Allied Technologies Group Limited

(previously ServicePoint Limited)

ABN 57 010 597 672

Annual Report 2004

Contents

Company particulars

Directors	M J Addison - Chairman R C Doak - Managing Director A V Berriman - Director A Maroc - Director J L Gwyther - Director
Company Secretary	L H Roe
Principal place of business and registered office in Australia	Level 8, 60 Pitt Street Sydney NSW 2000 Telephone: (02) 8259 4100 Facsimile: (02) 8259 4151 Email: mail@allied.com.au Website: www.allied.com.au
Share register	Advanced Share Registry Services 7th Floor, 200 Adelaide Terrace Perth WA 6000 Telephone: (08) 9221 7288 Facsimile: (08) 9221 7869
Auditor	Grant Thornton Level 17, 383 Kent Street Sydney NSW 2000
Lawyers	Cowley Hearne Lawyers Pty Limited Level 10, 60 Miller Street North Sydney NSW 2060
Stock exchange listing	Allied Technologies Group Limited shares are listed on the Australian Stock Exchange. The trading code is ATZ.

Directors' report

Your directors present their report on the consolidated entity ("Allied") consisting of Allied Technologies Group Limited ("the company") and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

The following persons were directors of Allied Technologies Group Limited at any time during or since the end of the financial year:

Director	Appointed	Resigned
M J Addison	5 June 2003	Current
A V Berriman	5 June 2003	Current
W A Warren	5 June 2003	21 April 2004
R C Doak	21 April 2004	Current
A Maroc	21 April 2004	Current
J L Gwyther	24 September 2004	Current

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of videoconferencing and associated services and, following the acquisition of Allied Group Pty Limited, included the design, integration, installation and maintenance of communications networks.

Dividends

Based on the group achieving better than expected results for the 2004 financial year, and with in excess of $3m of dividend franking credits within the group, the directors reversed a prior decision not to pay a dividend in respect of the 2004 financial year and, on 30 July 2004, announced a 1.5 cents per share fully franked maiden dividend.

The payment of the dividend was accompanied by an optional dividend reinvestment plan, giving shareholders the opportunity to increase their shareholdings in the company.

As a show of confidence in the group, each of the executive directors, who at the time of the announcement held in excess of 55% of issued capital of the company, undertook to take up their full share entitlement under the plan.

Results

The consolidated operating profit after providing for income tax attributable to members of Allied Technologies Group Limited was $1,004,342 (2003 loss $1,734,795).

Review of operations

A summary of consolidated revenues and results is set out below:

Recapitalisation and refocus of the Company

The group has seen significant change, growth and strengthening since the commencement of the 2004 financial year.

From an effective share price of 12.0 cents and a market capitalisation of less than $300,000 at the start of the financial year, the considerable scale of the improvement is evidenced by a closing share price of 45.0 cents on 28 September 2004, representing a market capitalisation of approximately $23.5 million at that date.

As an integral first step in the rebuilding process, the company was recapitalised by its directors on 28 July 2003 with a cash injection of $500,000. This was accompanied by a commitment to refocus the group's activities and to rebuild through organic growth and acquisition.

This rebuilding process has seen revenues improve from less than $4 million for the 2003 financial year to pro forma revenues of approximately $31 million for the 2004 financial year (see table), and a projected $50 million in revenues looking forward to the end of June 2005.

At a corporate level this has involved a significant amount of restructuring and rebuilding activity, evidenced by no less than 90 company ASX announcements between the start of the 2004 financial year and the date of this report.

Acquisition of Allied Group Pty Limited

The most significant step in the rebuilding process was undoubtedly the acquisition of the Allied Group Pty Limited and its subsidiary companies ("AGPL") on 30 April 2004.

The acquisition consideration, which was principally scrip based, involved the issue of 17,756,263 new shares to the AGPL sellers at a price of 40 cents per share, giving them an effective 58% shareholding in the company at the date of the acquisition.

The acquisition involved an appropriate change in the name of the company from ServicePoint Limited to Allied Technologies Group Limited and the appointment of Mr Raymond Doak, the founder and Managing Director of AGPL as the new Managing Director and CEO of the company, an appointment that the Board welcomed.

Directors' report

As a direct result of the significant increase in the scale of the group's business due to the AGPL acquisition, the company was required by the ASX to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules, as if applying for re-admission to the Official List. This necessitated the issue of a prospectus on 9 March 2004 and the issue of a further 5 million new shares in order to meet the ASX shareholder spread requirements. The prospectus share issue was done at a price of 30 cents per share, reflecting current market conditions at the date of issue.

With a 30 April 2004 effective date for the AGPL acquisition, the actual profit after tax figure of $1,041,438 (before the write-off of goodwill arising on acquisition) for the full financial year to 30 June 2004 reflects the inclusion of AGPL's results into the company's consolidated earnings for only the final 2 months of the 2004 financial year.

Based on a weighted average of approximately 12.2 million shares in issue over the period, this gives an earnings per share figure (before the write-off of goodwill arising on acquisition) of approximately 8.5 cents for the full financial year.

In considering this result, it is important to note that a significant proportion of AGPL's revenues are generated in the final quarter of each financial year. With the AGPL acquisition having been effective from 30 April 2004, this would have resulted in the company reporting a disproportionately better than average earnings per share figure for the full financial period.

Had AGPL's results for the full financial year been incorporated into the company's consolidated earnings, the pro forma combined results for the group for the full financial period would have been as set out in the table below.

Pro Forma Consolidated Results for 12 months ended 30 June 2004			
	Prospectus Projection $	**Pro forma Actual $**	**Variance %**
Revenue	32,019,783	31,159,931	-2.7%
EBIT	2,051,216	2,312,970	+12.8%
Profit before Tax	1,762,390	2,096,351	+18.9%
Taxation	229,479	396,404	+72.7%
Profit after Tax	1,532,911	1,699,947	+10.9%

Notes : Based on the inclusion of AGPL's financial results for the full financial year ended 30 June 2004, and excluding the write-off of goodwill on acquisition.

As the table demonstrates, the actual pro forma consolidated figures for the year compare favourably with the pro forma forecast combined results published in the company's recent prospectus, reflecting improvements on projected figures of 12.8% in EBIT, 18.9% in profit before tax and 10.9% in profit after tax.

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were the acquisition of AGPL, as detailed above, and the change in share capital from $8,803,687 to $17,770,416. This change in share capital resulted from the issue of shares in consideration for the acquisition of AGPL and the issue of shares under a share purchase plan, a prospectus and two private placements. The share capital was also affected by two share consolidations. Details of the share issues and consolidations are shown at Note 20.

Matters subsequent to the end of the financial year

On 19 July 2004 it was announced that Allied had started the new financial year with in excess of $18 million of business in hand, putting the group in a strong position for the coming financial year.

This figure represents some 50% of the projected FY2005 budgeted revenues and is made up of $5 million in unrecognised revenue from existing projects yet to be delivered, new orders already received in FY2005 of $5.5 million and annuity revenues for the group of approximately $8 million.

At the same time in July 2003, Allied had approximately $12 million of business in hand.

On 2 August 2004, the company announced projected revenues of $35 million and projected profit after tax of $1.9 million (excluding amortisation of goodwill arising on the AGPL acquisition) for the financial year ending 30 June 2005. These figures, which reflect the directors' confidence in the future of the company, represent improvements of 12.3% in revenues and 11.8% in profit after taxation over the pro forma combined results for the group for the 2004 financial year.

Acquisition of TUSC Computer Systems

On 17 August 2004 the company announced that it had entered into a conditional agreement to acquire the entire issued share capital of TUSC Computer Systems Pty Limited and its wholly owned subsidiary Enterprise Management Solutions Pty Limited ("TUSC").

Directors' report

On 24 September 2004, following satisfaction of all the conditions precedent to the transaction and shareholder approval at a general meeting of the company on 22 September 2004, the TUSC acquisition was concluded.

Consideration for the TUSC acquisition is based on a combined multiple of TUSC's FY2004 and FY2005 EBIT, and is payable in a combination of cash and shares. The first portion of the consideration, which was paid to the TUSC vendors on completion of the transaction, comprised 6 million new Allied shares, issued at a price of 30 cents per share, and $2.0 million in cash.

The balance of the consideration will be payable in cash within 30 days of completion of TUSC's 2005 financial year audit.

The Allied directors believe that the acquisition of TUSC will have a significant and positive impact on the group.

Besides having a positive impact on Allied's FY2005 earnings per share, TUSC will give Allied a strong geographic presence in the Victorian and South Australian markets and will present the Company with numerous cross-selling opportunities.

Furthermore, with the majority of TUSC's customers comprising enterprises and utility and telecommunication providers across Victoria, Allied's present reliance on government and defence related customers will be reduced.

With an effective transaction date of 1 July 2004, Allied will realise the benefit of the TUSC revenue and earnings for the full financial year ending 30 June 2005. The table below reflects the combined pro forma projected figures for Allied for the 2005 financial year.

Pro forma projections for 12 months ending 30 June 2005			
	Allied ($000's)	**TUSC ($000's)**	**Combined* ($000's)**
Revenue	35,000	15,000	50,000
EBIT	2,500	1,800	4,300
Profit after Tax	1,920	1,300	3,220
Weighted Av. shares in issue (000)**	-	-	47,729
Projected EPS (cents)			6.75

* Based on the inclusion of TUSC's projected figures for the full financial year to 30 June 2005, and excluding the write-off of goodwill on acquisition.

** Excluding any shares to be issued under the dividend reinvestment plan.

In conjunction with, and upon completion of the TUSC transaction on 24 September 2004, Mr John Gwyther, the former Chairman and founder of TUSC, joined the Board of Allied as a non-executive director. The Board welcomes this appointment and believes that Mr Gwyther will make a significant contribution to the future of the group.

