ISS GROUP LIMITED

ABN 27 109 443 852

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2011

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 2011

2. Results for announcement to the market

2.1 Revenue & other income	Down	6%	to	17,631,321
2.2 Operating Profit Before Tax	Down	58%	to	1,399,877
2.3 Net profit attributable to members	Down	69%	to	1,121,542

2.4 Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend paid for the year ended 30 June 2011 paid on 15 March 2011	0.5c	85.34%
The directors have proposed a final dividend for the year ended 30 June 2011 to be paid on 16 September 2011 as per the ISS ASX release dated 23 August 2011 (note that unfranked dividends are not subject to conduit foreign income)	0.65c	Nil
Previous corresponding period Final dividend for the year ended 30 June 2010 paid on 29 October 2010	0.5c	100%

2.5 Record date for determining entitlements to proposed dividends:

"Ex Dividend Payment" trading commences	– 5 September 2011
"Record date" last date for ISS to register transfers	– 9 September 2011
Dividend Payment date	– 16 September 2011

2.6 Brief explanation of any of the figures reported above in 2.1 to 2.4 necessary to enable the figures to be understood:

Commentary of Results

ISS Group recovered from a slow Q1 in 2010/11 to modestly outperform 2009/10 revenues for the remaining three quarters. This was achieved despite the strengthening Australian dollar and its impact on Group revenues. The Group's focus on a clear sales model, long term customer engagement philosophy, and global operational efficiencies resulted in a net profit of AUD $1.1 million.

The Australian Dollar (AUD) strengthened against all the currencies ISS Group trades in. In particular, our major trading currency, the United States Dollar (USD) lost 26% against the AUD over the financial year. Accordingly, the strengthening of the AUD impacted directly on revenues and profit. We estimate that the consolidated impact of the strengthening AUD translated into a reduction in revenue of $948 thousand AUD. The Group's total revenues decreased to $17.6 million from $18.8 million in the previous year, representing a fall of 6.1%. USD denominated sales revenue accounted for 52% of total revenue (Comparative 2009/10 38.0%) and hence accounted for the majority of the revenue fall in foreign currency.

Total costs have increased to $16.2 million (2009/10 $15.4 million) which represents an increase of 5.1%. The increase in total costs is attributable to foreign exchange rate losses of $0.95 million (2009/10 $0.52 million). Given the tough global conditions, ISS increased its sales activities and resulting costs over this period.

Research and Development costs were maintained, which has allowed the company to continue enhancing our products and remain competitive in the market. ISS Group continued to focus on providing high quality solutions and products to existing and new clients alike.

In April 2011, the management team developed a five year strategic plan, commencing with the assessment of the current position and re-defining the company's mission, values and importantly, strategic direction:

Mission:
"At ISS Group, our mission is to provide best in class software based solutions for production operations."

Vision:
"At ISS Group, our vision is to be the chosen solution provider for companies operating in our target domain markets across the globe."

We believe the strategic plan will allow ISS to increase revenues and profit via a larger and optimally structured sales organisation, development of our staff and staff retention, and increased efficiencies on both external and internal projects. The three core items of the strategic plan are:

- Business Development
- Employer of Choice
- Knowledge Management

A major focus has been, and continues to be, the implementation of new policies and procedures to support the growth of our sales organisation. Management has prioritised the hiring of new sales personnel to increase the focus on sales to new and existing clients.

Commentary of Results (continued)

The sales pipeline remains strong with the recent announcement of the TDJV Desalination project and continued projects for our existing customers. This has allowed the group to continue to grow project implementation resources in line with delivery commitments. The ISS global head count has increased 10% to 112 since March 2011 with the majority of the resources hired in the Australian region. This aligns with our goal of increasing revenues in Australia to capitalise on the resource boom. This will also reduce our sensitivity to foreign exchange fluctuations and improve our local delivery capability both in terms of capacity and skill base.

At the time of issuing this report, the global financial markets have again become unstable. While ISS Group has taken pro-active steps to minimise the impact of foreign currency exposure, be more aggressive in sales and broaden its industry reach, there is no doubt that current global uncertainty will continue to have an impact on project decision making and hence, the awarding of new contracts. Notwithstanding these uncertainties, the Board of ISS Group approaches the 2012 year with cautious optimism.

