



**Allied Technologies Group Limited**

**ABN 57 010 597 672**  
and controlled entities

# **Annual Report 2005**

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# Company particulars

<b>Directors</b>	M J Addison – Chairman & Managing Director A V Berriman – Executive Director R C Doak – Non-executive Director J L Gwyther – Non-executive Director
<b>Company Secretary</b>	L H Roe
<b>Principal place of business and registered office in Australia</b>	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
<b>Share register</b>	Advanced Share Registry Services 110 Stirling Highway Nedlands WA 6909 Telephone: (08) 9389 8033 Facsimile: (08) 9389 7871
<b>Auditor</b>	Ernst & Young 51 Allara Street Canberra ACT 2600
<b>Lawyers</b>	Cowley Hearne Lawyers Pty Limited Level 10, 60 Miller Street North Sydney NSW 2060
<b>Stock exchange listing</b>	Allied Technologies Group Limited shares are listed on the Australian Stock Exchange. The trading code is ATZ.

# Directors' report

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Your Directors present their report on the Consolidated Entity ("Group") consisting of Allied Technologies Group Limited ("Allied" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2005.

## 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 (Chairman & Managing Director)	5 June 2003	Current
W J Masson (Alternate to M J Addison)	10 September 2005 (Temporary Appointment)	19 September 2005
A V Berriman (Executive Director)	5 June 2003	Current
R C Doak (Executive Director)	21 April 2004	18 March 2005
R C Doak (Non-executive Director)	19 March 2005	Current
A Maroc (Non-executive Director)	21 April 2004	16 November 2004
J L Gwyther (Non-executive Director)	24 September 2004	Current

The Directors' qualifications and experience are detailed on page 5 under the heading Directors' Biographies. None of the Directors have held directorships of other listed companies in the last 3 years.

Ms Lynette Roe was appointed to the position of Company Secretary on 18 June 2003. Ms Roe has more than 30 years' administrative experience and has undertaken studies in company secretarial practice and corporate law. She is an affiliate member of Chartered Secretaries Australia.

## Principal activities

During the year the principal continuing activities of the Consolidated Entity comprised the design, integration, installation and maintenance of communications networks primarily for the delivery of secure voice, data, video and web based communications services and solutions to Federal and State Government departments and to prominent corporate clients across Australia and, following the acquisition of TUSC Computer Systems Pty Limited, specialisation in software integration services for complex network management applications targeting the telecommunications, utilities, and enterprise sectors.

## Dividends

On 27 September 2004 the Company paid a fully franked cash dividend of 1.5 cents per share in respect of the 2004 financial year. The payment of the dividend was accompanied by an optional dividend reinvestment plan, giving shareholders the opportunity to increase their shareholdings in the Company.

No dividend has been or will be proposed, declared or paid in respect of the 2005 financial year.

## Results

For the financial period ended 30 June 2005, the Company generated revenues of \$34,105,434 (2004: \$11,549,294) and reported a consolidated operating loss of \$3,748,771 (2004: profit \$1,156,343) before taxation and before the amortisation and write-off of goodwill. The consolidated loss before taxation, after goodwill amortisation and following a significant "one-off" goodwill write-off of \$1,598,312 associated with Allied Technologies Australia Pty Limited (ATA), amounted to \$5,924,161 (2004: profit \$1,119,247).

The "one-off" goodwill writeoff associated with ATA arose as a direct result of significant losses incurred by the subsidiary during the financial period, and follows an independent assessment of the carrying value of ATA in Allied's balance sheet.

## Review of operations

2005 has been an extremely difficult year for Allied, both from a trading as well as from a management change perspective.

### Trading overview

From a trading perspective, the Group's losses, which relate mainly to its ATA business, can be attributed to three principal factors: costing, project management and delivery problems associated with three relatively large communications infrastructure projects; the start-up of two new operating divisions; and, for the above and other reasons, revenues falling to levels where they were insufficient to cover ATA's fixed overhead cost structure. The Group's poor performance was further exacerbated by ATA's previously inadequate financial reporting systems.

In order to address these critical business issues, an immediate action plan was put in place in March 2005. The plan commenced with a refocus of ATA on its core network infrastructure and managed voice activities, with specific emphasis on revenue generation and the improvement of ATA's project costing, project management and financial reporting processes. The plan included the closure of ATA's consulting and professional services divisions, with a significant reduction in associated salary and overhead costs.

Whilst still early days, the Directors are of the opinion that, following the actions taken, ATA has been brought back to profitability and the subsidiary is expected to make a positive contribution to Group earnings in the 2006 financial year.

# Directors' report

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In September 2004, Allied acquired the entire issued share capital of TUSC Computer Systems Pty Limited (TUSC). Accordingly, the Group benefited from TUSC's revenue and positive earnings contribution for the balancing nine months of the financial year. During this period TUSC performed broadly in line with revenue and profit expectations.

Further details relating to the TUSC acquisition are set out below.

## **Management restructure and board changes**

Allied's difficulties were exacerbated by a number of senior management changes during the course of the financial year.

In February 2005 Mr John Fletcher resigned his position as Chief Financial Officer of the Group and Mr Danny Sargeant, former CEO and CFO of Getronics in Australia, was appointed as interim Group CFO in his stead.

This was followed by the appointment in February 2005 of Mr Tony Simonsen, formerly Director – Advanced Services Asia-Pacific for Cisco Systems, as Chief Operating Officer of the Group and, in March 2005, by a decision by Mr Ray Doak to step aside and relinquish his position as Allied's Managing Director.

In June 2005, Mr Michael Addison, Allied's current Chairman, stepped in to assume the role of group Managing Director. Mr Addison's appointment coincided with the appointment of Mr William Masson as group CFO and the reassignment of Mr Simonsen to the position of Chief Executive Officer of Allied's ATA subsidiary. Mr Simonsen announced his resignation on 12 September 2005, citing family reasons.

At a Board level, Mr John Gwyther was appointed as a Non-executive Director in September 2004 in conjunction with the acquisition of TUSC, and Mr Andrew Maroc resigned his position as a Non-executive Director of the Company in November 2004.

## **Acquisition of TUSC Computer Systems Pty Limited**

On 24 September 2004, the Company acquired the entire issued share capital of TUSC Computer Systems Pty Limited. Consideration for the TUSC acquisition was 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. Of the balance of the consideration, which is payable in cash and is anticipated to be in the order of \$2.1 million to \$2.4 million, \$1.2 million will be paid to the TUSC vendors on 3 October 2005, with the balance being payable within 30 days of the finalisation of the TUSC audited annual report for the year ended 30 June 2005.

The TUSC acquisition had a significant and positive impact on the Group during the nine month period since its date of acquisition.

In conjunction with, and upon completion of the TUSC transaction, Mr John Gwyther, the former Chairman and founder of TUSC, joined the Board of Allied as a Non-executive Director. The Board welcomed this appointment.

## **\$5 million capital raising to fund TUSC acquisition and to fund 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 15.6 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.

Of the gross amount raised under the share placement, \$2.0 million was used to fund the cash element of the 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 TUSC, 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 future growth requirements.

## **Sale of building**

In June 2005, the group disposed of its fixed office and warehouse property in Mitchell, Canberra, for a gross consideration of \$1.05 million. The disposal was effected as part of the broader plan to refocus ATA on its core operating activities. In conjunction with the sale, ATA entered into a five year lease over the premises with the purchaser of the property. Part of the net sale proceeds were used to extinguish debt in ATA secured by the property asset.

## **Claims**

Allied is vigorously pursuing a number of claims against third parties for variations, delays and damages in respect of work performed on various communications infrastructure projects. The aggregated amount of claims currently outstanding is between \$1 million and \$2 million.