$5 million Capital Raising to fund TUSC acquisition and future growth

In conjunction with the acquisition of TUSC, the Board announced on 17 August 2004 that it had received binding undertakings from 10 *small cap funds* and other *professional investors* for the placing of a total of approximately 15.63 million new Allied shares at a price of 32 cents per share, to raise a total of $5.0 million, before expenses. The placing, which was conducted in two staged tranches, was successfully completed on 24 September 2004.

The directors are of the view that the introduction of the 10 *small cap funds* onto Allied's share register will enhance the Company's credibility and standing in the wider investment market.

In conjunction with the issue, Allied's Chairman, Mr Michael Addison, expressed his ongoing commitment to the Company by taking up 1,000,000 shares under the placement.

Of the gross amount raised under the share placement, $2.0 million was used to fund the cash element of first portion of the TUSC purchase consideration, $1.0 million was applied towards procuring the release of personal guarantees in respect of the debts of the TUSC Group, with the balance being used to fund the expenses of the transaction, the costs associated with the raising of capital under the share placement and towards Allied's ongoing working capital and growth requirements.

Release of Personal Guarantees securing Group Borrowings

In September 2004 the company procured the release of Raymond Doak and Alysum Doak from all personal guarantees given by them as security over the borrowings of AGPL.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect:

(a) The consolidated entity's operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The consolidated entity's state of affairs in future financial years.

Directors' report

Future developments

Allied is anticipating further organic revenue growth of approximately 12% for the 2005 financial year.

The directors are of the view that the acquisition of TUSC, with its higher EBIT/revenue margin ratio, in conjunction with benefits currently being realised through economies of scale, will improve the group's overall profit performance going forward.

Notwithstanding the group's strong internal growth prospects, the directors also remain committed to their current acquisition programme - with a view to reaching an annualised revenue target of $100 million by the end of December 2005.

Environmental issues

The consolidated operations are not regulated by any significant environmental regulations under a law of the Commonwealth or State or Territory.

Directors' biographies

R C Doak
MAICD, AIMM
Managing Director

Ray Doak has in excess of 15 years' experience in the IT&T industry, with a particular specialisation in the areas of general and project management. He founded Allied Group Pty Limited and, following its acquisition by ServicePoint, was appointed as Managing Director and CEO of Allied Technologies Group Limited.

Under Ray's direction, Allied has successfully tendered for many Federal and State Government contracts. In 2001 Ray was appointed as a finalist in the Ernst & Young South Eastern Region Entrepreneur of the Year Awards.

Ray is a member of both the Australian Institute of Company Directors and the Australian Institute of Management.

Ray is a member of the Remuneration Committee and the Audit Committee.

M J Addison
BSc Eng (Hons), MPhil (Oxon), FAIM
Chairman

Michael Addison has spent a major part of his working career as a merchant banking corporate finance specialist working for Baring Bros. & Co. Limited in London, Standard Merchant Bank in Johannesburg and Standard Chartered Asia in Hong Kong. His experience across both private and public companies includes stock exchange listings, local and cross border mergers and acquisitions, due diligence studies and valuations and complex corporate restructuring.

Michael's expertise also includes hands-on experience in the private equity and venture capital markets, where he has acted both as an adviser as well as a principal of a management buy-in investee company, which he successfully took to a stock exchange listing. He has held a number of senior executive positions on the boards of both listed and unlisted companies.

Michael has an undergraduate degree in Civil Engineering and an Oxford University postgraduate degree in Management Studies. He is a Fellow of the Australian Institute of Management, a committee member of the Australian Employee Ownership Association and is a former Rhodes Scholar.

Michael is also currently a director of Unitas Capital Partners Pty Limited, a company specialising in employee buyouts and related capital expansion opportunities.

Michael is Chairman of the Corporate Governance Committee and a member of the Remuneration Committee.

Directors' report

A V Berriman
MBA (Macquarie), MIMC
Executive Director

Andrew Berriman has more than 30 years' commercial experience in the IT&T industry preceded by 6 years' military service in secure telecommunications. The commercial experience in the IT&T industry has covered the full spectrum of corporate and management roles including technical, marketing, sales, consulting and finance with companies such as Control Data, Sigma Data, Wang, Solution 6, CR Group, NVS and ServicePoint.

Andrew's expertise includes hands-on experience with business start-ups, capital raising, mergers and acquisitions and a public company listing. Andrew has served on the boards of two Australian publicly listed IT companies for a total of nine years.

Andrew has a postgraduate degree in Business Administration from the Macquarie Graduate School of Management in Sydney and is a member of the Institute of Management Consultants in Australia.

Andrew is a member of the Remuneration Committee.

A Maroc
Non Executive Director

Andrew Maroc was employed by the Australian Taxation Office for a period of 13 years from 1973 to 1986. In 1986 he founded Andrew Maroc & Associates, a Canberra based accounting practice, where he is now the Senior Principal.

Andrew has acted as an adviser to Allied Technologies Group for a number of years and has an extensive working knowledge of the history and processes of the group.

Andrew is a Certified Practising Accountant, has a Bachelor of Economics Degree from the University of Sydney and a Graduate Diploma in Administration from the University of Canberra.

Andrew is a member of the Remuneration Committee and the Audit Committee.

J L Gwyther
Non Executive Director

John Gwyther joined the Board as a Non-Executive director on 24 September 2004 in conjunction with the acquisition of TUSC Computer Systems Pty Limited.

John has been in the IT industry for more than 30 years, with software development positions in meteorological and medical research and in technical sales with Hewlett Packard. He is a past Chairman of the Australian Information Industry Association (AIIA), the current Chairman of Software Engineering Australia, previous Chairman of the Industry Advisory Council for Monash University's Faculty of IT, and was a member of Senator Alston's Framework For Future Group (F3).

John has a Bachelor of Science (Honours) from Melbourne University and in 2003 was awarded a Centenary Medal in recognition of his services as Chairman of AIIA.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

	Board		Audit Committee		Remuneration Committee		Corporate Governance Committee	
	A	B	A	B	A	B	A	B
M J Addison	15	15	2	2	2	2	1	1
A V Berriman	15	15	2	2	2	2	*	*
W A Warren	11	12	*	*	*	*	*	*
R C Doak	4	4	0	0	1	1	*	*
A Maroc	4	4	0	0	1	1	1	1
J L Gwyther	0	0	*	*	*	*	*	*

A = number of meetings attended while the director was a member of the board or committee
B =number of meetings held during the time the director held office and was a member of the committee during the year
* = Not a member of the relevant committee

Directors' report

Directors' and executives' emoluments
Directors' and executives' emoluments for the year ended 30 June 2004 are disclosed in Note 23.

Directors' interests in the shares and options of the Company
On 4 June 2004, in conjunction with the entering into of executive service agreements, the company granted to its executive directors a total of 4,000,000 options to subscribe for shares in the company at a price of 42 cents per share. The grant of the options was subject to shareholder approval, which was given at a general meeting of the company held on 22 September 2004 and the options will only vest in the event that the relevant executive completes a period of two years in the employment of the company.

Besides these options, no other options were granted to or exercised by directors and executive officers during the financial year.

Directors' interests in the shares and options of the company are disclosed in Note 23.

Share options
Disclosure of shares under option is contained in Note 20 – Contributed Equity.

Indemnifying officers or auditor
Allied Technologies Group Limited has Directors' & Officers' Liability Insurance with Chubb Insurance Company of Australia Limited covering the directors and officers against liability to the value of $2,000,000, at an annual premium of $22,155 (excluding GST).

No indemnity has been given to any auditor of the company.

Proceedings on behalf of the company
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

This directors' statutory report is signed in accordance with a resolution of the directors of Allied Technologies Group Limited.

R C Doak
Managing Director

Sydney
30 September 2004

Corporate governance statement

The company supports the best practice recommendations of Corporate Governance as set out by the ASX. The Board, however, believes that certain requirements are not practical for Allied Technologies Group Limited and therefore does not comply with all recommendations. It is the company's belief that the current structure of the Board of directors is desirable and practical for a company of Allied's size.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the year ended 30 June 2004.

Board composition
The Board currently comprises two non-executive directors, who are independent as defined by the ASX Corporate Governance Council's Principles, the Managing Director and two executive directors. It is the policy of the Board that there is a separation of the roles of Chairman and Managing Director. The majority of the Board are not independent as it is felt that the objectives of the company are currently met with a majority executive participation.

The Board's primary role is to ensure the long-term health and prosperity of the company which is accomplished by:

- Setting objectives, goals and strategic direction with a view to maximizing shareholder value;
- Adopting an annual budget and monitoring financial performance;
- Ensuring adequate internal controls exist and are appropriately monitored for compliance;
- Ensuring significant business risks are identified and appropriately managed;
- Approving the interim and final financial accounts and related reports to the ASX and shareholders;
- Setting the highest business standards and code for ethical behaviour.

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties, to seek independent professional advice at the company's expense. However, prior approval of the Chairman is required which would not be unreasonably withheld.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report and their term of office are detailed in the Directors' Report, refer page 5.

The names of the independent directors of the company are Andrew Maroc and John Gwyther.

When determining whether a non-executive director is independent, the director must not fail any of the following materiality thresholds:

1. less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
2. no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
3. none of the directors income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the consolidated entity other than income derived as a director of the entity.

Operation and development of the company, consistent with the directions and standards set by the Board, is delegated to the Managing Director, and to the various Board Committees.

The monthly financials and performance reports make the Board aware of current and forthcoming issues relevant to the company's operations and performance.

