



issgroup

ISS GROUP LIMITED

ABN 27 109 443 852

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2010

***This report has been prepared in
compliance with ASX Listing Rule 4.3A***

Appendix 4E

Preliminary Final Report

Name of entity

ISS GROUP LIMITED

ABN or equivalent company reference	Preliminary final (tick)	Financial year ended ('current period')
ABN 27 109 443 852	✓	30 June 2010

2. Results for announcement to the market

2.1.1 Revenue & other income	Up	1%	to	18,772,435
2.1.2 Operating Profit Before Tax	Up	132%	to	3,320,461
2.1.3 Net profit / (loss) attributable to members	Up	133%	to	3,639,594

2.3 Dividends (distributions)

	Amount per security	Franked amount per security
Final Dividend	0.5c	0.5c

Dividend paid in previous corresponding period to 30 June 2009 – final dividend for 30 June 2008 year paid on 31 st October 2008	1.75c	1.75c
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2.4 Brief explanation of any of the figures reported above in 2.1 to 2.3 necessary to enable the figures to be understood:

Commentary of Results

ISS Group has performed strongly, particularly given the subdued demand for IT services that persisted for most of the year in the resource markets. Based on the audited full year figures, the Group's revenue is up slightly (A\$18.7m) and net profit well up at 133% (\$3.6m) on last year's figures.

ISS Group Limited
Appendix 4E
Preliminary Final Report

The gross profit margin for the year is beginning to return to pre GFC levels as a result of improved margins and tighter fiscal controls on overheads. The gross profit margin for the year (excluding licence income from Schlumberger) was 27% (2009 – 23%) and for Q4 this year, improved to 32.5% (2009 Q4 – 3%).

Foreign currency changes provided an unrealized exchange loss of \$519,000 for the year (2009 – loss 338,000).

The Group's cash and receivables have improved to \$11.2 million, an increase of \$3.6 million on 2009.

A summary of the results is provided below:

Year Ending 30 June	2009 Actual \$ ('000)	2010 Actual \$ ('000)	Percent Change
Project revenue	9,929	9,807	1%↓
License revenue	4,853	4,856	0%
Maintenance and Support	2,877	3,791	32%↑
Other Income	931	318	66%↓
Total revenue	18,590	18,772	1%↑
Cost of revenue (labour)	11,061	9,639	13%↓
S, G & A expenses	3,731	3,154	15%↓
Product development expensed	3,671	1,996	46%↓
Operating profit	127	3,983	3,036%↑
Non Cash Expenses			
*Impairment of goodwill and other intangible assets	8,116	-	100%↓
Employee Share Based Expenses (completed and finalised in 2009)	1,266	-	100%↓
Depreciation	436	423	3%↓
Allowance for Doubtful Debts	265	(280)	206%↓
Foreign exchange differences	338	519	54%↑
Total Non Cash Expenses	10,421	662	94%↓
Profit / (Loss) Before Tax	(10,294)	3,321	132%↑
Income Tax (expense) / benefit**	(785)	319	141%↓
**Net Profit / (Loss) attributable to members	(11,079)	3,640	133%↑

Notes

* 2009 comparatives include the year end accounting write off of goodwill - \$8.1 million.

**Note due to a change in the accounting treatment of the reported tax credit in the mid year result, the tax credit and after tax profit has been reduced from the figure reported in the quarterly management reports. The pre-tax profit and operating profit has not changed, nor has the value of the tax losses available to the Group

Branch Activities:

Branch activities were commented on in the Quarterly Market update released to the ASX in July 2010.

Summary:

The Board is pleased with the results achieved in what has been a tough global market. The results reflect a company with strong prospects and the ability to continue to grow and develop during the tougher times and well

ISS Group Limited
Appendix 4E
Preliminary Final Report

into the future. The Group's focus is, and will continue to be, on growing sales in all regions. ISS Group's financial health remains robust. The improvement in profit (net and gross) is a reflection of tight fiscal management, and a clear focus on delivering sales and positioning ISS Group as a strong and viable organization in the solutions market.

The Board is pleased to announce a ½ cent (0.5 cents) fully franked dividend and will resume interim dividend payments based on continuing positive trading performance in the next half year period.