## **Adoption of new corporate governance policies and charters**

The Directors are responsible for the corporate governance practices of the Company and support the ASX Corporate Governance Council's principles of good corporate governance and best practice recommendations.

# Directors' report

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During the 2005 financial year, the Board further developed and refined its corporate governance practices and formally adopted various policies and charters in line with the ASX recommendations. These policies and charters, which may be found on the Company's website, include; Audit & Risk Management Charter; Board Charter; Code of Conduct; Code of Ethics; Continuous Disclosure Policy; Nomination Committee Charter; Performance Evaluation Policy; Remuneration Committee Charter; Share Trading Policy; and Shareholder Communications Policy.

## Adoption of IFRS reporting principles

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This has necessitated the production of accounting data for comparative purposes for the 2005 financial year, as presented in the attached financial report.

## 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 TUSC Computer Systems Pty Limited and a change in share capital from \$17,770,416 to \$24,409,677. This change in share capital resulted from the issue of 6,000,000 shares at a price of 30 cents per share in consideration for the acquisition of TUSC and the issue of a further 15,625,031 shares at a price of 32 cents per share under a share placement. The share capital was also affected by a dividend reinvestment plan in September 2004. Details of the share issues are shown at Note 20.

## Matters subsequent to the end of the financial year

### Proposed sale of TUSC

On 9 August 2005 it was announced that, following a decline in the Company's share price, the Board considered that building the Group through further acquisition was no longer a realistic prospect and that they believed that the market capitalisation of the Company substantially undervalued the Group's operations.

Based on these conclusions, Grant Thornton Corporate (NSW) Pty Limited was appointed as corporate advisors to Allied to invite and evaluate offers for TUSC and, if appropriate, to manage a sale process. At the date of this report, the TUSC sale process is well underway and is progressing satisfactorily.

### Proposed capital distribution to shareholders and value maximisation of remaining group assets

It is the Board's current intention to distribute part or all of any net TUSC sale proceeds to shareholders and, following the proposed distribution, the Board will consider various options to maximise the value of the Group's remaining businesses.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2005 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.

## Future developments

Information as to the likely developments in the operations of the Consolidated Entity is set out in the Review of Operations above (pages 2 to 4). Except as so disclosed, information on likely developments in the Consolidated Entity's operations in future financial years and the expected results of those operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

## Indemnification and insurance of directors and officers

### Indemnification

Pursuant to its Constitution, the Company indemnifies the Directors and all officers of the Company against a liability to a person (other than the Company or a related body corporate), that may arise from their position as Directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The indemnity includes liability for costs and expenses incurred in defending civil or criminal proceedings in which judgement is given in favour of that person or in which that person is acquitted, or in connection with an application in relation to those proceedings in which the court grants relief to that person under the Law.

### Insurance premiums

During the financial year the Company paid premiums of \$21,000 (excluding GST and stamp duty) in respect of Directors' and Officers' Liability Insurance covering the Directors and officers of the Company against liability to the value of \$2,000,000. The insurance policy does not contain details of the amount of premium paid in respect of individual officers of the Company and its controlled entities.

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

# Directors' report

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## Directors' biographies

**M J Addison**  
*BSc Eng (Hons), MPhil (Oxon), FAIM*  
**Chairman & Managing Director**

As a former merchant banker, Michael Addison has considerable international corporate finance experience working across both listed and unlisted companies. He has also held a number of senior executive management and Board positions with listed companies on the Australian, London and Johannesburg stock exchanges.

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 and is a former Rhodes Scholar.

**A V Berriman**  
*MBA (Macquarie), MIMC*  
**Executive Director**

Andrew Berriman has more than 30 years' commercial experience in the ICT industry preceded by 6 years' military service in secure telecommunications. The commercial experience in the ICT 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 ICT companies for a total of ten 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.

**R C Doak**  
*MAICD, AIMM*  
**Non-executive Director**

Ray Doak has in excess of 15 years' experience in the ICT industry, with a particular specialisation in the areas of general and project management. Ray founded Allied Group Pty Limited in 1991 and managed the company prior to its acquisition by Allied Technologies Group Limited (then Servicepoint Limited) in May 2004. From the date of acquisition, Ray acted in the capacity of Allied's Group Managing Director and CEO until March 2005.

Under Ray's direction, Allied successfully tendered for many Federal and State Government contracts.

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

**J L Gwyther**  
*BSc (Hons), FAICD*  
**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 ICT 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), Software Engineering Australia, and the Industry Advisory Council for Monash University's Faculty of IT and was formerly 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. He is also a Fellow of the Australian Institute of Company Directors.

## Meetings of Directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2005, and the numbers of meetings attended by each Director were:

	Board	
	A	B
M J Addison	18	18
A V Berriman	18	18
R C Doak	17	18
A Maroc	6	6
J L Gwyther	15	15

A = number of meetings attended while the Director was a member of the Board

B = number of meetings held during the time the Director held office

# Directors' report

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## Committees

The Board has established three Committees, all of which operate pursuant to formal charters, namely – the Audit & Risk Management Committee, the Nomination Committee and the Remuneration Committee. Due to the composition requirements of the charters and the current size of the Allied Board, all Directors are members of each Committee and the business of the Committees has therefore been conducted in conjunction with the regular meetings of the Board.

## Remuneration Report

### Remuneration policy

The Remuneration Committee is responsible for making recommendations on the remuneration policies and practices of the Company and its controlled entities, on the remuneration packages of the Executive Directors and senior management, and on the adequacy of fees paid to Non-executive Directors.

The broad approach to remuneration is to ensure that remuneration packages properly reflect individuals' duties and responsibilities, are competitively set to attract, retain and motivate appropriately qualified and experienced Directors, senior management and personnel, and uphold the interests of shareholders.

The remuneration policy aims to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the Consolidated Entity's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Entity.

### Fixed remuneration

All Directors and executives receive a base salary (which is based on factors such as length of service and experience) and superannuation guarantee contributions required by the government, currently at 9%. The base salary is calculated on a total cost to Company basis and includes FBT charges related to employee benefits including motor vehicles. The Remuneration Committee reviews executive packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

### Performance based remuneration

The Board may exercise discretion in relation to approving incentives and bonuses. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

### Executive options

Directors and specified executives may be granted share options under the Company's shareholder approved Employee Option Plan. Furthermore, share options and other security related discretionary incentives may be offered to Directors and specified executives, subject to any necessary shareholder, ASX and other statutory or regulatory requirements.

During the financial year no options or other security related incentives were granted to any Directors and those granted to specified executives lapsed prior to the end of the reporting period.

### Service contracts

It is the Consolidated Entity's policy that service contracts for Executive Directors and senior management be in force for a fixed period with an extension period negotiable prior to completion of the initial term. The agreements are capable of termination, acknowledging appropriate notice periods, and the Consolidated Entity retains the right to terminate the contract immediately through contractual breach on the part of the executive or by making payment in lieu of notice. The Executive Directors and senior management are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave, together with any superannuation benefits.

The service agreements outline the components of remuneration paid to the Executive Directors and senior executives and prescribe that the remuneration levels are modified based on inflation or performance criteria individually agreed. Remuneration levels are reviewed annually by the Remuneration Committee.

### Non-executive Directors

The Company's Constitution provides that the Non-executive Directors are each entitled to be paid such remuneration from the Company as the Board decide for their services as Director, but the total amount provided to all Non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount is currently fixed at \$120,000. Non-executive Directors' fees may be in the form of cash and superannuation contributions. They may also be reimbursed for travelling and other expenses incurred in attending to the Company's affairs. Non-executive Directors of the Company are not provided with retirement benefits other than statutory superannuation. The remuneration of Non-executive Directors must not include a commission on, or percentage of, profits or operating revenue and they do not receive options or bonus payments. Fees for Non-executive Directors are not linked to the performance of the Consolidated Entity.