Board Nominations
The composition of the Board is monitored (both in respect of size and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the company. When a vacancy exists, the Board identifies candidates with appropriate expertise and experience and appoints the most suitable person.

Audit Committee
The Audit Committee of the Board, comprising one non-executive director, who is independent as defined by the ASX Corporate Governance Council's Principles, the Managing Director and one specified executive, works to defined terms of reference in compliance with all the regulatory requirements. The external audit firm partner responsible for the company audit attends by invitation.

It is not considered practical to have the majority of members as independent and it is believed that the audit committee currently has the necessary expertise.

Corporate governance statement

Members of the Audit Committee during the period were:

A Maroc (Chairman)
R C Doak
J Fletcher

For details on the number of meetings of the Audit Committee held during the year and the attendance at those meetings, refer to page 6.

The committee formally reports to the Board after each of its meetings. The role of the committee is to consider matters relating to the financial affairs, internal control policies and external audit of the company and any other matters referred to it by the Board.

Allied Technologies Group Limited has requested the external Auditor to attend the Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit, and preparation and content of the Auditor's Report.

Directors' remuneration
Non-executive directors are remunerated by fees within the aggregate amount of $120,000. All non-executive directors' payments are inclusive of committee fees. The non-executive directors also have entitlements to superannuation up to the statutory limit.

For details on the breakdown of directors' remuneration, refer to Note 23. Further, the amount of remuneration for all directors and the four highest paid executives, including all monetary and non-monetary components, are detailed in Note 23 to the financial report. All remuneration paid to executives is valued at the cost to the company.

The Board, as a whole, serves as a Remuneration Committee. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Performance evaluation
An annual performance evaluation of the Board and all Board members was not conducted for the financial period ended 30 June 2004. However, the Chairman speaks to each director from time to time and recommendations may be tabled to improve performance. The Board will then develop an action plan to implement the recommendations and set the performance criteria and goals for the next year.

Communication with shareholders and the market
The company acknowledges the shareholders' rights and recognises the importance of facilitating effective communication to shareholders. The company provides this by:

- Communicating openly and effectively with them;
- Providing readily relevant available information about Allied Technologies Group Limited on its corporate website; and
- Facilitating shareholder participation in general meetings.

Share trading policy
Directors are not required to hold a minimum number of shares pursuant to the company's constitution. However their current shareholdings are shown in Note 23.

The Board has adopted a policy for dealing in the company's shares by directors and employees and entities controlled by directors and employees. The policy permits the purchase or sale of shares in the company throughout the year except during the period commencing on the last day of the reporting period (ie 30 June of each year) and ending at the end of the day of the announcement (Black-Out Period) or during any other Black-Out Period introduced at the direction of the Managing Director or the Chairman.

The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Directors and designated officers or an entity controlled by directors or designated officers are not permitted to purchase or sell shares in the company at other times without prior consent of the Board. This policy does not preclude a director or an entity controlled by a director from taking up or renouncing an entitlement to the company's shares or participating in the company's Share Purchase Plan or the Dividend Reinvestment Plan.

Ethics & codes of conduct
The company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

Corporate governance statement

The company intends to maintain a reputation for integrity. The Board intends to adopt a Code of Ethics which will set out the principles and standards with which all officers and employees are expected to comply in performance of their respective functions.

The company's Code of Ethics:

- will state the company values and principles;
- will set out the framework in which the company will manage the business, its employees and relationships with all stakeholders, including the community in which it operates; and
- will establish the foundation on which all the company's polices are determined.

Officers and employees of the company are required to act in accordance with the law and with the highest standards of propriety.

Risk management policy
The Board, as a whole, is responsible for overseeing the risk management function. The company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a risk management committee, at present.

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the company's vision, mission and strategy statements designed to meet stakeholders' needs and manage business risk;
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both financial and non-financial nature; and
- The establishment of committees to report on specific business risks.

Other information
The company's corporate governance practices and policies are publicly available at the company's Registered Office. These policies have not yet been posted on the company's website, but will be in the near future.

Financial Report

For the year ended 30 June 2004

Contents

This financial report covers both Allied Technologies Group Limited as an individual entity and the consolidated entity consisting of Allied Technologies Group Limited and its controlled entities.

Allied Technologies Group Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 2-7.

For queries in relation to our reporting please call (02) 8259 4100 or e-mail investor@allied.com.au.

Statement of financial performance

For the year ended 30 June 2004

	Notes	Consolidated entity		Parent entity	
		2004	2003	**2004**	2003
		$	$	**$**	$
Revenue from ordinary activities	**2**	11,549,294	3,597,776	231,357	165
Changes in inventories of finished goods		(6,467,158)	(1,656,183)	-	-
Employee benefits		(2,475,444)	(1,300,380)	(33,357)	(94,440)
Depreciation and amortisation expenses		(152,398)	(180,711)	-	-
Borrowing costs expense		(94,031)	(70,819)	(350)	(10,324)
Occupancy costs		(169,885)	(141,792)	-	(3,834)
Other expenses from ordinary activities		(1,071,131)	(895,010)	(146,417)	(243,275)
Writedown of goodwill and distribution rights		-	(688,721)	-	-
Writedown of investment		-	(398,955)	-	-
Profit/(loss) from ordinary activities before income tax expense	**3**	1,119,247	(1,734,795)	51,233	(351,708)
Income tax expense relating to ordinary activities	**4**	(114,905)	-	-	-
Profit/(loss) from ordinary activities after income tax expense		1,004,342	(1,734,795)	51,233	(351,708)
Net Profit/(loss) attributable to members of Allied Technologies Group Limited	**21**	1,004,342	(1,734,795)	51,233	(351,708)
Total changes in equity other than those resulting from transactions with owners as owners		1,004,342	(1,734,795)	51,233	(351,708)
Basic earnings (loss) per share - cents	**32**	8.2	(76.4)	-	-
Diluted earnings (loss) per share - cents		8.2	(76.4)	-	-

The financial statements should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2004

	Notes	Consolidated entity 2004 $	Consolidated entity 2003 $	Parent entity 2004 $	Parent entity 2003 $
Current assets					
Cash assets	**5**	967,719	346,033	775,995	-
Receivables	**6**	10,148,092	638,481	72,085	18,141
Inventories	**7**	2,696,817	315,054	-	-
Other	**8**	166,181	15,495	-	1,310
Total current assets		13,978,809	1,315,063	848,080	19,451
Non-current assets					
Receivables	**6**	35,332	-	480,061	-
Other financial assets	**9**	298,560	193,164	8,620,622	1,320,001
Property, plant and equipment	**10**	1,633,126	295,587	-	-
Intangible assets	**11**	4,439,470	-	-	-
Deferred tax asset	**12**	213,670	-	-	-
Other	**13**	339,054	-	-	-
Total non-current assets		6,959,212	488,751	9,100,683	1,320,001
Total assets		20,938,021	1,803,814	9,948,763	1,339,452
Current liabilities					
Payables	**14**	4,711,066	779,918	136,745	545,396
Interest bearing liabilities	**15**	2,052,149	867,277	-	-
Current tax liabilities	**16**	610,074	-	-	-
Provisions	**17**	529,680	81,004	-	-
Other	**18**	2,317,461	186,515	-	-
Total current liabilities		10,220,430	1,914,714	136,745	545,396
Non-current liabilities					
Interest bearing liabilities	**19**	897,736	178,638	-	-
Provisions	**17**	161,429	-	-	-
Other	**18**	-	23,107	-	-
Total non-current liabilities		1,059,165	201,745	-	-
Total liabilities		11,279,595	2,116,459	136,745	545,396
Net assets/(liabilities)		9,658,426	(312,645)	9,812,018	794,056
Equity					
Contributed equity	**20**	17,770,416	8,803,687	17,770,416	8,803,687
Accumulated losses	**21**	(8,111,990)	(9,116,332)	(7,958,398)	(8,009,631)
Total equity/(deficit)		9,658,426	(312,645)	9,812,018	794,056

The financial statements should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2004

	Notes	Consolidated entity 2004 $	Consolidated entity 2003 $	Parent entity 2004 $	Parent entity 2003 $
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		6,443,594	3,621,877	168,000	-
Payments to suppliers and employees (inclusive of goods and services tax)		(7,123,115)	(4,255,990)	(1,099,120)	(76,580)
		(679,521)	(634,113)	(931,120)	(76,580)
Income taxes received		-	68,890	-	-
Interest received		13,421	9,611	11,357	165
Borrowing costs		(94,031)	(70,819)	(350)	(324)
Net cash used in operating activities	31 (a)	(760,131)	(626,431)	(920,113)	(76,739)
Cash flows from investing activities					
Payments for property, plant and equipment		(94,931)	(107,742)	-	-
Proceeds from sale of property, plant and equipment		-	52,327	-	-
Payment for acquisition of subsidiary	31 (c)	(175,139)	-	(198,116)	
Proceeds from sale of tenements		30,000	-	30,000	-
Net cash provided by (used in) investing activities		(240,070)	(55,415)	(168,116)	-
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		2,214,464	-	2,214,464	-
Shares bought back during the year		(61,390)		(61,390)	
Share issue expenses		(288,850)	-	(288,850)	-
Proceeds from borrowings		-	302,327	-	-
Repayment of borrowings		(664,235)	(199,318)	-	-
Net cash provided by financing activities		1,199,989	103,009	1,864,224	-
Net increase in cash held		199,788	(578,837)	775,995	(76,739)
Cash at the beginning of the financial year		346,033	924,870	-	76,739
Cash at the end of the financial year	31 (b)	545,821	346,033	775,995	-
Financing arrangements	19				

The financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2004

Contents

Note 1. Summary of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Allied Technologies Group Limited and controlled entities, and Allied Technologies Group Limited as an individual parent entity. Allied Technologies Group Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

It is recommended that this report be read in conjunction with any public announcements made by Allied Technologies Group Limited ("company") in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Allied Technologies Group Limited as at 30 June 2004 and the results of all controlled entities for the year then ended. Allied Technologies Group Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Control exists where Allied Technologies Group Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Allied Technologies Group Limited to achieve the objectives of the group.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits and loss, have been eliminated on consolidation.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

A list of controlled entities is contained in Note 30 to the financial statements.