Appendix 4E

Preliminary final report

Consolidated Statement of Comprehensive Income for the year ended 30 June 2010

	Notes	12 Months ended 30 June 2010 \$	12 Months ended 30 June 2009 \$
Revenue	2	18,726,892	18,274,959
Other income	3	45,543	316,185
Employee benefits expense		(11,431,476)	(15,050,443)
Consulting and labour hire		(595,075)	(1,434,164)
Depreciation		(423,196)	(436,143)
Impairment of non-current assets	4	-	(8,115,903)
Finance costs		(5,254)	(5,346)
Rent & outgoings		(1,318,221)	(1,141,873)
Travel		(277,968)	(461,722)
Other expenses from ordinary activities		(1,400,784)	(2,239,913)
Profit / (loss) before income tax		3,320,461	(10,294,363)
Income tax benefit / (expense)		319,133	(785,297)
Net profit / (loss) for the year		3,639,594	(11,079,660)
Other comprehensive income			
Exchange differences on translation of foreign operations		132,338	255,774
Other comprehensive income for the year, net of tax		132,338	255,774
Total comprehensive income / (loss) for the year		3,771,932	(10,823,886)
Profit attributable to:			
Owners of the parent		3,639,594	(11,079,660)
Comprehensive income attributable to:			
Owners of the parent		3,771,932	(10,823,886)
Basic earnings / (loss) per share (cents per share)	16	2.70	(8.83)
Diluted earnings / (loss) per share (cents per share)	16	2.70	(8.83)

The above preliminary consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

ISS Group Limited
Appendix 4E
Preliminary Final Report

Consolidated Statement of Financial Position as at 30 June 2010

	Notes	30 June 2010 \$	30 June 2009 \$
Current Assets			
Cash and cash equivalents	5	6,746,671	4,804,010
Receivables	6	4,458,580	2,815,731
Total Current Assets		<u>11,205,251</u>	<u>7,619,741</u>
Non-Current Assets			
Property, plant and equipment	7	1,474,183	1,705,033
Receivables		199,810	265,217
Deferred tax asset		1,170,330	-
Total Non-Current Assets		<u>2,844,323</u>	<u>1,970,250</u>
Total Assets		<u>14,049,574</u>	<u>9,589,991</u>
Current Liabilities			
Payables	8	1,452,061	1,562,794
Interest bearing liabilities	9	14,214	29,401
Current tax liabilities	11	441,579	14,773
Provisions	10	243,461	230,790
Total Current Liabilities		<u>2,151,315</u>	<u>1,837,758</u>
Non-Current Liabilities			
Interest bearing liabilities	9	46,243	60,457
Total Non-Current Liabilities		<u>46,243</u>	<u>60,457</u>
Total Liabilities		<u>2,197,558</u>	<u>1,898,215</u>
Net Assets		<u>11,852,016</u>	<u>7,691,776</u>
Equity			
Issued capital	12	14,478,800	14,090,492
Reserves	13	2,371,222	2,238,884
Accumulated losses	14	(4,998,006)	(8,637,600)
Total Equity		<u>11,852,016</u>	<u>7,691,776</u>

The above preliminary consolidated statement of financial position should be read in conjunction with the accompanying notes

ISS Group Limited
Appendix 4E
Preliminary Final Report

Consolidated Statement of Changes in Equity for the year ended 30 June 2010

Consolidated	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Share Based Payments Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2008	12,720,220	4,659,274	(5,618)	722,428	310,833	18,407,137
Loss for the year	-	(11,079,660)	-	-	-	(11,079,660)
Exchange differences arising on translation of foreign operations	-	-	186,294	69,480	-	255,774
Total comprehensive (loss) / income for the year	-	(11,079,660)	186,294	69,480	-	(10,823,886)
Dividends paid	-	(2,217,214)	-	-	-	(2,217,214)
Contributions of equity, net of transaction costs	13,297,739	-	-	-	-	13,297,739
Return of capital	(12,003,728)	-	-	-	-	(12,003,728)
Listed options converted during the financial year	310,833	-	-	-	(310,833)	-
Tax effect of share issue costs	(234,572)	-	-	-	-	(234,572)
Share based payments	-	-	-	1,266,300	-	1,266,300
Balance at 30 June 2009	14,090,492	(8,637,600)	180,676	2,058,208	-	7,691,776
Balance as at 1 July 2009	14,090,492	(8,637,600)	180,676	2,058,208	-	7,691,776
Profit for the year	-	3,639,594	-	-	-	3,639,594
Exchange differences arising on translation of foreign operations	-	-	132,338	-	-	132,338
Total comprehensive income for the year	-	3,639,594	132,338	-	-	3,771,932
Tax effect of share issue costs	388,308	-	-	-	-	388,308
Balance at 30 June 2010	14,478,800	(4,998,006)	313,014	2,058,208	-	11,852,016