# Directors' report

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

## Specified directors

M J Addison	Chairman & Managing Director — Executive
A V Berriman	Director — Executive
R C Doak	Director — Non-Executive (Executive Director to 18 March 2005)
A Maroc	Director — Non-Executive (resigned 16 November 2004)
J L Gwyther	Director — Non-Executive (appointed 24 September 2004)

## Specified executives

D Sargeant	Interim Chief Executive Officer and Interim Chief Financial Officer (14 March – 1 June 2005)
T Simonsen	Chief Operating Officer (22 February to 1 June 2005); Chief Executive Officer – Allied Technologies Australia Pty Limited (from 1 June 2005)
D Goodall	Chief Executive Officer – TUSC Computer Systems Pty Limited (from 1 October 2004, being the date on which TUSC Computer Systems Pty Limited was acquired)
J Fletcher	Chief Financial Officer (until 18 March 2005)
N Moore	Chief Operations Officer (until 15 April 2005)
R Barden	Chief Sales & Marketing Officer (until 27 May 2005)
G Allan	Chief Technical Officer (until 2 May 2005)
W Masson	Chief Financial Officer (from 1 June 2005)

# Directors' report

## (b) Specified directors' remuneration

2005	Primary				Equity	Other	Total
	Salary and Fees	Cash Bonus	Non-Cash Benefits	Super-annuation	Options***		
	\$	\$	\$	\$	\$	\$	\$
M J Addison	190,513	10,000	-	11,488	24,322	-	236,323
R C Doak	426,077	-	5,878	9,801	-	-	441,756
A V Berriman	136,488	10,000	-	40,644	24,322	-	211,454
A Maroc*	100	-	-	15,233	-	-	15,333
J L Gwyther**	25,871	-	-	4,129	-	-	30,000
	779,049	20,000	5,878	81,295	48,644	-	934,866

\* This represents the remuneration paid until resignation as a director on 17 November 2004.

\*\* This represents the remuneration paid since appointment as a director on 24 September 2004.

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

2004	Primary				Equity	Other	Total
	Salary and Fees	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 on the proportional period of time expired in relation to the full 24 month vesting period.

# Directors' report

## (c) Specified executives' remuneration

2005	Primary				Equity	Other	Total
	Salary and Fees	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
	\$	\$	\$	\$	\$	\$	\$
D Sargeant Interim Chief Executive Officer and Interim Chief Financial Officer (14 March 2005 to 1 June 2005)	94,000	-	-	-	-	-	94,000
T Simonsen Chief Operating Officer (22 February 2005 to 1 June 2005) Chief Executive Officer – Allied Technologies Australia Pty Ltd (from 1 June 2005)	70,160	26,142	-	5,013	-	-	101,315
D Goodall Chief Executive Officer – TUSC Computer Systems Pty Ltd (from 1 October 2004, being the date on which TUSC Computer Systems Pty Ltd was acquired)	148,954	48,333	-	8,689	-	-	205,976
J Fletcher Chief Financial Officer (until 18 March 2005)	135,313	-	3,985	10,224	-	-	149,522
N Moore Chief Operations Officer (until 15 April 2005)	121,112	-	7,170	12,725	-	-	141,007
R Barden Chief Sales & Marketing Officer (until 27 May 2005)	134,614	-	-	11,117	-	-	145,731
G Allen Chief Technical Officer (until 2 May 2005)	67,577	-	-	-	-	-	67,577
W Masson Chief Financial Officer (from 1 June 2005)	23,000	-	-	-	-	-	23,000
	<b>794,730</b>	<b>74,475</b>	<b>11,155</b>	<b>47,768</b>	<b>-</b>	<b>-</b>	<b>928,128</b>
<b>2004</b>							
J Fletcher*	24,000	-	-	2,000	-	-	26,000
N Moore*	27,000	-	-	2,000	-	-	29,000
R Barden*	27,000	-	-	2,000	-	-	29,000
G Allen*	24,000	-	-	-	-	-	24,000
	<b>102,000</b>	<b>-</b>	<b>-</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>108,000</b>

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

# Directors' report

## (d) Highest remunerated executives

In addition to the specified executives in (c) above, the following received remuneration during the year ended 30 June 2005 at a level which places them in the top 5 highest remunerated of the Consolidated Entity.

		Primary			Equity	Other	Total
		Salary, Fees & Allowances	Cash Bonus	Non-Cash Benefits	Super- annuation	Options	
		\$	\$	\$	\$	\$	\$
<b>D Christis</b>							
Solutions Architect Professional Services (until 30 June 2005)							
	2005	152,420	23,269	-	11,495	-	187,184
	2004*	17,802	-	-	1,477	-	19,279
<b>M Wilson</b>							
Canberra Branch Manager – Allied Technologies Australia Pty Ltd							
	2005	119,997	25,000	-	10,734	15,121	170,852
	2004*	23,056	-	-	2,064	-	25,120
<b>G White</b>							
Regional Professional Services Manager (until 20 May 2005)							
	2005	140,583	16,214	-	10,782	-	167,579
	2004*	21,172	-	-	1,906	-	23,078
<b>T Settle</b>							
Practice Leader – Prof. Services							
	2005	114,626	21,734	-	11,585	-	147,945
	2004*	4,237	-	-	361	-	4,598
<b>Total 2005</b>		<b>527,626</b>	<b>86,217</b>	<b>-</b>	<b>44,596</b>	<b>15,121</b>	<b>673,560</b>
<b>Total 2004*</b>		<b>66,267</b>	<b>-</b>	<b>-</b>	<b>5,808</b>	<b>-</b>	<b>72,075</b>

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

## (e) 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. 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. During the reporting period, 2,000,000 of these options lapsed.

During the financial year no options or other security related incentives were granted to any Directors and those granted to specified executives lapsed prior to the end of the reporting period.

### (f) Shares issued on exercise of remuneration options

During the financial year no options or other security related incentives were granted to any Directors and those granted to specified executives lapsed prior to the end of the reporting period.

# Directors' report

## (g) Options and rights holdings

Number of options held by specified directors and specified executives

	Balance 1.7.04	Granted as			Balance 30.6.05	Total Vested 30.6.05	Total Exercisable	Total Unexercisable
		Remun- eration	Options Exercised	Net Change Other*				
<b>Specified directors</b>								
M J Addison	1,000,000	-	-	-	1,000,000	-	-	1,000,000
A V Berriman	1,100,000	-	-	(100,000)	1,000,000	-	-	1,000,000
R C Doak	2,000,000	-	-	(2,000,000)	-	-	-	-
J L Gwyther	-	-	-	-	-	-	-	-
<b>Specified executives</b>								
D Sargeant	-	-	-	-	-	-	-	-
T Simonsen	-	-	-	-	-	-	-	-
D Goodall	-	-	-	-	-	-	-	-
J Fletcher	-	300,000	-	(300,000)	-	-	-	-
N Moore	-	300,000	-	(300,000)	-	-	-	-
R Barden	-	300,000	-	(300,000)	-	-	-	-
G Allan	-	-	-	-	-	-	-	-
W Masson	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,100,000</b>	<b>900,000</b>	<b>-</b>	<b>(3,000,000)</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>

\* Options which lapsed during the reporting period

## (h) Shareholdings

Number of shares held by specified directors and specified executives

	Balance 1.7.04	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.05
M J Addison	2,000,000	-	-	78,039	2,078,039
A V Berriman	2,188,433	-	-	(414,611)	1,773,822
R C Doak	13,046,879	-	-	(872,106)	12,174,773
J L Gwyther	-	-	-	5,400,000	5,400,000
<b>Specified executives</b>					
D Sargeant	-	-	-	-	-
T Simonsen	-	-	-	-	-
D Goodall	-	-	-	-	-
N Moore	168,215	-	-	(168,215)	-
R Barden	168,215	-	-	6,563	174,778
J Fletcher	7,000	-	-	273	7,273
G Allan	7,000	-	-	273	7,273
W Masson	-	-	-	-	-
<b>Total</b>	<b>17,585,742</b>	<b>-</b>	<b>-</b>	<b>4,030,216</b>	<b>21,615,958</b>

\* Net Change Other refers to shares purchased, acquired under the Company's dividend reinvestment plan, acquired as part consideration for the TUSC business or sold during the financial year.