(b) Income tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Allied Technologies Group Limited and its wholly owned Australian subsidiaries have not formed an income tax group under the tax consolidations regime.

Note 1. Summary of significant accounting policies (cont)

(c) Foreign currency translation
Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

(d) Acquisition of assets
The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Goodwill is brought to account on the basis described in Note 1(l).

(e) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods
Control of the goods has passed to the buyer.

Rendering of Services
Where the contract outcome can be reliably measured:
- Control of a right to be compensated for the services has been attained and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured:
- Revenue is recognised only to the extent that costs have been incurred.

Interest
Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(f) Receivables
Provision policy
Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(g) Recoverable amount of non-current assets
The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying value is recognised as an expense in the statement of financial performance in the reporting period that the recoverable amount write down occurs. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

(h) Investments
Investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed from the underlying assets of non-listed investments. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Note 1. Summary of significant accounting policies (cont)

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Leasehold improvements	3 – 4 years
Plant and equipment	3 – 4 years
Plant and equipment under finance lease	3 – 10 years

(j) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the company, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 5 years.

(k) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 3 to 4 years.

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(l) Intangibles

Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period which the benefits are expected to arise. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

(m) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured.

(n) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Note 1. Summary of significant accounting policies (cont)

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

(o) Borrowing costs
Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

Borrowing costs include finance lease charges.

(p) Cash
For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(q) Earnings (loss) per share
Basic earnings (loss) per share
Basic earnings (loss) per share is determined by dividing the net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted (loss) earnings per share
Diluted (loss) earnings per share adjusts the figures used in the determination of basic earnings (loss) per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Inventories
Finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on a weighted average cost basis.

(s) Interest bearing liabilities
Loans are carried at their principal amount which represents the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(t) Research and development expenditure
Research and development costs are charged to profit from ordinary activities as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those costs. Deferred costs are amortised on a straight line basis over the period during which the related benefits are expected to be realised once commercial production has commenced.

(u) Comparative figures
Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(v) Adoption of Australian Equivalents to International Financial Reporting Standards
Australia is currently preparing for the introduction of Australian Equivalent to International Financial Reporting Standards (AEIFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The consolidated entity's management, in consultation with its auditors, are assessing the significance of these changes and preparing for their implementation. An AEIFRS committee will be established to oversee and manage the consolidated entity's transition to AEIFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

Note 1. Summary of significant accounting policies (cont)

(v) Adoption of Australian Equivalents to International Financial Reporting Standards (cont)

The directors are of the opinion that the key differences in the consolidated entity's accounting policies which will arise from the adoption of AEIFRS are:

Share based payments
Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of the changes in accounting policy is impractical as the details of future equity based remuneration plans are unknown.

Research and Development Expenditure
AASB 138: Intangible Assets further requires that costs associated with research be expensed in the period in which they are incurred. In terms of current policy, research costs are capitalised to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

Impairment of Assets
The consolidated entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Goodwill on Consolidation
Under the changes to AASB 22: Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 20 years.

Income Tax
Currently, the consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the consolidated entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Note 2. Revenue

	Consolidated entity 2004 $	Consolidated entity 2003 $	Parent entity 2004 $	Parent entity 2003 $
Revenue from operating activities				
Sale of goods	2,268,005	1,632,251	-	-
Rendering of services	9,197,868	1,955,914	-	-
	11,465,873	3,588,165	-	-
Revenue from non-operating activities				
Management fees	-	-	150,000	-
Interest	13,421	9,611	11,357	165
Proceeds from sale of mining tenements	70,000	-	70,000	-
	83,421	9,611	231,357	165
Revenue from ordinary activities	11,549,294	3,597,776	231,357	165

Note 3. Operating profit

(a) Net gains and expenses
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

	Consolidated entity 2004 $	Consolidated entity 2003 $	Parent entity 2004 $	Parent entity 2003 $
Expenses				
Cost of sales and services	6,467,158	1,656,183	-	-
Depreciation				
Plant and equipment	61,900	80,382	-	-
Furniture and office equipment	6,663	-	-	-
Motor vehicles	3,585	-	-	-
Software licenses	4,172	-	-	-
Minor pooled equipment	9,294	-	-	-
Total depreciation	85,614	80,382	-	-
Amortisation				
Leasehold improvements	4,582	499	-	-
Plant and equipment under finance leases	74,749	99,830	-	-
Motor vehicles under finance	525	-	-	-
Goodwill	37,096	-	-	-
Total amortisation	116,952	100,329	-	-
Borrowing costs				
Interest and finance charges paid/payable	94,031	70,819	350	10,324
Other provisions				
Employee entitlements	151,016	93,985	-	-
Total other provisions	151,016	93,985	-	-
Rental expense relating to operating leases				
Minimum lease payments	140,286	141,792	-	3,834
Total rental expense relating to operating leases	140,286	141,792	-	3,834
Write down of non current assets to recoverable amounts	-	1,087,676	-	-

(b) Individually significant items

	Consolidated entity 2004 $	Consolidated entity 2003 $	Parent entity 2004 $	Parent entity 2003 $
Expenses	-			
Writedown of goodwill	-	311,441	-	-
Writedown of investment	-	398,955	-	-
Writedown of distribution rights	-	377,280	-	-
	-	1,087,676	-	-

Notes to the financial statements

For the year ended 30 June 2004

Note 4. Income tax

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Add:				
Tax effect of:				
Prima facie tax payable on profit from ordinary activities before income tax.	335,774	(520,438)	15,370	(105,512)
Tax effect of permanent differences:				
- Non-deductible amortisation	12,904	206,616	-	-
- Writedown of investment	-	119,698	-	-
- Entertainment	1,378	1,468	118	158
- Listing fees	1,830		1,830	
	351,886	(192,656)	17,318	(105,354)
Less:				
Tax effect of:				
- Deductible listing costs	(732)	-	(732)	-
- Tax effect of timing differences	(179,774)	-	-	-
	171,380	(192,656)	16,586	(105,354)
- Future income tax benefits arising in the year not booked	-	192,656	-	105,354
- Recoupment of prior year tax losses not brought to account	(56,475)	-	(16,586)	-
- Income tax expense	114,905	-	-	-
(b) The directors estimate that the potential future income tax benefit at 30 June 2004 in respect of tax losses not brought to account is	560,270	578,472	514,112	524,472

This benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or

(ii) the losses are transferred to an eligible entity in the consolidated entity, and

(iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation.

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$

Note 5. Cash assets

Cash on hand	200	-	200	-
Cash at bank	940,429	318,310	775,795	-
Deposits at call	27,090	27,723	-	-
	967,719	346,033	775,995	-

Note 6. Receivables

Current

Trade debtors	10,037,765	647,881	-	-
Less: Provision for doubtful debts	(20,000)	(10,000)	-	-
	10,017,765	637,881	-	-
Other debtors	130,327	600	72,085	18,141
	10,148,092	638,481	72,085	18,141

Non-current

Loans to related party	35,332	-	-	-
Loans to controlled subsidiaries	-	-	480,061	-
	35,332	-	480,061	-

Note 7. Inventories

Work in progress	2,181,669	-	-	-
Finished goods at cost	515,148	315,054	-	-
	2,696,817	315,054	-	-

Note 8. Other (current)

Prepayments	166,181	15,495	-	1,310

Note 9. Other financial assets

Listed investments – at cost	5,396	-	-	-
Shares in controlled entities – at cost (Note 29)	-	-	10,220,622	2,920,001
Less: provision for diminution	-	-	(1,600,000)	(1,600,000)
Shares in other entities – at cost	293,164	193,164	-	-
	298,560	193,164	8,620,622	1,320,001

Non-current assets pledged as security
Refer to Note 19 for information on non-current assets pledged as security by the parent entity or its controlled entities.