The above preliminary consolidated statement of changes in equity should be read in conjunction with the accompanying notes

ISS Group Limited
Appendix 4E
Preliminary Final Report

Consolidated Statement of Cash Flows for the year ended 30 June 2010

	Notes	12 months ended 30 June 2010 \$	12 months ended 30 June 2009 \$
Inflows/(Outflows)			
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		18,318,818	19,446,365
Payments to suppliers and employees (inclusive of goods and services tax)		(16,043,069)	(19,559,451)
Government grants received		-	275,863
Interest received		22,871	304,016
Interest paid		(5,254)	(5,346)
Taxation paid		(57,349)	(934,738)
Net cash generated (used in) operating activities	15	2,236,017	(473,291)
Cash flows from investing activities			
Payments for plant and equipment		(230,994)	(1,485,883)
Payments for security bonds		65,407	(93,702)
Proceeds from sale of plant and equipment		14,045	38,616
Net cash (used in) investing activities		(151,542)	(1,540,969)
Cash flows from financing activities			
Proceeds from issue of shares		-	13,474,267
Payments for share issue costs		-	(512,456)
Payments for return of capital		-	(12,003,728)
Dividends paid to company's shareholders		-	(2,003,785)
Repayment of borrowings		(29,401)	(36,726)
Net cash (used in) financing activities		(29,401)	(1,082,428)
Net increase/(decrease) in cash and cash equivalents		2,055,074	(3,096,688)
Cash and cash equivalents at the beginning of the period		4,804,010	7,830,466
Effect of exchange rates on cash holdings in foreign currencies		(112,413)	70,232
Cash and cash equivalents at the end of the period	5	6,746,671	4,804,010

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Preliminary consolidated financial statements

Note 1: Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied, unless otherwise stated. The financial report covers the consolidated entity of ISS Group Ltd. ("company" or "parent entity") and its subsidiaries and is presented in Australian dollars. ISS Group Ltd is a listed public company, incorporated and domiciled in Australia.

(a) Basis of preparation

This preliminary financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

This report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the most recent annual report and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Historical cost convention

These preliminary financial statements have been prepared under the historical cost convention, except where otherwise stated. Cost is based on the fair value of the consideration given in exchange for assets.

Dividends

No dividends were paid in the 2010 financial year. Subsequent to year end, the Directors declared a first and final dividend of half of one cent (0.5 cents) per share out of net profit earned in the financial year ending 30 June 2010.

ISS Group Limited
Appendix 4E
Preliminary Final Report

Notes to the Preliminary consolidated financial statements

	30 June 2010 \$	30 June 2009 \$
Note 2: Revenue		
Sales revenue		
— Consulting and licensing revenues	18,642,809	17,992,806
Other revenue		
— Interest received	84,083	282,153
	<u>18,726,892</u>	<u>18,274,959</u>
Note 3: Other Income		
— Government Grants	-	275,863
— Other	45,543	40,322
	<u>45,543</u>	<u>316,185</u>
Note 4: Impairment of non-current assets		
— Impairment of goodwill	-	8,085,903
— Impairment of licences, patents and other rights	-	30,000
	<u>-</u>	<u>8,115,903</u>
Note 5: Cash assets – Cash and cash equivalents		
Deposits at call	<u>6,746,671</u>	<u>4,804,010</u>
Note 6: Receivables		
Trade debtors	4,281,078	3,078,187
Allowance for doubtful debts	(187,605)	(470,775)
Other receivables	194,230	84,195
Prepayments	170,877	124,124
	<u>4,458,580</u>	<u>2,815,731</u>
Note 7: Property, plant and equipment		
Total property, plant and equipment		
At cost	3,006,704	2,873,805
Less: Accumulated depreciation	(1,532,521)	(1,168,772)
	<u>1,474,183</u>	<u>1,705,033</u>

ISS Group Limited
Appendix 4E
Preliminary Final Report

Notes to the Preliminary consolidated financial statements

Note 7: Property, plant and equipment (continued)

Reconciliation of the carrying amount of each class of property, plant and equipment is set out below:

	30 June 2010	30 June 2009
	\$	\$
<i>Fixtures and Equipment</i>		
Balance at the beginning of the year	1,627,393	601,256
Additions	233,399	1,485,883
Disposals	(13,941)	(53,430)
Depreciation expense	(407,413)	(420,300)
Foreign currency exchange differences	(10,090)	13,984
Carrying amount at the end of the year	<u>1,429,348</u>	<u>1,627,393</u>
<i>Motor Vehicles</i>		
Balance at the beginning of the year	77,640	53,204
Additions	-	69,064
Disposals	(17,022)	(28,785)
Depreciation expense	(15,783)	(15,843)
Carrying amount at the end of the year	<u>44,835</u>	<u>77,640</u>
Total property, plant and equipment	<u>1,474,183</u>	<u>1,705,033</u>