# Directors' report

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## **Environmental regulations**

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

## **Compliance with ASX Listing Rules 4.10.19 and 3.1**

In accordance with ASX Listing Rule 4.10.19, the Company confirms that the cash and assets in a form readily convertible to cash that the Company had at the date of its re-admission to Official Listing on 29 April 2004 were used in a way consistent with the Company's business objectives for the whole of the reporting period.

The Company is currently in compliance with ASX Listing Rule 3.1.

## **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.

## **Rounding off of amounts**

The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with the Class Order amounts in the Directors' Report and the Financial Report are rounded off to the nearest one dollar, unless otherwise indicated.

## **Non-audit services**

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements.

## **Auditor's independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

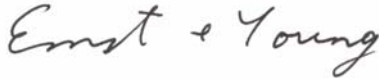
This Directors' statutory report is signed in accordance with a resolution of the Directors of Allied Technologies Group Limited.

Michael Addison  
Managing Director

Sydney  
30 September 2005

**Auditor's Independence Declaration to the Directors of Allied Technologies Group Limited**

In relation to our audit of the financial report of Allied Technologies Group Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



G.J. Knuckey  
Partner  
30 September 2005

# Corporate governance statement

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The Company is committed to best practice in the area of corporate governance. This statement provides an outline of the main corporate governance practices undertaken by the Company during the 2005 financial year. Except in regard to specific elements of the ASX Corporate Governance Council's principles and best practice recommendations ("recommendations") as disclosed below, the Company considers its corporate governance practices achieve compliance with the recommendations in a manner appropriate for smaller listed entities such as Allied. All practices, unless otherwise stated, have been applied for the year to 30 June 2005.

## The roles and responsibilities of the board and management

The Board has the primary responsibility for guiding and monitoring the business and affairs of the Group, including compliance with the Company's corporate governance objectives. Although responsibility for the operation and management of the Group's business is delegated by the Board to the Group Managing Director, the Board remains responsible for:

- evaluating, approving and monitoring the strategic and financial plans for the Group
- evaluating, approving and monitoring the annual budgets and business plans and evaluating the Group's performance in relation to them
- evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions including the issue and buy-back of any securities of the Company
- monitoring major litigation
- approving all financial reports to be published and related stock exchange announcements
- monitoring other material reporting and external communications by the Company
- approving the dividend policy and payment of dividends
- appointing external auditors (subject to shareholders' approval)
- considering and reviewing the social, ethical and environmental impact of the Group's activities and determining, monitoring and reviewing standards and policies to guide the Group in this regard
- appointing, removing and approving the terms of employment of the Managing Director
- managing the performance of, and the succession planning for the Managing Director
- appointing and removing the Company Secretary and Group Chief Financial Officer
- overseeing and ratifying the terms of employment of senior management
- monitoring the Group's performance in relation to best practice principles of corporate governance
- approving and monitoring the Group's risk management strategy, internal controls and reporting systems (including their establishment and maintenance), evaluating and reporting on their effectiveness and identifying and rectifying significant deficiencies
- monitoring and reviewing the Group's operations in relation to and compliance with legal and regulatory requirements
- dealing with sensitive or unusual matters of a material nature
- disclosure to and communicating with the Company's shareholders and the community, at the appropriate times, the results of and developments in the business operations of the Group.

The above division of responsibilities is documented in a charter adopted by the Board.

## Composition of the board

The Board is currently comprised of two Non-executive Directors and two Executive Directors, one of whom is the Managing Director. The composition of the Board is subject to review in the following ways:

- At least one-third of the Directors (excluding the Managing Director) retire each year, by rotation, as required by the Company's Constitution and the ASX Listing Rules. The Constitution also states that any Director who has been appointed during the course of the year must retire at the next Annual General Meeting. Eligible Directors who retire each year may offer themselves for re-election by the shareholders at the next Annual General Meeting.
- The Board has established a Board Nomination Committee which is charged with responsibility for periodically reviewing the size and composition of the Board to ensure that it is structured to make appropriate decisions with a variety of perspectives and skills in the best interests of the Company as a whole.
- An annual review of the Board as a whole, and individual members of the Board, is undertaken to assess the effectiveness of the Board against the requirements of the Board's Charter and the Constitution of the Company. In addition, a review is conducted of the performance of each Director who retires from office and seeks to re-nominate for a Board position. A review of the Board's performance prior to year-end was undertaken by written questionnaire and discussion.

Short biographies of the Directors of the Company are set out on page 5 and details of their term of office are disclosed on page 2. The biographies contain details of relevant skills, experience and expertise of each Director.

# Corporate governance statement

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## Independence

Whilst the Company supports the best practice recommendations of the ASX Corporate Governance Council, the Board believes that certain requirements regarding the structure of the Board are not practical for a company of Allied's size. The majority of the Board and the Chairman are not independent as defined by the terms of the recommendations. It is felt that the objectives of the Company are met with the current Board structure.

It is the normal policy of the Board that there is a separation of the roles of Chairman and Managing Director; however, on 1 June 2005, following the end of Mr Danny Sargeant's contract as interim CEO, the Company's Chairman, Mr Michael Addison, assumed the role of Group Managing Director.

It is also the policy of the Board to have at least one independent Non-executive Director. 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 Director's 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.

Mr John Gwyther is a Non-executive Director who, whilst not strictly within the guidelines due to an indirect shareholding of approximately 10.2%, is still considered by the Board to be independent. Mr Andrew Maroc, who was an independent Non-executive Director, resigned his position on 16 November 2004.

The Board has a procedure for all Directors to disclose to the Board any interests or relationships they may have which relate to the affairs of the Company. This includes the requirement for Directors to notify changes of their relevant interests in Company shares.

## Access to information and independent advice

The Board, and each individual Director, is entitled to seek independent professional advice at the Company's expense, subject to the reasonableness of the costs and Board consent, in the conduct of their duties for the Group. In addition, the Board has full access to Company records.

## Board meetings

The Board's business is largely conducted by a program of monthly meetings, together with such additional meetings as may be required from time to time. Executives are required to attend and present at Board meetings and answer questions from Directors. The Board met on 18 occasions in the reporting period. Details of attendance at meetings of the Board can be found at page 5 of this Report.

## Committees

The Board has established three Committees, all of which operate pursuant to formal charters, namely – the Audit & Risk Management Committee, the Nomination Committee and the Remuneration Committee. Due to the composition requirements of the charters and the current size of the Allied Board, all Directors are members of each Committee and the business of the Committees has therefore been conducted in conjunction with the regular meetings of the Board. In addition to the Directors, the Group CFO, Mr William Masson, is a member of the Audit & Risk Management Committee and the Remuneration Committee. Mr Masson is a Chartered Accountant with a Bachelor of Accountancy (Hons) degree. Mr Masson also attends Board meetings as an invited executive. The Remuneration Committee is chaired by Mr John Gwyther who is a Non-executive Director.