Note 10. Property, plant and equipment

	Consolidated entity 2004	Consolidated entity 2003	Parent entity 2004	Parent entity 2003
Land- at deemed cost	207,333	-	-	-
Leasehold improvements – at cost	1,099,784	362,607	-	-
Less: Accumulated amortisation	(468,141)	(362,296)	-	-
	631,643	311	-	-
Motor vehicles – at cost	155,239	-	-	-
Less: Accumulated amortisation	(86,401)	-	-	-
	68,838	-	-	-
Motor vehicles – under finance lease	16,050	-	-	-
Less: Accumulated amortisation	(6,209)	-	-	-
	9,841	-	-	-
Furniture and fittings – at cost	145,334	-	-	-
Less: Accumulated amortisation	(119,686)	-	-	-
	25,648	-	-	-
Pooled minor equipment – at cost	131,131	-	-	-
Less: Accumulated amortisation	(111,295)	-	-	-
	19,836			
Small tools and miscellaneous equipment – at cost	66,244	-	-	-
Less: Accumulated amortisation	(8,286)	-	-	-
	57,958			
Software licences	175,667	-	-	-
Less: Accumulated amortisation	(124,046)	-	-	-
	51,621			
Plant and equipment				
Plant and equipment - at cost	1,872,767	546,171	46,543	46,543
Less: Accumulated depreciation	(1,385,205)	(424,847)	(46,543)	(46,543)
	487,562	121,324	-	-
Plant and equipment under finance lease	214,715	392,536	-	-
Less: Accumulated amortisation	(141,869)	(218,584)	-	-
	72,846	173,952	-	-
Total property, plant and equipment	1,633,126	295,587	-	-

Note 10. Property, plant and equipment (Cont'd)

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Opening WDV 1-Jul-03	Additions	Additions through acquisition of entity	Disposal	Reclass	Depreciation Expense	Closing WDV 30-Jun-04
Furniture & office equipment	5,847	3,944	22,520	-	-	(6,663)	25,648
Plant & equipment	115,477	18,479	338,496	-	77,010	(61,900)	487,562
Plant & equipment under finance lease	173,952	-	50,653	-	(77,010)	(74,749)	72,846
Leasehold improvements	311	-	635,914	-	-	(4,582)	631,643
Land	-	-	207,333	-	-		207,333
Motor vehicles	-	-	72,423	-	-	(3,585)	68,838
Motor vehicles under finance lease	-	-	10,366	-	-	(525)	9,841
Software licenses	-	39,406	16,387	-	-	(4,172)	51,621
Minor pooled equipt	-	-	29,130	-	-	(9,294)	19,836
Small tools and miscellaneous equip	-	33,102	24,856	-	-	-	57,958
TOTAL	**295,587**	**94,931**	**1,408,078**	**-**	**-**	**(165,470)**	**1,633,126**

Non-current assets pledged as security
Refer to Note 19 for information on non-current assets pledged as security by the parent entity or its controlled entities.

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$

Note 11. Intangible assets

Goodwill	4,970,585	519,067	-	-
Less: Accumulated amortisation	(244,674)	(207,626)	-	-
Less: Writedown to recoverable amount	(311,441)	(311,441)	-	-
	4,414,470	-	-	-
Distribution Rights	419,200	419,200	-	-
Less: Accumulated amortisation	(41,920)	(41,920)	-	-
Less: Writedown to recoverable amount	(377,280)	(377,280)	-	-
Brand name	25,000	-	-	-
	25,000	-	-	-
	4,439,470			

Note 12. Deferred tax asset

Future income tax benefit	213,670	-	-	-

Note 13. Other (non-current)

Research and development – at cost	339,054	-	-	-

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$

Note 14. Payables

Current

Trade creditors	4,167,522	535,775	5,060	52,447
Other creditors and accruals	543,544	244,143	87,836	18,799
Loans payable to controlled entity	-	-	43,849	474,150
	4,711,066	779,918	136,745	545,396

Loans payable to controlled entities are non-interest bearing.

Note 15. Interest bearing liabilities

Current

Secured

Bank overdraft	421,898	-	-	-
Debtor finance facility	1,291,370	-	-	-
Bank loan	89,671	-	-	-
Bills payable	160,000	780,000	-	-
Lease liabilities (Note 26)	89,210	87,277	-	-
	2,052,149	867,277	-	-

Note 16. Tax liabilities

Current

Income tax	610,074	-	-	-

Note 17. Provisions

Current

Employee benefits	510,926	81,004	-	-
Income tax liability	18,754	-	-	-
	529,680	81,004	-	-

Non-current

Employee benefits	161,429	-	-	-

Note 18. Other liabilities

Current

Deferred revenue	2,317,461	186,515	-	-

Non-current

Deferred revenue	-	23,107	-	-

Consolidated entity Parent entity

Note 19. Interest bearing liabilities

	2004 $	2003 $	2004 $	2003 $
Non-current				
Secured				
Bills payable	866,000	150,000	-	-
Lease liabilities (Note 26)	31,736	28,638	-	-
	897,736	178,638	-	-
Secured liabilities				
Total secured liabilities are:				
Bank overdraft	421,898	-	-	-
Debtor finance facility	1,291,370	-	-	-
Bank loan	89,671	-	-	-
Bills payable	1,026,000	930,000	-	-
Lease liabilities	120,946	115,915	-	-
Total secured liabilities	2,949,885	1,045,415	-	-

The bank overdraft and building loan are secured by personal guarantees of Ray and Alysum Doak, a registered mortgage debenture over the assets of the controlled entity and a first registered mortgage over the land and buildings belonging to the controlled entity.

Bills payable by the controlled entity are guaranteed by the controlled entity and Ray Doak and are supported by a registered mortgage over the land and buildings and registered mortgage debentures over the assets of the controlled entity. Other bills payable are guaranteed by other subsidiaries of the consolidated entity and are supported by fixed and floating charges over the assets of other subsidiaries of the consolidated entity.

The debtor finance facility is guaranteed by Ray Doak and is secured by certain of the controlled entity's trade receivables.

Note 20. Contributed equity

	2004 $	2003 $	2004 $	2003 $
30,680,680 (2003: 90,733,869) fully paid ordinary shares	17,770,416	8,803,687	17,770,416	8,803,687
(a) Ordinary shares				
At the beginning of the reporting period	8,803,687	8,803,687	8,803,687	8,803,687
Shares issued during the year				
- 13,616,000 on 15 July 2003	54,464	-	54,464	-
- 200,000,000 on 28 July 2003	500,000	-	500,000	-
- 2,160,000 on 8 March 2004	160,000	-	160,000	-
- 5,000,000 on 15 April 2004	1,500,000	-	1,500,000	-
- 17,756,263 on 15 April 2004	7,102,505	-	7,102,505	-
Transaction costs relating to share issues	(288,850)	-	(288,850)	-
	17,831,806	-	17,831,806	-
Shares bought back during the year				
- 225,000 on 30 June 2004	(61,390)	-	(61,390)	-
At reporting date	17,770,416	8,803,687	17,770,416	8,803,687

Note 20. Contributed equity (cont)

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	No.	No.	**No.**	No.
At the beginning of the reporting period	90,733,869	90,733,869	90,733,869	90,733,869
Shares issued during the year				
- 15 July 2003	13,616,000	-	13,616,000	-
- 28 July 2003	200,000,000	-	200,000,000	-
- 28 November 2003 (1 for 10 consolidation)	(273,911,055)	-	(273,911,055)	-
- 8 March 2004	2,160,000	-	2,160,000	-
- 15 April 2004 (1 for 4 consolidation)	(24,449,397)	-	(24,449,397)	-
- 15 April 2004	5,000,000	-	5,000,000	-
- 15 April 2004	17,756,263	-	17,756,263	-
Shares bought back during the year				
- 30 June 2004	(225,000)	-	(225,000)	-
	30,680,680	90,733,869	30,680,680	90,733,869

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

On 24 May 2004 the Company announced that it had decided to put in place an on-market share buy-back programme within the 10/12 limit. The 10/12 limit for a company proposing to make a buy-back is 10% of the smallest number, at any time during the last 12 months, of votes attaching to voting shares of the company.

Under the programme the Company acquired 225,000 shares for a total purchase consideration of $61,390. The highest price paid per share was $0.275 and the lowest price was $0.260.

The buy-back was completed on 30 June 2004 and all shares bought back were cancelled on 15 July 2004.

On 15 April 2004, 500,000 options exercisable at a price of 30 cents per share, were granted to Cartesian Capital Pty Limited, such options to be exercisable at any time within 3 years from date of grant.

Under the employee option plan 2,150,000 options were granted to employees in 2002 to subscribe for fully paid ordinary shares, exercisable at 6 cents each on or before 21 December 2004. As at 30 June 2004, and following two share consolidation exercises, the number of un-issued ordinary shares exercisable at 240 cents was 20,250. None of these options have been exercised.

On 28 November 2003, 1,666,200 options were granted to employees under the employee option plan to subscribe for fully paid ordinary shares, exercisable at 10 cents each on or before 28 November 2006. Following a share consolidation on 15 April 2004, the options granted on 28 November 2003 became exercisable at 40 cents per share. The number of un-issued ordinary shares under these options at 30 June 2004 was 654,775. These options are 50% vested based on the requirements of the employee option plan described in Note 27. There were no other options granted as part of the plan other than those noted above.

On 4 June 2004, in conjunction with the entering into of executive service agreements, the company granted to its executive directors a total of 4,000,000 options to subscribe for shares in the company at a price of 42 cents per share. Subject to certain conditions precedent, including the relevant executive completing a period of two years in the employment of the company, the options will be exercisable between 4 June 2006 and 4 June 2008. The grant of the options was subject to shareholder approval, which was given at a general meeting of the company held on 22 September 2004.

Besides the abovementioned options, no other options were granted to or exercised by directors and executive officers during the financial year.