Note 8: Current liabilities – Payables

Trade creditors	130,797	148,624
Other creditors and accruals	1,321,264	1,414,170
	<u>1,452,061</u>	<u>1,562,794</u>

Note 9: Interest bearing liabilities

Current		
Lease liabilities	14,214	29,401
Non-Current		
Lease liabilities	<u>46,243</u>	<u>60,457</u>

ISS Group Limited
Appendix 4E
Preliminary Final Report

Notes to the Preliminary consolidated financial statements

Note 10: Current liabilities - Provisions	30 June 2010 \$	30 June 2009 \$
Employee benefits – long service leave	243,461	230,790

Note 11: Tax provision

Current	441,579	14,773
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Note 12: Issued Capital

	2010		2009	
	Number	\$	Number	\$
Issued and paid up capital				
Ordinary shares	135,208,097	14,478,800	133,624,761	14,090,492

Movements during the period

Ordinary shares	Number of shares	Issue price	\$
Balance at the beginning of the financial year	133,624,761		14,090,492
Shares issued in terms of shareholder deeds for no consideration	1,583,336	-	-
Tax effect on initial contributed equity	-	-	388,308
Balance at end of financial year	135,208,097		14,478,800

Notes to the Preliminary consolidated financial statements

Note 13: Reserves

	30 June 2010 \$	30 June 2009 \$
Share based payments reserve	2,058,208	2,058,208
Foreign currency translation reserve	313,014	180,676
	<u>2,371,222</u>	<u>2,238,884</u>

Movements:

Share based payments reserve

Balance 1 July	2,058,208	722,428
Options issued under shareholder agreements	-	1,226,300
Foreign currency exchange differences	-	69,480
Closing balance	<u>2,058,208</u>	<u>2,058,208</u>

Foreign currency translation reserve

Balance 1 July	180,676	(5,618)
Movements	132,338	186,294
Closing balance	<u>313,014</u>	<u>180,676</u>

Note 14: Accumulated losses

Retained earnings / (accumulated losses) at the beginning of the financial period	(8,637,600)	4,659,274
Net profit / (loss) attributable to the members of ISS Group Limited	3,639,594	(11,079,660)
Dividends paid	-	(2,217,214)
Accumulated losses at the end of the financial period	<u>(4,998,006)</u>	<u>(8,637,600)</u>

Notes to the Preliminary consolidated financial statements

Note 15: Cash flow information

	30 June 2010	30 June 2009
	\$	\$
(a) Reconciliation of profit for the year to net cash used in operating activities		
Profit / (Loss) from ordinary activities after income tax	3,639,594	(11,079,660)
Non-cash flows in profit / (loss) from ordinary activities:		
Depreciation	423,196	436,143
Doubtful debts	(280,120)	265,166
Loss on sale of assets	16,396	39,816
Foreign exchange differences	305,049	64,095
Impairment of non-current assets	-	8,115,903
Non-cash employee benefits expense -		
Share based payments	-	1,266,300
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(1,476,987)	700,680
Increase/(decrease) in income tax provisions	(370,810)	(294,153)
Increase/(decrease) in employee benefits provision	12,671	148,370
Increase/(decrease) in creditors and borrowings	(32,972)	(135,951)
Net cash used in operating activities	2,236,017	(473,291)

Notes to the Preliminary consolidated financial statements

Note 16: Earnings per security (EPS)	30 June 2010	30 June 2009
Basic Earnings / (loss) per share (cents per share)	2.70	(8.83)
Diluted Earnings / (loss) per share (cents per share)	2.70	(8.83)
The following reflects the profit or loss and share data used in the calculations of basic and diluted earnings per share:		
	30 June 2010	30 June 2009
	\$	\$
Earnings used in calculation of basic earnings per share	3,639,594	(11,079,660)
Earnings used in calculation of diluted earnings per share	3,639,594	(11,079,660)
	<hr/>	
Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	134,806,955	125,496,512
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	134,806,955	125,495,512
	<hr/>	

Note 17: Segment information
Description of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of ISS Group Limited.

The Company is an Australian information and technology company that develops and markets infrastructure and application software for the oil, gas and mineral processing industries. Although the consolidated entity's divisions are managed on a global basis they operate in four main geographical areas which are regarded as the operating segments for the consolidated entity, as described below:

Australia

The home country of the parent entity. The areas of operation are principally to identify and develop global distribution channels as well as to provide the localised delivery capability and product R & D.