Additional information with respect to the Company's corporate governance approach can be found in the following policies and charters on the Company's website, namely:

- Board Charter
- Nomination Committee Charter
- Remuneration Committee Charter
- Audit & Risk Management Charter
- Performance Evaluation Policy
- Share Trading Policy
- Continuous Disclosure Policy
- Code of Ethics
- Code of Conduct
- Shareholder Communications Policy

# Corporate governance statement

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## **Ethical standards – code of conduct**

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly the Board has adopted a formal Code of Ethics and a Code of Conduct which set out the standards in accordance with which each executive, manager and employee of the Company is required to act. The Code of Conduct deals with standards of conduct for the Company's relationship with its shareholders, its customers, its staff and the community at large. The key aspects of this code are:

- to act with honesty, integrity and fairness
- to act in accordance with the law
- to use Company resources and property appropriately.

## **Dealing in Company shares**

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 24 and in the Remuneration Report.

The Company has a formal Share Trading Policy for all Group personnel, including Directors, senior management, employees and contractors. The policy reinforces the restrictions in the Corporations Act 2001 with respect to insider trading and use of price-sensitive information.

Under the terms of the policy, Group personnel may only buy or sell Company shares, without needing to obtain prior approval, during a trading window of four months commencing on the next trading day immediately following the half-yearly results announcement and the period of four months commencing on the next trading day immediately following the preliminary final profit announcement of the Company.

In all instances buying or selling Company shares is not permitted at any time by any person who possesses price-sensitive information not available to the market.

## **Financial reporting**

The Company's financial report preparation and approval process for the 2005 financial year involved both the Managing Director and the Chief Financial Officer providing a declaration to the Board that in their opinion:

- the financial records of the Consolidated Entity have been properly maintained in accordance with the Corporations Act 2001; and
- the financial statements and notes thereto for the financial year comply with the accounting standards and provide a true and fair view in all material respects of the Company's financial condition and operational results.

In making this statement the Managing Director and Chief Financial Officer indicated to the Board that:

- the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects;
- the statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

## **Information disclosure and shareholder communication**

The Company has in place a formal policy with respect to its continuous disclosure obligations and procedures. The Board seeks to ensure that shareholders are provided with sufficient information to assess the performance of the Company. In addition to the Annual Report which is mailed to shareholders, the Company uses its website to communicate with its shareholders. The website provides electronic access to the latest and past Annual Reports and Financial Reports, all ASX releases, share price information, presentation material, analyst reports and various press articles.

Shareholders may direct questions to the Company's Board and its external auditors at the Annual General Meeting. The Company requires its external auditors to attend its Annual General Meeting.

## **Risk management**

The Board is responsible for overseeing the Group's systems of internal control and risk management. The Board has delegated the review of risk management to the Audit & Risk Management Committee which comprises all Directors and the Group's Chief Financial Officer. The primary objective of that Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to financial accounting practices, risk management, internal control systems, external reporting and the internal and external audit function.

The executive management team has responsibility for implementing the risk management systems and internal controls within the Group. The management team is also integral in identifying the risks in the Group's operations and activities. Regular monitoring of risks, risk management and compliance is conducted by the Audit & Risk Management Committee and by management.

# Corporate governance statement

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## Remuneration

Details of the Company's remuneration policies and practices for Non-executive Directors and Executive Directors are contained in the Remuneration Report and in Note 24 to this Annual Report.

# Financial Report

For the year ended 30 June 2005

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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 2-12.

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

## Statement of financial performance

For the year ended 30 June 2005

	Notes	Consolidated Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenues from ordinary activities	2	34,105,434	11,549,294	599,066	231,357
Changes in inventories of finished goods		(9,862,791)	(6,467,158)	-	-
Employee benefits		(21,283,409)	(2,475,444)	(477,706)	(33,357)
Depreciation and amortisation expenses		(1,235,596)	(152,398)	-	-
Borrowing costs expense		(220,096)	(94,031)	-	(350)
Occupancy costs		(585,047)	(169,885)	-	-
Other expenses from ordinary activities		(4,886,454)	(1,071,131)	(1,236,395)	(146,417)
Write down of goodwill and brand names		(1,653,312)	-	-	-
Write down of investments and loans		(302,890)	-	(1,983,970)	-
<b>Profit/(loss) from ordinary activities before income tax (expense)/benefit</b>	<b>3</b>	<b>(5,924,161)</b>	<b>1,119,247</b>	<b>(3,099,005)</b>	<b>51,233</b>
Income tax (expense)/benefit relating to ordinary activities	4	81,469	(114,905)	3,760	-
<b>Profit/(loss) from ordinary activities after income tax (expense)/benefit</b>		<b>(5,842,692)</b>	<b>1,004,342</b>	<b>(3,095,245)</b>	<b>51,233</b>
<b>Net Profit/(loss) attributable to members of Allied Technologies Group Limited</b>	<b>21</b>	<b>(5,842,692)</b>	<b>1,004,342</b>	<b>(3,095,245)</b>	<b>51,233</b>
Share issue costs	20	(462,179)	(288,850)	(462,179)	(288,850)
<b>Total revenues, expenses and valuation adjustments attributable to members of Allied Technologies Group Limited and recognised directly in equity</b>		<b>(462,179)</b>	<b>(288,850)</b>	<b>(462,179)</b>	<b>(288,850)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Allied Technologies Group Limited</b>		<b>(6,304,871)</b>	<b>715,492</b>	<b>(3,557,424)</b>	<b>(237,617)</b>
Basic earnings (losses) per share – cents	33	(12.2)	8.2	-	-
Diluted earnings (losses) per share - cents	33	(12.2)	8.2	-	-

## Statement of financial position

As at 30 June 2005

	Notes	Consolidated Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>Current assets</b>					
Cash assets	5	3,228,971	967,719	1,532,048	775,995
Receivables	6	9,470,630	10,148,092	-	72,085
Inventories	7	1,037,983	2,696,817	-	-
Other	8	226,318	166,181	-	-
Total current assets		13,963,902	13,978,809	1,532,048	848,080
<b>Non-current assets</b>					
Receivables	6	-	35,332	977,588	480,061
Other financial assets	9	5,396	298,560	12,976,621	8,620,622
Property, plant and equipment	10	992,693	1,633,126	-	-
Intangible assets	11	9,273,021	4,439,470	-	-
Deferred tax asset	12	620,685	213,670	620,685	-
Other	13	-	339,054	-	-
Total non-current assets		10,891,794	6,959,212	14,574,894	9,100,683
<b>Total assets</b>		24,855,696	20,938,021	16,106,942	9,948,763
<b>Current liabilities</b>					
Payables	14	8,477,861	4,711,066	3,136,223	136,745
Interest-bearing liabilities	15	1,599,054	2,052,149	-	-
Current tax liabilities	16	177,505	610,074	104,227	-
Provisions	17	1,134,315	529,680	40,493	-
Other	18	2,705,936	2,317,461	-	-
Total current liabilities		14,094,671	10,220,430	3,280,943	136,745
<b>Non-current liabilities</b>					
Interest-bearing liabilities	19	555,386	897,736	-	-
Provisions	17	280,679	161,429	-	-
Other	18	-	-	-	-
Total non-current liabilities		836,065	1,059,165	-	-
<b>Total liabilities</b>		14,930,736	11,279,595	3,280,943	136,745
<b>Net assets/(liabilities)</b>		9,924,960	9,658,426	12,825,999	9,812,018
<b>Equity</b>					
Contributed equity	20	24,409,677	17,770,416	24,409,677	17,770,416
Accumulated losses	21	(14,484,717)	(8,111,990)	(11,583,678)	(7,958,398)
<b>Total equity/(deficit)</b>		9,924,960	9,658,426	12,825,999	9,812,018