Note 21. Accumulated losses

	Consolidated entity 2004 $	Consolidated entity 2003 $	Parent entity 2004 $	Parent entity 2003 $
Accumulated losses at the beginning of the financial year	(9,116,332)	(7,381,537)	(8,009,631)	(7,657,923)
Net profit/(loss) attributable to members of Allied Technologies Group Limited	1,004,342	(1,734,795)	51,233	(351,708)
Accumulated losses at the end of the financial year	(8,111,990)	(9,116,332)	(7,958,398)	(8,009,631)

Note 22. Financial instruments

(a) Credit risk exposures
The credit risk on financial assets of the consolidated entity which have been recognised in the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures
Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity. The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

2004		**Floating interest maturing in:**		**Fixed interest maturing in:**			
		1 year or less	**Over 1 to 5 years**	**1 year or less**	**Over 1 To 5 years**	**Non-interest bearing**	**Total**
	Notes	**$**	**$**	**$**	**$**	**$**	**$**
Financial assets							
Cash and deposits	5	967,719	-	-	-	-	967,719
Receivables	6	-	-	-	-	10,148,092	10,148,092
Other financial assets	10	-	-	-	-	298,560	298,560
		967,719	-	-	-	10,446,652	11,414,371
Weighted average interest rate		4.0%					
Financial liabilities							
Overdraft		(421,898)	-	-	-	-	(421,898)
Debtor finance facility		(1,291,370)	-	-	-	-	(1,291,370)
Bank loan		(89,671)	-	-	-	-	(89,671)
Bills	15,18	(160,000)	(866,000)	-	-	-	(1,026,000)
Payables	14	-	-	-	-	(4,711,066)	(4,711,066)
Lease liabilities	15,18	-	-	(89,210)	(31,736)	-	(120,946)
		(1,962,939)	(866,000)	(89,210)	(31,736)	(4,711,066)	(7,660,951)
Weighted average interest rate		8.1%	8.1%	11.9%	11.9%	-	-
Net financial assets (liabilities)		(995,220)	(866,000)	(89,210)	(31,736)	(5,735,586)	3,753,420

Note 22. Financial instruments (cont)

2003		Floating interest maturing in:		Fixed interest maturing in:			
		1 year or less	Over 1 to 5 years	1 year or less	Over 1 To 5 years	Non-interest bearing	Total
	Notes	$	$	$	$	$	$
Financial assets							
Cash and deposits	5	346,033	-	-	-	-	346,033
Receivables	6	-	-	-	-	638,481	638,481
Other financial assets	10	-	-	-	-	193,164	193,164
Other	8	-	-	-	-	15,495	15,495
		346,033	-	-	-	847,140	1,193,173
Weighted average interest rate		2.0%					
Financial liabilities							
Bills	15, 18	(780,000)	(150,000)	-	-	-	(930,000)
Payables	14	-	-	-	-	(779,918)	(779,918)
Lease liabilities	15, 18	-	-	(87,277)	(28,638)	-	(115,915)
		(780,000)	(150,000)	(87,277)	(28,638)	(779,918)	(1,825,833)
Weighted average interest rate		5.3%	5.3%	11.9%	11.9%		
Net financial assets (liabilities)		(433,967)	(150,000)	(87,277)	(26,638)	67,222	(632,660)

(c) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Note 23. Remuneration of directors

a. Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Parent entity directors

M J Addison	Chairman — Executive
R C Doak	Managing — Director- Executive (appointed 21 April 2004)
A V Berriman	Director — Executive
A Maroc	Director — Non-Executive (appointed 21 April 2004)
W A Warren	Director — Executive (resigned 21 April 2004)

Specified executives

N Moore	Chief Operations Officer
R Barden	Chief Sales & Marketing Officer
J Fletcher	Chief Financial Officer
G Allen	Chief Technical Officer

Note 23. Remuneration of directors (cont)

b. Parent entity directors' remuneration

Remuneration policy

Remuneration policies are determined by the Remuneration Committee which makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. Where necessary the Remuneration Committee will obtain independent advice on the appropriateness of remuneration packages.

The remuneration structure and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, particular experience of the individual and overall performance of the Company. Remuneration packages include superannuation, performance related bonuses and share options. Employment agreements are entered into with all executives directors.

Details of the emoluments of each director and each of the executive officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Remuneration of parent entity directors

2004	Primary				Post Employ-ment	Equity	Other	Total
	Salary, Fees & Comm-issions	Super-annuation Contri-bution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options***		
	$	$	$	$	$	$	$	$
M J Addison	59,166	5,074	-	-	-	2,742	-	66,982
R C Doak*	56,000	3,000	-	-	-	5,485	-	64,485
A V Berriman	116,000	20,800	-	-	-	2,742	-	139,542
A Maroc*	100	5,900	-	-	-	-	-	6,000
W A Warren**	83,333	7,500	-	-	-	-	-	90,833
	314,599	42,274	-	-	-	10,969	-	367,842

* This represents the remuneration paid to these directors since their appointment as directors on 21 April 2004.

** This represents the remuneration paid until resignation as a director on 21 April 2004.

***Options granted on 4 June 2004 and conditionally vesting on 4 June 2006. Valuation is based the proportional period of time expired in relation to the full 24 month vesting period.

Note 23. Remuneration of directors (cont)

Remuneration of parent entity directors

2003	Primary				Post Employ-ment	Equity	Other	Total
	Salary, Fees & Comm-issions	Super-annuation Contri-bution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
	$	$	$	$	$	$	$	$
A V Berriman*								
1 Jul 2002 – 13 Jan 2003								
5 Jun 2003 – 30 Jun 2003	54,645	4,918	-	-	-	34,240	-	93,803
C W Pope*								
1 Jul 2002 – 10 Dec 2002	50,000	4,500	-	-	-	-	-	54,500
M W Wilson*								
1 Jul 2002 – 5 Jun 2003	41,800	-	-	-	-	-	-	41,800
M W Atkins*								
1 Jul – 5 Jun 2003	9,532	-	-	-	-	-	-	9,532
W A Warren*								
5 Jun 2003 – 30 Jun 2003	7,020	650	-	-	-	384	-	8,054
S M Shah*								
20 Jan 2003 – 5 Jun 2003	6,187	-	-	-	-	-	-	6,187
G B Cook*								
1 Jul 2002 – 29 Jul 2002	3,000	270	-	-	-	-	-	3,270
L H Roe*								
12 Dec 2002 – 13 Jan 2003	2,661	240	-	-	-	-	-	2,901
M J Addison*								
5 Jun 2003 – 30 Jun 2003	-	-	-	-	-	-	-	-
	174,845	10,578	-	-	-	34,624	-	220,047

* The above figures represent the remuneration paid for the periods during which the above persons were directors of the company during 2003.

Note 23. Remuneration of directors (cont)

c. Specified executives' remuneration

2004	Primary				Post Employ-ment	Equity	Other	Total
	Salary & Fees	Super-annuation Contri-bution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
	$	$	$	$	$	$	$	$
N Moore*	27,000	2,000	-	-	-	-	-	29,000
R Barden*	27,000	2,000	-	-	-	-	-	29,000
J Fletcher*	24,000	2,000	-	-	-	-	-	26,000
G Allen*	24,000	-	-	-	-	-	-	24,000
	102,000	6,000	-	-	-	-	-	108,000

* This represents remuneration since acquisition of Allied Group Pty Limited on 21 April 2004.

The consolidated entity has only four specified executives at 30 June 2004.

2003	Primary				Post Employ-ment	Equity	Other	Total
	Salary & Fees	Super-annuation Contri-bution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
	$	$	$	$	$	$	$	$
W Warren (Chief Operations Officer)	97,196	9,000	-	-	-	-	-	106,196
D A Blakers (Chief Financial Officer)	65,585	4,125	-	-	-	-	-	69,710
	162,781	13,125	-	-	-	-	-	175,906

The above figures represent the remuneration paid for the periods during which the above persons were executive officers of the company.

Note 23. Remuneration of directors (cont)

d. Remuneration Options

Options Granted As Remuneration
On 4 June 2004, in conjunction with the entering into of executive service agreements, the company granted to its executive directors a total of 4,000,000 options to subscribe for shares in the company at a price of 42 cents per share, on the basis set out below. Subject to certain conditions precedent, including the relevant executive completing a period of two years in the employment of the company, the options will be exercisable between 4 June 2006 and 4 June 2008.The grant of the options was subject to shareholder approval, which was given at a general meeting of the company held on 22 September 2004.

Besides these options, no other options were granted to or exercised by directors and executive officers during the financial year.

e. Shares Issued on Exercise of Remuneration Options

No parent entity directors or specified executives exercised any options during the current reporting period.

f. Options and rights holdings

Number of options held by specified directors and executives

	Balance 1.7.03*	Granted as Remun-eration	Options Exercised*	Net Change Other*	Balance 30.6.04*	Total Vested 30.6.04	Total Exercisable	Total Unexercis-able
Parent Entity Directors								
M J Addison	-	1,000,000	-	-	1,000,000	-	-	1,000,000
A V Berriman	4,000,000	1,000,000	-	-	1,100,000	100,000	100,000	1,000,000
W A Warren	440,000	-	-	-	11,000	11,000	11,000	-
R C Doak	-	2,000,000	-	-	2,000,000	-	-	2,000,000
A Maroc	-	-	-	-	-	-	-	-
Specified Executives								
N Moore	-	-	-	-	-	-	-	-
R Barden	-	-	-	-	-	-	-	-
J Fletcher	-	-	-	-	-	-	-	-
G Allen	-	-	-	-	-	-	-	-
Total	4,440,000	4,000,000	-	-	4,111,000	111,000	111,000	4,000,000

* During the period two share consolidations (1 for 10 and 1 for 4) were effected, resulting in the reduced number of options.

Note 23. Remuneration of directors (cont)

(g) Shareholdings

Number of shares held by parent entity directors and specified executives

	Balance 1.7.03	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.04
Parent Entity Directors					
M J Addison	-	-	-	2,000,000	2,000,000
R C Doak	-	-	-	13,046,879	13,046,879
A V Berriman	7,537,352	-	-	(5,348,919)	2,188,433
A Maroc	-	-	-	7,000	7,000
W A Warren	-	-	-	870,000	870,000
Specified Executives					
N Moore	-	-	-	168,215	168,215
R Barden	-	-	-	168,215	168,215
J Fletcher	-	-	-	66,000	66,000
G Allen	-	-	-	21,000	21,000
Total	7,537,352	-	-	10,998,390	18,535,742

* Net Change other refers to shares purchased or sold during the financial year; or reduced due to the Company's share consolidations.