Singapore

Provides localised sales, support and delivery capability for the Asia & Middle East regions.

Europe

Provides localised sales, support and delivery capability for the European and African regions.

USA

Provides localised sales, support and delivery capability for the North and South American regions.

ISS Group Limited
Appendix 4E
Preliminary Final Report

Notes to the Preliminary consolidated financial statements

Note 17: Segment information (continued)

30 June 2010	Australia \$	Asia \$	Europe \$	USA \$	Consolidation Eliminations \$	Consolidated \$
Revenue						
Sales to external customers	12,257,527	3,746,960	2,101,021	537,301	-	18,642,809
Other revenues from external customers	12,831	32,712	-	-	-	45,543
Interest revenue	83,659	-	424	-	-	84,083
Inter-segment sales	2,396,793	37,023	4,110	33,242	(2,471,168)	-
Total segment revenue	<u>14,750,810</u>	<u>3,816,695</u>	<u>2,105,555</u>	<u>570,543</u>	<u>(2,471,168)</u>	<u>18,772,435</u>
Segment net operating profit / (loss) after tax	<u>4,599,603</u>	<u>(325,865)</u>	<u>(292,140)</u>	<u>(394,995)</u>	<u>52,991</u>	<u>3,639,594</u>
Interest expense	5,188	-	66	-	-	5,254
Depreciation and amortisation	342,156	67,024	14,016	-	-	423,196
Other non-cash (income) / expenses	(262,612)	23,224	-	-	-	(239,388)
Income tax (benefit) / expense	(299,585)	(18,047)	-	51,490	(52,991)	(319,133)
Segment assets	<u>19,509,471</u>	<u>1,948,171</u>	<u>1,363,283</u>	<u>212,665</u>	<u>(8,984,016)</u>	<u>14,049,574</u>
Acquisition of segment assets	91,614	141,338	447	-	-	233,399
Segment liabilities	<u>2,437,549</u>	<u>1,512,931</u>	<u>2,369,475</u>	<u>1,711,226</u>	<u>(5,833,623)</u>	<u>2,197,558</u>

ISS Group Limited
Appendix 4E
Preliminary Final Report

Notes to the Preliminary consolidated financial statements

Note 17: Segment information (continued)

30 June 2009	Australia	Asia	Europe	USA	Consolidation Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue						
Sales to external customers	8,448,089	6,005,685	2,105,939	1,433,093	-	17,992,806
Other revenues from external customers	3,144,790	8,340	162	-	(2,837,107)	316,185
Interest revenue	269,340	-	10,906	1,907	-	282,153
Inter-segment sales	3,793,791	58,265	468,436	444,985	(4,765,477)	-
Total segment revenue	<u>15,656,010</u>	<u>6,072,290</u>	<u>2,585,443</u>	<u>1,879,985</u>	<u>(7,602,584)</u>	<u>18,591,144</u>
Segment net operating profit after tax	<u>(6,568,905)</u>	<u>174,601</u>	<u>(550,378)</u>	<u>(1,244,881)</u>	<u>(2,890,097)</u>	<u>(11,079,660)</u>
Interest expense	5,337	9	-	-	-	5,346
Depreciation and amortisation	361,293	59,864	14,986	-	-	436,143
Impairment of non-current assets	8,115,903	-	-	-	-	8,115,903
Share based payment expense	-	212,558	(48,353)	1,102,095	-	1,266,300
Other non-cash expenses	186,360	227,097	-	-	-	413,457
Income tax (benefit) / expense	524,944	120,182	147,922	(60,744)	52,993	785,297
Segment assets	<u>13,638,835</u>	<u>2,855,901</u>	<u>1,136,288</u>	<u>616,604</u>	<u>(8,657,637)</u>	<u>9,589,991</u>
Acquisition of segment assets	1,494,892	31,895	28,160	-	-	1,554,947
Segment liabilities	<u>2,674,969</u>	<u>2,069,553</u>	<u>1,971,566</u>	<u>1,761,290</u>	<u>(6,579,163)</u>	<u>1,898,215</u>

Notes to the Preliminary consolidated financial statements

Note 18: Net tangible assets per security	30 June 2010	30 June 2009
Net tangible asset per security on issue	8.77c	5.76c

Note 19: This report is based on accounts to which one of the following applies.

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

Frank Zenke
Company Secretary

Date: 24 August 2010