A summary breakdown of the results is provided in the table below:

Year Ending 30 June	**2011 Actual $ ('000)**	**2010 Actual $ ('000)**	**Percent Change**
Project revenue	9,205	9,807	6%↓
License revenue	4,294	4,856	12%↓
Maintenance and Support	3,584	3,791	5%↓
Other Income	548	318	72%↑
Total revenue	**17,631**	**18,772**	**6%↓**
Cost of revenue (labour)	9,074	9,639	6%↓
Selling, general & administrative expenses	4,171	3,154	32%↑
Product development expensed	1,874	1,996	6%↓
Profit before non cash expenses	**2,512**	**3,983**	**37%↓**
Non Cash Expenses			
Depreciation	335	423	21%↓
Allowance for Doubtful Debts	(175)	(280)	38%↓
Foreign exchange differences	953	519	84%↑
Total Non Cash Expenses	**1,113**	**662**	**68%↑**
Profit Before Tax	**1,399**	**3,321**	**58%↓**
Income Tax benefit / (expense)	(277)	319	187%↑
Net Profit attributable to members	**1,122**	**3,640**	**69%↓**

Consolidated Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	12 Months ended 30 June 2011 $	12 Months ended 30 June 2010 $
Revenue	2	**17,465,915**	**18,726,892**
Other income	3	165,406	45,543
Employee benefits expense		(11,711,489)	(11,431,476)
Consulting and labour hire		(447,211)	(595,075)
Depreciation		(334,513)	(423,196)
Finance costs		(3,847)	(5,254)
Rent & outgoings		(1,272,185)	(1,318,221)
Travel		(227,472)	(277,968)
Other expenses from ordinary activities		(2,234,727)	(1,400,784)
Profit before income tax		**1,399,877**	**3,320,461**
Income tax (expense) / benefit		(278,335)	319,133
Net profit for the year		**1,121,542**	**3,639,594**
Other comprehensive income			
Exchange differences on translation of foreign operations		(11,993)	132,338
Income tax relating to components of other comprehensive income		119,792	-
Other comprehensive income for the year, net of tax		**107,799**	**132,338**
Total comprehensive income for the year		**1,229,341**	**3,771,932**
Profit attributable to:			
Owners of the parent		1,121,542	3,639,594
Comprehensive income attributable to:			
Owners of the parent		1,229,341	3,771,932
Basic earnings per share (cents per share)	15	**0.82**	**2.70**
Diluted earnings per share (cents per share)	15	**0.82**	**2.70**

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

Consolidated Statement of Financial Position as at 30 June 2011

	Notes	30 June 2011 $	30 June 2010 $
Current Assets			
Cash and cash equivalents	4	6,330,537	6,746,671
Receivables	5	5,214,665	4,458,580
Total Current Assets		11,545,202	11,205,251
Non-Current Assets			
Property, plant and equipment	6	1,261,189	1,474,183
Receivables		612,219	199,810
Deferred tax asset		1,088,995	1,170,330
Total Non-Current Assets		2,962,403	2,844,323
Total Assets		14,507,605	14,049,574
Current Liabilities			
Payables	7	1,570,744	1,452,061
Interest bearing liabilities	8	15,259	14,214
Current tax liabilities	10	-	441,579
Provisions	9	867,583	243,461
Total Current Liabilities		2,453,586	2,151,315
Non-Current Liabilities			
Provisions	9	43,590	-
Interest bearing liabilities	8	30,984	46,243
Total Non-Current Liabilities		74,574	46,243
Total Liabilities		2,528,160	2,197,558
Net Assets		11,979,445	11,852,016
Equity			
Issued capital	11	14,739,471	14,478,800
Reserves	12	2,479,021	2,371,222
Accumulated losses	13	(5,239,047)	(4,998,006)
Total Equity		11,979,445	11,852,016

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

Consolidated Statement of changes in equity for the year ended 30 June 2011

Consolidated	Ordinary Shares	Accumulated losses	Foreign Currency Translation Reserve	Share Based Payments Reserve	Total
	$	$	$	$	$
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**
Balance as at 1 July 2010	**14,478,800**	**(4,998,006)**	**313,014**	**2,058,208**	**11,852,016**
Profit for the year	-	1,121,542	-	-	1,121,542
Exchange differences arising on translation of foreign operations	-	-	(11,993)	-	(11,993)
Income tax relating to components of other comprehensive income	-	-	119,792	-	119,792
Total comprehensive income for the year	-	1,121,542	107,799	-	1,229,341
Shares issued	450,000	-	-	-	450,000
Share buy-back program	(189,329)	-	-	-	(189,329)
Dividends paid	-	(1,362,583)	-	-	(1,362,583)
Balance at 30 June 2011	**14,739,471**	**(5,239,047)**	**420,813**	**2,058,208**	**11,979,445**