**Statement of cash flows**  
 For the year ended 30 June 2005

	Notes	Consolidated Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		37,542,847	6,443,594	43,048	168,000
Payments to suppliers and employees		(36,452,529)	(7,123,115)	(1,606,236)	(1,099,120)
Income taxes paid		(292,891)	-	-	-
Interest received		102,770	13,421	95,347	11,357
Borrowing costs		(220,096)	(94,031)	-	(350)
<b>Net cash provided by (used in) operating activities</b>	<b>32 (a)</b>	<b>680,101</b>	<b>(760,131)</b>	<b>(1,467,841)</b>	<b>(920,113)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(623,657)	(94,931)	-	-
Proceeds from sale of property, plant and equipment		1,026,752	-	-	-
Payment for acquisition of subsidiary	<b>32 (e)</b>	(1,833,849)	(175,139)	(2,125,332)	(198,116)
Proceeds from sale of tenements and investments		65,000	30,000	40,000	30,000
<b>Net cash (used in) investing activities</b>		<b>(1,365,754)</b>	<b>(240,070)</b>	<b>(2,085,332)</b>	<b>(168,116)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares and other equity securities		5,000,000	2,214,464	5,000,000	2,214,464
Shares bought back during the year		-	(61,390)	-	(61,390)
Share issue expenses		(462,179)	(288,850)	(462,179)	(288,850)
Proceeds from borrowings		176,063	-	-	-
Repayment of borrowings		(1,116,486)	(664,235)	-	-
Dividends paid		(228,595)	-	(228,595)	-
<b>Net cash provided by financing activities</b>		<b>3,368,803</b>	<b>1,199,989</b>	<b>4,309,226</b>	<b>1,864,224</b>
<b>Net increase in cash held</b>		<b>2,683,150</b>	<b>199,788</b>	<b>756,053</b>	<b>775,995</b>
Cash at the beginning of the financial year		545,821	346,033	775,995	-
<b>Cash at the end of the financial year</b>	<b>32 (b)</b>	<b>3,228,971</b>	<b>545,821</b>	<b>1,532,048</b>	<b>775,995</b>

## Notes to the financial statements

For the year ended 30 June 2005

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## Notes to the financial statements

For the year ended 30 June 2005

### 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 Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Consolidated Entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in Note 1(w).

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 2005 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) Taxes

##### *Income Taxes*

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 in relation to timing differences 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.

## Notes to the financial statements

For the year ended 30 June 2005

### Note 1. Summary of significant accounting policies (cont)

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 formed an income tax group under the tax consolidations regime.

#### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash Flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(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 the interest payment.

## Notes to the financial statements

For the year ended 30 June 2005

### Note 1. Summary of significant accounting policies (cont)

**(f) Receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

**(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.

**(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:

Plant and equipment	3 – 4 years
Plant and equipment under finance lease	3 – 4 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 Consolidated Entity, 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.

## Notes to the financial statements

For the year ended 30 June 2005

### Note 1. Summary of significant accounting policies (cont)

**(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 been discounted to their present values in determining recoverable amounts.

*Brand Names*

Brand names are initially recorded at cost and have been written down to their estimated recoverable amounts.

**(m) Trade and other creditors**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity. The amounts are unsecured.

Payables to related parties are carried at the principal amount.

**(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 and annual 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.

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.

## Notes to the financial statements

For the year ended 30 June 2005

### Note 1. Summary of significant accounting policies (cont)

**(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) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(v) Comparative figures**

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

**(w) Adoption of Australian Equivalents to International Financial Reporting Standards**

Allied Technologies Group Limited will be required to prepare financial statements that comply with Australian equivalents of International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, Allied Technologies Group Limited's first half-year report prepared under A-IFRS will be for the half year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

#### **Management of the transition to A-IFRS**

In 2004, Allied Technologies Group Limited established a Steering Committee to manage transition to A-IFRS. The Steering Committee established a project team to carry out the transition work.

At the date of this financial report, Allied Technologies Group Limited has substantially completed the transition to A-IFRS, including the assessment of accounting policy alternatives on transition to A-IFRS, the finalisation of the A-IFRS accounting policies that will be adopted from 1 July 2005, and the determination of the likely impact on the results and financial position of the Company and the Consolidated Entity. The Steering Committee is currently, as the final stage of the transition project, completing the accounting implementation, after which the post-implementation review will be completed. As the A-IFRS project is substantially complete, in the opinion of the Steering Committee and the Directors of the Company, Allied Technologies Group Limited has successfully managed its transition to A-IFRS.

#### **The likely impacts of A-IFRS on the results and financial position of the Company and the Consolidated Entity**

The following narration outlines the likely impacts on the current year results and financial position of the Company and the Consolidated Entity had the financial statements been prepared using A-IFRS, based on the Directors' accounting policy decisions current at the date of this financial report. Readers of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements or amendments by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the Directors and, consequently, the likely impacts outlined in the following narration.

#### **Income Tax**

Increases in deferred tax assets and deferred tax liabilities will arise as a consequence of the recognition of deferred taxes associated with fair value adjustments in relation to business combinations. In addition, under AASB 112 "Income Taxes" the consolidated economic entity is required to adopt a balance sheet approach under which current and future tax consequences of all transactions and other events recognised in the entity's balance sheet give rise to deferred tax liabilities and assets. With certain exceptions, deferred tax liabilities and deferred tax assets are recognised for all taxable and deductible temporary differences.

In terms of AASB 112 "Income Taxes", a deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Directors have not recognised any such unused tax losses in the year ended 30 June 2005 and, consequently, deferred tax assets have not increased as a result of unused tax losses and unused tax credits carried forward to nor generated in the year ended 30 June 2005.

The cumulative impact on the financial position at 30 June 2005 will be to increase deferred tax assets by \$182,317 (Company \$182,317). The impact on the profit and loss for the financial year ended 30 June 2005 will be a decrease in tax expense (increase in tax credit) of \$21,228 (Company \$120,700).

## Notes to the financial statements

For the year ended 30 June 2005

### Note 1. Summary of significant accounting policies (cont)

#### Property, plant and equipment

On initial adoption of A-IFRS, the Directors have elected to recognise plant and equipment at cost less accumulated depreciation at 1 July 2004, as permitted by the first-time adoption provisions in AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards". Consequently, the adoption of A-IFRS will not impact on the carrying value of plant and equipment at 30 June 2005, nor the profit and loss for the year ended 30 June 2005.

Under A-IFRS, the make good provisions of premises leases are to be included in the cost of leasehold improvements on initial measurement to the extent that the Group has a legal or constructive obligation to meet the expenditure. The impact of adopting A-IFRS results in an increase in property, plant and equipment of \$222,012 (Company \$nil) as at date of transition to A-IFRS, namely 1 July 2004, and results in an increase of \$190,602 (Company \$nil) as at 30 June 2005. The corresponding provision for make good amounts to \$263,354 (Company \$nil). The increase in leasehold improvements result in additional amortisation expense of \$31,410 (Company \$nil) for the financial year ended 30 June 2005.

#### Other financial assets and financial liabilities

The Directors have elected to apply the first-time adoption exemption provided in AASB 1 "First-time Adoption of Australian Equivalents of International Financial Reporting Standards" available to Allied Technologies Group Limited to defer the date of transition of AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" until 1 July 2005. Accordingly there will be no quantitative impacts on the 30 June 2005 financial statements.

The Directors have partially determined the classifications that will apply to the various financial assets and financial liabilities held by the Consolidated Entity. The classification of the financial assets and financial liabilities determines the measurement basis to be adopted. Based in the partial determination, it is not expected that there will be any increase or decrease in the financial assets and financial liabilities.