Note 24. Remuneration of auditors

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Remuneration of the auditor of the parent entity for:				
- auditing and reviewing the financial reports	48,500	40,000	21,500	10,000
- independent accountants report on acquisitions	59,000	-	59,000	-
- other services	19,500	6,000	7,500	2,000
	127,000	46,000	88,000	12,000
Remunerations of other auditors of subsidiaries for:				
- auditing the financial report	11,000	-	-	-
- other services	21,100	-	-	-
	32,100	-	-	-

Note 25. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Guarantees

Secured guarantees by the parent entity in respect of:

(a) leases of controlled entities	-	-	32,398	115,914
(b) finance facility of a controlled entity	-	-	600,000	930,000
(c) Indemnity guarantee	80,250	-	-	
	80,250	-	632,398	1,045,914

No material losses are anticipated in respect of any of the above contingent liabilities.

Note 26. Commitments for expenditure

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	366,260	78,724	-	-
Later than one year but not later than 5 years	58,771	21,879	-	-
Later than 5 years	-	-	-	-
	425,031	100,603	-	-

Finance leases

Commitments in relation to finance leases are payable as follows:				
Within one year	95,137	87,277	-	-
Later than one year but not later than 5 years	34,113	28,638	-	-
Later than 5 years	-	-	-	-
Less: future finance charges	(8,304)	-	-	
Total lease liabilities	120,946	115,915	-	-
Representing lease liabilities:				
Current (Note 15)	89,210	87,277	-	-
Non-current (Note 19)	31,736	28,638	-	-
	120,946	115,915	-	-

The weighted average interest rate implicit in the leases is 11.9% (2003 – 11.9%)

Note 27. Employee benefits

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Employee benefits liabilities				
Provision for employee benefits				
Current (Note 17)	510,926	81,004	-	-
Non-current (Note 17)	161,429	-	-	-
Aggregate employee benefits liability	672,355	81,004	-	-
	No.	**No.**	**No.**	**No.**
Employee numbers				
Average number of employees during the financial year	41	13	-	-

Allied Technologies Group Limited Employee Option Plan
Under the terms of the Allied Technologies Group Limited Employee Option Plan, options are granted for no consideration at the discretion of the Board. Options are granted for a three year period, and 50% of each new tranche becomes exercisable after each of the first two anniversaries of the date of grant. The employees' entitlements to the options are vested as soon as they become exercisable. Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options granted under the Employee Option Plan is at the discretion of the Board. Amounts receivable on the exercise of options are recognised as share capital.

Note 28. Related parties

Directors
The names of persons who were directors of Allied Technologies Group Limited at any time during the financial year are as follows:

Director	Appointed	Resigned
M J Addison	5 June 2003	Current
A V Berriman	5 June 2003	Current
W A Warren	5 June 2003	21 April 2004
R C Doak	21 April 2004	Current
A Maroc	21 April 2004	Current

Remuneration benefits
Information on remuneration benefits of directors is disclosed in Note 23.

Other transactions with directors and director-related entities
A director, M J Addison, is also a director of Unitas Capital Partners Pty Ltd. Unitas provided consulting services to the company during the financial year. These transactions were based on normal commercial terms and conditions.

A director, Mr A Maroc, is the principal of Andrew Maroc & Associates Pty Ltd. Prior to his appointment as a non-executive director, Mr Maroc's firm provided an accounting service to the subsidiary Allied Group Pty Ltd. This transaction was based on normal commercial terms and conditions.

Directors' interests in shares, options and contracts
Details of directors' interests in shares and options of the company are disclosed in Note 23. No director had any interest in contracts with the consolidated entity other than disclosed.

Note 28. Related parties (cont)

Aggregate amounts of each of the above types of other transactions with directors and their director-related entities:

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Unitas Capital Partners Pty Ltd	50,968	-	-	-
Andrew Maroc & Associates Pty Ltd	2,000	-	-	-

Transactions with related parties / wholly-owned group
The wholly owned group consists of Allied Technologies Group Limited (previously ServicePoint Limited) and its wholly owned controlled entities, ServicePoint Australia Pty Ltd, Accountant Service Centre Pty Ltd, VideoScape Australia Pty Ltd, ServicePoint Pty Limited, Ghamin Exploration Ltd, Access Mining (Pty) Ltd, Allied Group Pty Limited, Allied Technologies Australia Pty Ltd, Allied Investments (ACT) Pty Ltd.

Transactions between Allied Technologies Group Limited and entities in the wholly owned group consisted of the provision of loan funds by the company, charges in respect of expenditure incurred by the company on behalf of those other entities, and where appropriate, the payment of management fees to the company by its controlled entities. Intergroup loan funds are unsecured, interest free and will be payable out of future profits, if any, of the controlled entities. Investments in wholly owned controlled entities are disclosed in Note 29.

Aggregate amounts receivable from, and payable to, each class of related entity at balance date:

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Current receivables				
Controlled entities (loans)	-	-	1,876,212	1,440,000
Less provision for diminuation	-	-	(1,440,000)	(1,440,000)
	-	-	436,212	-
Current payables				
Controlled entities (loans)	-	-	-	(474,151)
	-	-	-	(474,151)

Note 29. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity Holding 2004 %	Equity Holding 2003 %
Allied Technologies Group Limited				
(Previously ServicePoint Limited)	Australia	Ordinary		
ServicePoint Australia Pty Limited	Australia	Ordinary	100	100
Accountant Service Centre Pty Ltd *	Australia	Ordinary	100	100
VideoScape Australia Pty Ltd *	Australia	Ordinary	100	100
Ghamin Exploration Ltd *	Ghana	Ordinary	100	100
Access Mining (Pty) Ltd *	Namibia	Ordinary	100	100
Allied Group Pty Limited	Australia	Ordinary	100	-
Allied Technologies Australia Pty Limited	Australia	Ordinary	100	-
Allied Properties Unit Trust	Australia	Ordinary	100	-

* These entities are dormant and do not trade.

Note 30. Events occurring after reporting date

On 19 July 2004 it was announced that Allied had started the new financial year with in excess of $18 million of business in hand, putting the group in a strong position for the coming financial year.

This figure represents some 50% of the projected FY2005 budgeted revenues and is made up of $5 million in unrecognised revenue from existing projects yet to be delivered, new orders already received in FY2005 of $5.5 million and annuity revenues for the group of approximately $8 million.

At the same time in July 2003, Allied had approximately $12 million of business in hand.

On 2 August 2004, the company announced projected revenues of $35 million and projected profit after tax of $1.9 million (excluding amortisation of goodwill arising on the Allied Group Pty Limited acquisition) for the financial year ending 30 June 2005. These figures, which reflect the directors' confidence in the future of the company, represent improvements of 12.3% in revenues and 11.8% in profit after taxation over the pro forma combined results for the group for the 2004 financial year.

Acquisition of TUSC Computer Systems

On 17 August 2004 the company announced that it had entered into a conditional agreement to acquire the entire issued share capital of TUSC Computer Systems Pty Limited and its wholly owned subsidiary Enterprise Management Solutions Pty Limited ("TUSC").

On 24 September 2004, following satisfaction of all the conditions precedent to the transaction and shareholder approval at a general meeting of the company on 22 September 2004, the TUSC acquisition was concluded.

Consideration for the TUSC acquisition is based on a combined multiple of TUSC's FY2004 and FY2005 EBIT, and is payable in a combination of cash and shares. The first portion of the consideration, which was paid to the TUSC vendors on completion of the transaction, comprised 6 million new Allied shares, issued at a price of 30 cents per share, and $2.0 million in cash.

The balance of the consideration will be payable in cash within 30 days of completion of TUSC's FY2005 audit.

The Allied directors believe that the acquisition of TUSC will have a significant and positive impact on the company.

Besides having a positive impact on Allied's FY2005 earnings per share, TUSC will give Allied a strong geographic presence in the Victorian and South Australian markets and will present the Company with numerous cross-selling opportunities.

Furthermore, with the majority of TUSC's customers comprising enterprises and utility and telecommunication providers across Victoria, Allied's present reliance on government and defence related customers will be reduced.

With an effective transaction date of 1 July 2004, Allied will realise the benefit of the TUSC revenue and earnings for the full financial year ending 30 June 2005. The table below reflects the combined pro forma projected figures for Allied for the 2005 financial year.

Pro forma projections for 12 months ending 30 June 2005			
	Allied ($000's)	**TUSC ($000's)**	**Combined* ($000's)**
Revenue	35,000	15,000	50,000
EBIT	2,500	1,800	4,300
Profit after Tax	1,920	1,300	3,220
Weighted Av. shares in issue (000)**	-	-	47,729
Projected EPS (cents)			6.75

* Based on the inclusion of TUSC's projected figures for the full financial year to 30 June 2005, and excluding the write-off of goodwill on acquisition.

** Excluding any shares to be issued under the dividend reinvestment plan.

In conjunction with, and upon completion of the TUSC transaction on 24 September 2004, Mr John Gwyther, the former Chairman and founder of TUSC, joined the Board of Allied as a non-executive director. The Board welcomes this appointment and believes that Mr Gwyther will make a significant contribution to the future of the group.

Note 30. Events occurring after reporting date (cont)

$5 million Capital Raising to fund TUSC acquisition and future growth

In conjunction with the acquisition of TUSC, the Board announced on 17 August 2004 that it had received binding undertakings from 10 *small cap funds* and other *professional investors* for the placing of a total of approximately 15.63 million new Allied shares at a price of 32 cents per share, to raise a total of $5.0 million, before expenses. The placing, which was conducted in two staged tranches, was successfully completed on 24 September 2004.

The directors are of the view that the introduction of the 10 *small cap funds* onto Allied's share register will enhance the Company's credibility and standing in the wider investment market.

In conjunction with the issue, Allied's Chairman, Mr Michael Addison, expressed his ongoing commitment to the Company by taking up 1,000,000 shares under the placement.

