.

Further, in the absence of major contract wins or a strategic acquisition, recourse to further debt facilities should not be necessary.

With the operating businesses maintaining their own cash needs, it follows that any need for capital or debt would be based upon a good-news story flowing from such a business win or a strategic acquisition.

Importantly the Board has assessed its balance sheet, working capital and cash position somewhat in isolation from investment and finance markets which are busy reacting to their own problems with non-strategic actions driven by their own need to hold their own businesses together, and maintain access to liquidity.

We have done this and have come to the view that our self-sufficiency from a cash and working capital viewpoint needs to exist for the foreseeable future. The task will be ongoing, evolving as and when conditions change.

This is not a bad way to run a business under any conditions, but is critical to avoid unpleasant surprises flowing from failed assumptions in the current environment.

The second major focus is the area of opportunities and threats around the current business base and our prospect backlog.

In assessing the potential impact of current conditions on ASG, the Board has placed much emphasis on the defensive aspects of our business model. These are the features which allow us to keep the business that we already have, providing a solid base which can be relied upon when seeking further business.

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Key amongst our business positives is our cumulative revenue model which relies upon long term multi-year contracts with organisations which utilise our services to run their ongoing operational systems; systems which need to run every day and which are core to the client business.

These have always formed the backbone of our business and 70% of our revenue rolls on to each successive business year. Whilst many organisations claim ongoing client relationships, ours are contractual. This allows ASG managers to maintain and build client relationships day by day.

A further tangible indication of the power of the model is the fact that project revenue associated with existing long term clients together with the underlying contract revenue totalled 88% of our revenue in FY2008. This presents a huge barrier to competitive entry into the clients.

This has been our model from the outset. It is intended to operate effectively in both good and bad times and there is no intention to change it.

Supplementing the model is our concentration on application specialties. ASG has spent considerable time and capital to create important intellectual property assets, which differentiate our market offerings, protect our business base and cement value-added relationships with our clients.

These Application Managed Services opportunities represent a significant volume of sales prospects, and this is where much of our future growth will be achieved and the means by which our preferred prime contractor position will be maintained.

Many measures are being utilised on a day to day basis to control costs and cash flow. Key amongst these is even more careful attention to bid selection and further optimisation of the availability of resources across the Australia-wide delivery organisation.

Because of the type of business that ASG pursues, our bid cycles are long and relatively much more expensive than the traditional, repetitive "sell and install" model seen in many local competitors. Balancing this, business of this type is long term and develops additional and follow-on work flows from the client relationships.

Opportunities of this type, many of which are continuations of existing or previous outsourcing arrangements, appear to be maintaining previously planned levels of demand and still remain an expansion opportunity for the Group.

Regardless of the apparent volume of prospects however, the ASG executive group are tightening still further their bid assessment criteria to ensure maximum success for each bid dollar spent.

By reducing the overall cost of acquiring new clients, we will free up valuable technical resources and optimise profitability and cash flow.

Bids that are ongoing in their decision process, and particularly those which are delayed, will be regularly and actively re-assessed to decide on the appropriateness of continuing pursuit of the opportunity.

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Disengagement and pragmatic write-off of sunk costs will be considered if doubts exist on the potential win or regarding the profitability of the ultimate project.

On the delivery side, we continue to refine the National Delivery model with resources available for meeting contracted performance levels, maximum productivity, and reduction of bench time to a practical minimum. Assumptions and allowances regarding overheads will remain under constant review.

All of these measures are aimed at optimising cash flow and profitability whilst economic uncertainty remains. The intention is to do this without losing any opportunity which would normally be expected to accrue to ASG.

Positioning and Client Base

In particular there is still great strength in the qualified opportunities in our prospect and bidding backlog. The organisations involved appear to be continuing on their strategic plans to optimise their businesses through the use of information technology.

Regardless of the economic context, ASG is confident of the strength of its positioning in the Australian market and particularly our ability to reference existing clients when bidding for new business.

The ASG business model was designed to operate effectively in an economic down cycle and our success in already establishing ourselves in all relevant markets will prove a significant asset in a changed economic environment.

We are recognised as a key supplier in the selective outsourcing space, with key skills in our application specialties of Education, Health and Shared Services. This recognition will lead to our involvement in new opportunities which are normally driven by functional user requirements.

We expect demand in these areas to be maintained in all levels of government as well as in private sector organisations seeking efficiencies and improved business processes from their IT systems.

As business conditions tighten, as we expect that they will, the importance of our established prime contractor reputation will also take on extra importance. Risk averse clients will be looking for even more value for money and our numerous reference sites around the Australia should give ASG strong credentials in competitive bids.

Further factors which we assess as beneficial are the continued drive for efficiencies particularly in government, together with the proven effectiveness and client benefit of selective outsourcing, which has consistently driven relatively higher growth in our targeted segments of the industry.

Outlook

Human resources have remained a priority and a challenge given the tightness which has existed in the market over the past several years. We have made no assumption that conditions will ease

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in terms of availability or cost however this is an upside that could be a product of a general slowdown.

Our existing staff group is well qualified and experienced with the attrition rate remaining below industry averages.

On the business expansion front, ASG remains committed to its targeted acquisition program to supplement organic expansion. Although conditions have changed, our strategic criteria remain the same, with the possibility that economic factors may produce opportunities that were not previously available.

As always, the Group targets acquisitions which are EPS positive from the outset and which supplement our strategic business model. Adherence to these criteria is even more relevant under current conditions.

Guidance

Having assessed the climate in our target markets, and our trading year to date, ASG provides guidance for the financial results expected for the first half of FY2009. It is expected that EBITDA will increase to at least $9 million a rise of approximately 25% over last year's result.

This will be achieved on approximately $60 million of revenue, up 17% on the first half of FY2008. Based upon the current outlook it is expected that ASG's growth will be continued during the second half of the financial period

Conclusions

All of our actions are aimed at running the business with a structure and operating parameters which suit the current and evolving circumstances and which are likely to produce the best medium to long-term results for the shareholders. In due course you will be entitled to judge us on our effectiveness in this regard.

Having reviewed our operations in the current economic environment, and set up a process of continuous review in key operating areas, the Board is confident that growth in both revenue and earnings will continue. Key factors supporting this outlook are:

- The Group continues to benefit from the inherent strengths surrounding its business model and its qualified short and medium term business opportunities;
- Our selected markets and our customers appear to be continuing to use information technology for strategic business optimisation, indicating continued demand and growth;
- Clear plans exist to avoid or minimise the impact on the Group of global factors beyond our control;
- ASG has modest debt with long term defined facilities with its bankers, as well as clear plans to control costs and optimise cash flow;
- It is possible that opportunities for acquisition or business expansion will arise from the current business environment and the Group is positioned to take advantage of these;
- The Board and the executive group are strongly focussed on the key priorities necessary to sustain and expand the business under difficult market conditions.

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For all of these reasons, we expect our profit performance to be strong, with good prospects thereafter for continued business growth in the medium to long term.

We see the current situation as an opportunity to demonstrate the strength of the Company and its business model and strategy.

I thank you for your continued support of the Company.