#### Business Combinations

On initial adoption of A-IFRS, the Directors have elected not to restate business combinations that occurred before 1 July 2004. Accordingly, the impacts of the adoption of A-IFRS on the financial report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities (refer to the income tax note) and the cessation of goodwill amortisation (refer to the goodwill note).

Allied Technologies Group Limited did acquire a business, TUSC Computer Systems Pty Ltd, subsequent to 1 July 2004. As required by AASB 3, business combinations after the transition date of 1 July 2004 will need to be restated as if A-IFRS applied at the date of the business combination. A-IFRS has been applied to all identifiable assets and liabilities acquired in order to arrive at fair value of identifiable net assets acquired, including the identification of additional deferred tax assets and liabilities, performance of impairment reviews on all assets; and, once the fair value of net assets acquired was determined, calculated a restated goodwill arising on consolidation. The impact of adopting AASB 3 for business combinations subsequent to 1 July 2004, is to increase goodwill on consolidation arising from business combinations by an amount of \$50,210 (Company \$nil) as at 30 June 2005.

#### Goodwill

The adoption of A-IFRS will not significantly impact the carrying amount of goodwill as the Directors have decided not to restate past business combinations (refer to the business combinations note). Under A-IFRS, goodwill is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication that goodwill may be impaired. As a result, amortisation expenses will decrease by \$577,078 (Company \$nil) for the financial year ended 30 June 2005.

The Directors tested the goodwill as at 30 June 2005 for impairment as required both by Australian Generally Accepted Accounting Principles ("A-GAAP") and A-IFRS. Based on the impairment test, an amount of \$1,598,312 has been written-off as an impairment of goodwill in the year ended 30 June 2005.

#### Share-based payments

Equity-settled share based payments in respect of equity instruments issued after 7 November 2002 that had not vested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date of equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest. As a consequence, equity will increase by \$176,858 (Company \$176,858) with a corresponding increase in employee benefit expense of \$64,696 (Company \$54,782) at the 1 July 2004 transition date and \$112,162 (Company \$45,180) in the profit and loss for the year ended 30 June 2005.

## Notes to the financial statements

For the year ended 30 June 2005

### Note 1. Summary of significant accounting policies (cont)

#### Change in accounting policy and errors

Under A-IFRS, all material prior period errors and the impacts of changes in accounting policy are accounted for retrospectively, adjusting the opening balance of retained earnings of the earlier period, resulting in a restatement of comparatives. The Consolidated Group has recognised expenses in the current financial year relating to prior period errors and consequently, on adoption of A-IFRS, there will be an increase in profits of \$181,029 (Company \$nil) for the year ended 30 June 2005 with a corresponding decrease in retained earnings at transition date.

#### Retained earnings

With limited exceptions, adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings (or if appropriate, another category of equity) at the date of transition to A-IFRS. The cumulative effect of these adjustments for the Consolidated Entity will be an increase in retained earnings of \$569,369 (Company decrease of \$80,481) as at 30 June 2005.

#### (x) Going concern

The Group has incurred a loss from operations for the year ended 30 June 2005. The Directors have reviewed the operations of the Group and some potential options for future activities. Having considered the options and potential financial results, the Directors are of a view that the going concern basis of accounting remains appropriate.

**Notes to the financial statements**  
 For the year ended 30 June 2005

Consolidated Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

**Note 2. Revenue**

**Revenue from operating activities**

Sale of goods and rendering of services	33,736,487	11,465,873	-	-
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**Revenue from non-operating activities**

Management fees	-	-	463,719	150,000
Interest	102,770	13,421	95,347	11,357
Gain from sale of mining tenements and property, plant and equipment*	266,177	70,000	40,000	70,000
	368,947	83,421	599,066	231,357
Revenue from ordinary activities	34,105,434	11,549,294	599,066	231,357

\* The gain from the sale of mining tenements and property, plant and equipment is after net proceeds of \$1,066,752 (2004: \$70,000) and the carrying value of the assets of \$800,575 (2004: \$nil).

**Note 3. Operating profit/(loss)**

**(a) Net gains and expenses**

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

**Expenses**

Cost of sales and services	9,862,791	6,467,158	-	-
Depreciation and amortisation of property, plant and equipment	713,518	165,470	-	-
Amortisation of goodwill	522,078	37,096	-	-
Borrowing costs				
Interest and finance charges paid/payable	220,096	94,031	-	350
Other provisions				
Employee entitlements	69,066	151,016	40,493	-
Total other provisions	69,066	151,016	40,493	-
Rental expense relating to operating leases				
Minimum lease payments	1,037,783	140,286	-	-
Total rental expense relating to operating leases	1,037,783	140,286	-	-

**(b) Individually significant items**

**Expenses**

Write down of goodwill and brand names	1,653,312	-	-	-
Write down of investment	302,890	-	1,911,623	-
Write down of non current assets to recoverable amounts	492,342	-	-	-
	1,956,202	-	1,911,623	-

**Notes to the financial statements**  
 For the year ended 30 June 2005

	Consolidated Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$

**Note 4. Income tax**

The prima facie tax, using tax rates applicable in the country of operation, on profit differs from the income tax provided in the financial statements as follows:

Prima facie tax payable on profit from ordinary activities	(1,777,248)	335,774	(929,702)	15,370
Tax effect of permanent differences:				
- Non-deductible amortisation	156,623	12,904	-	-
- Write down of investments and goodwill	495,994	-	573,487	-
- Non deductible expenses	33,152	3,208	11,292	1,948
- Tax deductible expenses	(78,812)	(732)	(45,062)	(732)
- Adjustments relating to current tax of prior years	34,256	(179,774)	103,110	-
	(1,136,035)	171,380	(286,875)	16,586
- Future income tax benefits, arising from losses in the year, not booked	1,054,566	-	283,115	-
- Recoupment of prior year tax losses not brought to account	-	(56,475)	-	(16,586)
Income tax expense	(81,469)	114,905	(3,760)	-

**Deferred tax assets and liabilities**

Current tax payable	100,386	18,754	27,108	-
Provision for deferred income tax – current	77,119	610,074	77,119	-
Provision for deferred income tax – non-current	-	-	-	-
Future income tax benefit – non-current	620,685	213,670	620,685	-

**Income tax losses**

The Directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is

	1,267,804	560,270	283,115	514,112
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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
- (iii) the Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation and
- (iv) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

**Tax consolidation**

Allied Technologies Group Limited and its 100% owned subsidiaries are a tax consolidated group. The head entity of the tax consolidated group is Allied Technologies Group Limited.

**Note 5. Cash assets**

Cash on hand	7,140	200	200	200
Cash at bank	2,875,831	940,429	1,531,848	775,795
Deposits at call	346,000	27,090	-	-
	3,228,971	967,719	1,532,048	775,995

**Notes to the financial statements**  
 For the year ended 30 June 2005

	Consolidated Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 6. Receivables</b>				
<b>Current</b>				
Trade debtors	9,147,071	10,037,765	-	-
Less: Provision for doubtful debts	(32,490)	(20,000)	-	-
	9,114,581	10,017,765	-	-
Other debtors	356,049	130,327	-	72,085
	9,470,630	10,148,092	-	72,085
<b>Non-current</b>				
Loans to related party	-	35,332	-	-
Loans to controlled subsidiaries	-	-	977,588	480,061
	-	35,332	977,588	480,061

**(a) Terms and conditions**

Trade debtors are non-interest bearing and generally on 30 day terms

**Note 7. Inventories**

Work in progress	867,512	2,181,669	-	-
Finished goods at cost	170,471	515,148	-	-
	1,037,983	2,696,817	-	-

**Note 8. Other (current)**

Prepayments	226,318	166,181	-	-
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**Note 9. Other financial assets**

Listed investments – at cost	5,396	5,396	-	-
Shares in controlled entities – at cost (Note 30)	-	-	16,486,933	10,220,622
Less: provision for diminution	-	-	(3,510,312)	(1,600,000)
Shares in other entities – at cost	-	293,164	-	-
	5,396	298,560	12,976,621	8,620,622

Listed investments are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were sold at the reporting date.