Of the gross amount raised under the share placement, $2.0 million was used to fund the cash element of first portion of the TUSC purchase consideration, $1.0 million was applied towards procuring the release of personal guarantees in respect of the debts of the TUSC Group, with the balance being used to fund the expenses of the transaction, the costs associated with the raising of capital under the share placement and towards Allied's ongoing working capital and growth requirements.

Release of Personal Guarantees securing Group Borrowings

In September 2004 the company procured the release of Raymond Doak and Alysum Doak from all personal guarantees given by them as security over the borrowings of Allied Group Pty Limited.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2003 that has significantly affected, or may significantly affect:

(a) The consolidated entity's operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The consolidated entity's state of affairs in future financial years.

Note 31. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
a) Profit/(loss) from ordinary activities after income tax	1,004,342	(1,734,795)	51,233	(351,708)
Depreciation and amortisation	202,566	869,432	-	-
Write down of investments to recoverable amount	-	398,955	-	-
Gain on sale of tenement rights	(30,000)		(30,000)	
Change in operating assets and liabilities				
(Increase)/Decrease in trade & other debtors	(6,474,085)	132,424	(532,695)	6,029
Decrease/(Increase) in inventories	405,685	(32,423)	-	-
Increase in future income tax benefit	(213,670)	-	-	-
Increase/(Decrease) in trade creditors, other creditors and accruals	3,406,362	(342,758)	(408,651)	268,940
Increase in provision for income taxes payable	347,318	68,889	-	-
Increase/(Decrease) in other provisions	591,351	13,845	-	-
Net cash (outflow)/inflow from operating activities	(760,131)	(626,431)	(920,113)	(76,739)

The consolidated entity does not have any other facilities or arrangements other than that noted in Note 19.

Note 31. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities (cont)

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
(b) Reconciliation of cash				
Cash on hand	200	-	200	-
Cash at bank	940,429	318,310	775,795	-
Deposits at call	27,090	27,723	-	-
Bank overdraft	(421,898)	-	-	-
	545,821	346,033	775,995	-

	Consolidated entity		Parent entity	
	2004	2003	**2004**	2003
(c) Acquisition of entities				
During the year 100% of Allied Technologies Pty Limited and its controlled entities was acquired. Details of this transaction are:				
Purchase consideration-shares	7,102,505	-	7,102,505	-
Cash consideration	198,116	-	198,116	-
Less cash acquired	(22,977)		-	
Cash outflow	175,139	-	198,116	-
Assets and liabilities held at acquisition date:				
Cash	22,977	-	22,977	-
Receivables	3,342,006	-	3,342,006	-
Inventories	2,787,448	-	2,787,448	-
Property, plant and equipment	1,408,078	-	1,408,078	-
Other financial assets	105,396	-	105,396	-
Other assets	243,592	-	243,592	-
Creditors and accruals	(2,138,151)	-	(2,138,151)	-
Interest bearing liabilities	(2,146,307)	-	(2,146,307)	-
Tax liabilities	(281,510)	-	(281,510)	-
Other liabilities	(494,474)	-	(494,474)	-
	2,849,055	-	2,849,055	-
Goodwill on consolidation	4,451,566	-	4,451,566	-
	7,300,621	-	7,300,621	-

Note 32. Earnings/(loss) per share

	Consolidated Entity	
	2004 **$**	2003 $
Net profit/(loss)	1,004,342	(1,734,795)
Earnings/(loss) used in the calculation of basic earnings/(loss) per share	1,004,342	(1,734,795)
	2004 **Number**	2003 Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings/(loss) per share	12,244,768	2,269,347

Options outstanding at 30 June 2004 and 30 June 2003 have not been included in the calculation of diluted loss per share as they would have a non-dilutive effect. Details relating to options are outlined in Note 10.

The comparative weighted average number of shares has been adjusted for the 1 for 10 consolidation and 1 for 4 consolidation which took place during the year (Note 20). The previous equivalent weighted average number of shares was 90,773,869.

Note 33. Segment reporting

Business Segments

The consolidated entity operates predominantly in one industry sector – the Information Communication and Technology (ICT) sector.

Geographical Segments

The consolidated entity's business segment is located in Australia, and all activities of the business segment is conducted in Australia.

Note 34. Company details

The registered office is:

Allied Technologies Group Limited
Level 8
60 Pitt Street
Sydney NSW 2000

The principal places of business are:

ServicePoint Australia Pty Limited
Level 8
60 Pitt Street
Sydney NSW 2000

Allied Group Pty Limited
18 Winchcombe Court
Mitchell ACT 2911

Directors' declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 12 to 42, are in accordance with the Corporations Act 2001:

   (a) comply with Accounting Standards and the Corporations Regulations 2001;

   (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the company and consolidated entity;

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.

This declaration is made in accordance with a resolution of the Board of Directors.

R C Doak
Director

Sydney
30 September 2004

Grant Thornton

Chartered Accountants
Business Advisers and Consultants

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF ALLIED TECHNOLOGIES GROUP LIMITED
(Previously ServicePoint Limited)

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Allied Technologies Group Limited (the company) and Allied Technologies Group Limited and its controlled entities (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF ALLIED TECNOLOGIES GROUP LIMITED
(Previously ServicePoint Limited) (cont)

Independence

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

Audit opinion

In our opinion, the financial report of Allied Technologies Group Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

A G RIGELE
Partner

Sydney 30 September 2004

Shareholder information

The shareholder information set out below was applicable as at 15 September 2004.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary Shares		
	Number of Holders	Number of Units	Percentage of issued shares
1 – 1,000	1,713	243,984	0.691
1,001 – 5,000	164	407,561	1.155
5,001 – 10,000	155	1,240,086	3.514
10,001 – 100,000	227	6,277,521	17.793
100,001 and over	36	27,111,528	76.845

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
Raymond Colin Doak	12,821,938	36.342
Michael John Addison	2,000,000	5.668
Con Stathis	1,635,375	4.635
Ross Jonathon Macdonald	1,401,795	3.973
National Nominees Limited	1,037,556	2.940
Apkel Pty Limited	870,000	2.465
Tolvine Pty Limited	850,000	2.409
Andrew Vincent Berriman	800,000	2.267
UBS Nominees Pty Ltd	500,000	1.417
Phoenix Development Fund Ltd	454,545	1.288
Mark Lindsay Wilson	373,817	1.059
Durak Pty Limited	350,000	0.992
Milrix Pty Limited	340,400	0.964
RBC Global Services Australia	318,191	0.901
Loftus Lane Investments Pty Limited	290,909	0.824
M F Custodians Ltd	290,909	0.824
James William Hermiston	207,037	0.586
Andrew Edward Jessup	186,908	0.529
Gordon Noel Moore	168,215	0.476
Rodney Thomas Barden	168,215	0.476
	25,065,810	71.035

At 15 September 2003, there were a total of 35,280,680 ordinary shares on issue.

Shareholder information

C. Substantial Shareholders
Substantial shareholders of the Company are noted below:

Raymond Colin Doak has a direct and indirect entitlement to a total of 13,071,879 ordinary shares; Tolvine Pty Limited, Durak Pty Limited and Andrew Vincent Berriman collectively have an entitlement to 2,188,433 ordinary shares; and Michael John Addison has an entitlement to 2,000,000 ordinary shares.

Options

i. **November 2004 Options (Unquoted)**
There are 8 holders of a total of 500,000 options to subscribe for fully paid ordinary shares, exercisable at 800 cents each on or before 30 November 2004. Holders with a 20% or greater holding in this class are:

Softbridge Pty Ltd	275,000
Conferserv Pty Ltd	100,000

ii. **December 2004 Options (Unquoted)**
Roeshaw Pty Limited is the sole holder of 375,000 options to subscribe for fully paid ordinary shares, exercisable at 1200 cents each on or before 15 December 2004.

iii. **December 2004 Options (Unquoted and non-transferable)**
There are 2 holders of a total of 60,000 options to subscribe for fully paid ordinary shares, exercisable at 1200 cents each on or before 15 December 2004. Holders with a 20% or greater holding in this class are:

Hostyle Pty Ltd	50,000

iv. **December 2004 Options (Unquoted and non-transferable)**
Under the employee option plan, 2,150,000 options were granted to employees in 2002 to subscribe for fully paid ordinary shares, exercisable at 6 cents each on or before 21 December 2004. As at 30 June 2004, the number of un-issued ordinary shares under these options, exercisable at 240 cents, was 20,250.

On 28 November 2003, 1,666,200 options were granted to employees under the employee option plan to subscribe for fully paid ordinary shares, exercisable at 10 cents each on or before 28 November 2006. Following a share consolidation on 15 April 2004, the options granted on 28 November 2003, became exercisable at 40 cents per share. The number of un-issued ordinary shares under these options at 30 June 2004 was 654,775. These options are 50% vested based on the requirements of the employee option plan described in Note 27. There were no other options granted as part of the plan other than those noted above.

v. **April 2007 Options (Unquoted)**
On 15 April 2004, 500,000 options, exercisable at a price of 30 cents per share, were granted to Cartesian Capital Pty Limited, such options to be exercisable at any time within 3 years from date of grant.

vi. **Executive Share Options (Unquoted)**
On 4 June 2004, in conjunction with the entering into of executive service agreements, the company granted to its executive directors a total of 4,000,000 options to subscribe for shares in the company at a price of 42 cents per share. Subject to certain conditions precedent, including the relevant executive completing a period of two years in the employment of the company, the options will be exercisable between 4 June 2006 and 4 June 2008. The grant of the options was subject to shareholder approval, which was given at a general meeting of the company held on 22 September 2004.

D. Voting rights
The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
No voting rights.

E. Stock exchange listing
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.