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

Consolidated Statement of Cash Flows for the year ended 30 June 2011

	Notes	12 months ended 30 June 2011 $	12 months ended 30 June 2010 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		17,340,084	18,318,818
Payments to suppliers and employees (inclusive of goods and services tax)		(15,283,081)	(16,043,069)
Government grants received		156,218	-
Interest received		246,773	22,871
Interest paid		(3,847)	(5,254)
Taxation paid		(616,594)	(57,349)
Net cash generated by operating activities	14	1,839,553	2,236,017
Cash flows from investing activities			
Payments for plant and equipment		(134,821)	(230,994)
Payments for security bonds		-	65,407
Proceeds from sale of plant and equipment		-	14,045
Net cash used in investing activities		(134,821)	(151,542)
Cash flows from financing activities			
Payments for share buy back		(189,329)	-
Dividends paid to company's shareholders		(1,362,583)	-
Repayment of borrowings		(14,214)	(29,401)
Net cash used in financing activities		(1,566,126)	(29,401)
Net increase/(decrease) in cash and cash equivalents		138,606	2,055,074
Cash and cash equivalents at the beginning of the period		6,746,671	4,804,010
Effect of exchange rates on cash holdings in foreign currencies		(554,740)	(112,413)
Cash and cash equivalents at the end of the period	4	6,330,537	6,746,671

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

The following dividends were paid during the financial year:

A final ordinary dividend at $0.005 per share (fully franked) for the year ended 30 June 2010 was paid on 29 October 2010 totalling $676,041.

An interim ordinary dividend at $0.005 per share (franked at 85.34%) for the year ended 30 June 2011 was paid on 15 March 2011 totalling $686,542.

The directors have proposed a final unfranked ordinary dividend of $0.0065 per share for the year ended 30 June 2011.

Notes to the Preliminary consolidated financial statements

		30 June 2011 $	30 June 2010 $
Note 2: Revenue			
Sales revenue			
—	Consulting and licensing revenues	17,240,501	18,642,809
Other revenue			
—	Interest received	225,414	84,083
		17,465,915	18,726,892
Note 3: Other Income			
—	Government Grants	156,218	-
—	Other	9,188	45,543
		165,406	45,543
Note 4: Cash assets – Cash and cash equivalents			
Deposits at call		6,330,537	6,746,671
Note 5: Receivables			
Trade debtors		4,695,304	4,281,078
Allowance for doubtful debts		-	(187,605)
Other receivables		151,312	194,230
Income tax refund receivable		218,467	-
Prepayments		149,582	170,877
		5,214,665	4,458,580
Note 6: Property, plant and equipment			
Total property, plant and equipment			
At cost		3,049,892	3,006,704
Less: Accumulated depreciation		(1,788,703)	(1,532,521)
		1,261,189	1,474,183

Notes to the Preliminary consolidated financial statements

Note 6: Property, plant and equipment (continued)

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

Fixtures and Equipment	30 June 2011 $	30 June 2010 $
Balance at the beginning of the year	1,429,348	1,627,393
Additions	134,821	233,399
Disposals	(234)	(13,941)
Depreciation expense	(323,304)	(407,413)
Foreign currency exchange differences	(13,068)	(10,090)
Carrying amount at the end of the year	1,227,563	1,429,348
Motor Vehicles		
Balance at the beginning of the year	44,835	77,640
Disposals	-	(17,022)
Depreciation expense	(11,209)	(15,783)
Carrying amount at the end of the year	33,626	44,835
Total property, plant and equipment	1,261,189	1,474,183

Note 7: Current liabilities – Payables

Trade creditors	163,113	130,797
Other creditors and accruals	1,407,631	1,321,264
	1,570,744	1,452,061

Note 8: Interest bearing liabilities

Current		
Lease liabilities	15,259	14,214
Non-Current		
Lease liabilities	30,984	46,243

Notes to the Preliminary consolidated financial statements

Note 9: Provisions

	30 June 2011 $	30 June 2010 $
Current		
Employee benefits – long service leave	324,305	243,461
Employee benefits – commissions & bonuses	543,278	-
	867,583	243,461
Non Current		
Employee benefits – long service leave	43,590	-

Note 10: Tax provision

Current	-	441,579

Note 11: Issued Capital

	2011		2010	
	Number	**$**	**Number**	**$**
Issued and paid up capital				
Ordinary shares	136,150,863	14,739,471	135,208,097	14,478,800

Movements during the period

Ordinary shares	Number of shares	Issue price	$
Balance at the beginning of the financial year	135,208,097		14,478,800
Shares issued at $0.18 per share	2,500,000	$0.18	450,000
Shares subject to buy-back program	(1,557,234)	-	(189,329)
Balance at end of financial year	136,150,863		14,739,471

Notes to the Preliminary consolidated financial statements

Note 12: Reserves

	30 June 2011 $	30 June 2010 $
Share based payments reserve	2,058,208	2,058,208
Foreign currency translation reserve	420,813	313,014
	2,479,021	2,371,222

Movements:

Foreign currency translation reserve

Balance 1 July	313,014	180,676
Movements	107,799	132,338
Closing balance	420,813	313,014

Note 13: Accumulated losses

Accumulated losses at the beginning of the financial period	(4,998,006)	(8,637,600)
Net profit attributable to the members of ISS Group Limited	1,121,542	3,639,594
Dividends paid	(1,362,583)	-
Accumulated losses at the end of the financial period	(5,239,047)	(4,998,006)

Notes to the Preliminary consolidated financial statements

Note 14: Cash flow information

	30 June 2011 $	30 June 2010 $
(a)Reconciliation of profit to net cash used in operating activities for the period after income tax		
Profit from ordinary activities after income tax	1,121,542	3,639,594
Non-cash flows in profit from ordinary activities:		
Depreciation	334,513	436,143
Doubtful debts	(175,397)	(280,120)
Loss on sale of assets	242	16,396
Foreign exchange differences	713,190	305,049
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(580,688)	(1,476,987)
Increase/(decrease) in income tax provisions	(360,244)	(370,810)
Increase/(decrease) in employee benefits provision	771,712	12,671
Increase/(decrease) in creditors and borrowings	14,683	(32,972)
Net cash used in operating activities	1,839,553	2,236,017

Notes to the Preliminary consolidated financial statements

Note 15: Earnings per security (EPS)	**30 June 2011**	**30 June 2010**
Basic Earnings per share (cents per share)	0. 82	2.70
Diluted Earnings per share (cents per share)	0.82	2.70

The following reflects the profit or loss and share data used in the calculations of basic and diluted earnings per share:	**30 June 2011 $**	**30 June 2010 $**
Earnings used in calculation of basic earnings per share	1,121,542	3,639,594
Earnings used in calculation of diluted earnings per share	1,121,542	3,639,594
Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	136,781,258	134,806,955
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	136,781,258	134,806,955

Note 16: 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.

Notes to the Preliminary consolidated financial statements

Note 16: Segment information (continued)

30 June 2011	Australia $	Asia $	Europe $	USA $	Consolidation Elimination $	Consolidated $
Revenue						
Sales to external customers	10,681,448	4,182,402	2,052,155	324,496	-	17,240,501
Other revenues from external customers	157,127	8,279	-	-	-	165,406
Interest revenue	224,862	-	552	-	-	225,414
Inter-segment sales	1,911,120	522,697	59,080	1,128,389	(3,621,286)	-
Total segment revenue	12,974,557	4,713,378	2,111,787	1,452,885	(3,621,286)	17,631,321
Segment net operating profit / (loss) after tax	292,932	225,473	174,546	149,077	279,514	1,121,542
Interest expense	3,847	-	-	-	-	3,847
Depreciation and amortisation	264,086	57,689	12,738	-	-	334,513
Other non-cash expenses	451,244	90,357	61,539	53,418	-	656,558
Income tax (benefit) / expense	169,143	94,940	(105,540)	-	119,792	278,335
Segment assets	17,032,538	2,807,966	166,810	898,134	(6,397,843)	14,507,605
Acquisition of segment assets	111,116	23,318	387	-	-	134,821
Segment liabilities	880,175	2,196,311	1,218,975	1,590,725	(3,358,026)	2,528,160

Notes to the Preliminary consolidated financial statements

Note 16: Segment information (continued)

30 June 2010	Australia $	Asia $	Europe $	USA $	Consolidation Elimination $	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	14,750,810	3,816,695	2,105,555	570,543	(2,471,168)	18,772,435
Segment net operating profit / (loss) after tax	4,599,603	(325,865)	(292,140)	(394,995)	52,991	3,639,594
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	19,509,471	1,948,171	1,363,283	212,665	(8,984,016)	14,049,574
Acquisition of segment assets	91,614	141,338	447	-	-	233,399
Segment liabilities	2,437,549	1,512,931	2,369,475	1,711,226	(5,833,623)	2,197,558

Notes to the Preliminary consolidated financial statements

Note 17: Net tangible assets per security	30 June 2011	30 June 2010
Net tangible asset per security on issue	8. 80c	8.77c

Note 18: This report is based on accounts to which one of the following applies.

☐	The accounts have been audited.	☐	The accounts have been subject to review.
☒	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

Frank Zenke
Company Secretary

Date: 25 August 2011