**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.

**Notes to the financial statements**  
 For the year ended 30 June 2005

	Consolidated Entity		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>Note 10. Property, plant and equipment</b>				
Land - at deemed cost	-	207,333	-	-
Leasehold improvements – at cost	542,415	1,099,784	-	-
Less: Accumulated amortisation	(514,167)	(468,141)	-	-
	28,248	631,643	-	-
Motor vehicles – at cost	157,758	155,239	-	-
Less: Accumulated amortisation	(107,064)	(86,401)	-	-
	50,694	68,838	-	-
Motor vehicles – under finance lease	16,050	16,050	-	-
Less: Accumulated amortisation	(9,419)	(6,209)	-	-
	6,631	9,841	-	-
Furniture, fittings and office equipment – at cost	674,790	145,334	-	-
Less: Accumulated amortisation	(597,279)	(119,686)	-	-
	77,511	25,648	-	-
Pooled minor equipment – at cost	197,847	197,375	-	-
Less: Accumulated amortisation	(151,212)	(119,581)	-	-
	46,635	77,794	-	-
Demonstration equipment	226,516	49,236	-	-
Less: Accumulated amortisation	(142,184)	(49,236)	-	-
	84,332	-	-	-
Software licences	328,408	175,667	-	-
Less: Accumulated amortisation	(217,692)	(124,046)	-	-
	110,716	51,621	-	-
<b>Plant and equipment</b>				
Plant and equipment – at cost	1,744,198	1,872,767	-	46,543
Less: Accumulated depreciation	(1,300,219)	(1,385,205)	-	(46,543)
	443,979	487,562	-	-
Plant and equipment under finance lease	416,175	214,715	-	-
Less: Accumulated amortisation	(272,228)	(141,869)	-	-
	143,947	72,846	-	-
Total property, plant and equipment				
Cost	4,304,157	4,133,500	-	46,543
Accumulated depreciation and amortisation	(3,311,464)	(2,500,374)	-	(46,543)
Total carrying amount	992,693	1,633,126	-	-

**Notes to the financial statements**  
 For the year ended 30 June 2005

**Note 10. Property, plant and equipment (cont)**

**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

	Net book value at 1 July 2004	Acquisition of subsidiary	Additions	Disposals	Impairment	Depreciation charge for the year	Net book value at 30 June 2005
Land	207,333	-	-	(207,333)	-	-	-
Leasehold improvements	631,643	23,840	-	(592,667)	-	(34,568)	28,248
Motor vehicles	68,838	-	2,520	-	-	(20,664)	50,694
Motor vehicles – under finance lease	9,841	33,019	-	(33,339)	-	(2,890)	6,631
Furniture, fittings and office equipment	25,648	46,537	18,698	-	-	(13,372)	77,511
Pooled minor equipment	77,794	-	472	-	-	(31,631)	46,635
Demonstration equipment	-	-	177,280	-	-	(92,948)	84,332
Software licences	51,621	41,016	218,060	-	(5,238)	(194,743)	110,716
Plant and equipment	487,562	69,650	207,843	(86,161)	-	(234,915)	443,979
Plant and equipment – under finance lease	72,846	11,374	176,063	(28,549)	-	(87,787)	143,947
<b>Total</b>	<b>1,633,126</b>	<b>225,436</b>	<b>800,936</b>	<b>(948,049)</b>	<b>(5,238)</b>	<b>(713,518)</b>	<b>992,693</b>

**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	
2005	2004	2005	2004
\$	\$	\$	\$

**Note 11. Intangible assets**

Goodwill	12,464,109	4,970,585	-	-
Less: Accumulated amortisation	(1,592,776)	(244,674)	-	-
Less: Write down to recoverable amount	(1,598,312)	(311,441)	-	-
	<u>9,273,021</u>	<u>4,414,470</u>	-	-
Brand name	55,000	25,000	-	-
Less: Write down to recoverable amount	(55,000)	-	-	-
	<u>-</u>	<u>25,000</u>	-	-
	<u>9,273,021</u>	<u>4,439,470</u>	-	-

**Note 12. Deferred tax asset**

Future income tax benefit	<u>620,685</u>	<u>213,670</u>	<u>620,685</u>	-
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**Note 13. Other (non-current)**

Research and development – at cost	<u>-</u>	<u>339,054</u>	<u>-</u>	<u>-</u>
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**Notes to the financial statements**  
 For the year ended 30 June 2005

	Consolidated Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 14. Payables</b>				
<b>Current</b>				
Trade creditors	4,378,667	4,167,522	81,924	5,060
Other creditors and accruals	1,756,905	543,544	102,193	87,836
Deferred purchase consideration	2,342,289	-	2,342,289	-
Loans payable to controlled entity	-	-	609,817	43,849
	<u>8,477,861</u>	<u>4,711,066</u>	<u>3,136,223</u>	<u>136,745</u>

Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

Loans payable to controlled entities are non-interest bearing.

The deferred purchase consideration payable to the vendors of TUSC Computer Systems Pty Limited consists of an amount of \$105,765 paid on 1 July 2005 with the balance, which is payable in cash and is anticipated to be in the order of \$2,100,000 to \$2,400,000, to be paid as a first tranche of \$1,200,000 on 3 October 2005 with the balance within 30 days of the finalisation of the TUSC audited annual report for the year ended 30 June 2005.

The vendors of TUSC Computer Systems Pty Limited have a 2<sup>nd</sup> ranking charge over the assets of TUSC as security for the deferred purchase consideration.

**Note 15. Interest-bearing liabilities**

<b>Current</b>				
<b>Secured</b>				
Bank overdraft	-	421,898	-	-
Debtor finance facility	1,037,646	1,291,370	-	-
Bank loan	29,816	89,671	-	-
Bills payable	426,000	160,000	-	-
Lease liabilities (Note 27)	105,592	89,210	-	-
	<u>1,599,054</u>	<u>2,052,149</u>	<u>-</u>	<u>-</u>

Refer to Note 19 for information on terms and conditions relating to the above financial instruments.

**Note 16. Tax liabilities**

<b>Current</b>				
Income tax	<u>177,505</u>	<u>610,074</u>	<u>104,227</u>	<u>-</u>

**Note 17. Provisions**

<b>Current</b>				
Employee benefits	1,134,315	510,926	40,493	-
Income tax liability	-	18,754	-	-
	<u>1,134,315</u>	<u>529,680</u>	<u>40,493</u>	<u>-</u>
<b>Non-current</b>				
Employee benefits	<u>280,679</u>	<u>161,429</u>	<u>-</u>	<u>-</u>

**Notes to the financial statements**  
 For the year ended 30 June 2005

	Consolidated Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Note 18. Other liabilities</b>				
<b>Current</b>				
Deferred revenue	2,705,936	2,317,461	-	-
<b>Non-current</b>				
Deferred revenue	-	-	-	-

**Note 19. Interest-bearing liabilities**

<b>Non-current</b>				
<b>Secured</b>				
Bills payable	440,000	866,000	-	-
Bank loan	28,025	-	-	-
Lease liabilities (Note 27)	87,361	31,736	-	-
	555,386	897,736	-	-
<b>Secured liabilities (Current and Non-current)</b>				
Total secured liabilities are:				
Bank overdraft	-	421,898	-	-
Debtor finance facility	1,037,646	1,291,370	-	-
Bank loan	57,841	89,671	-	-
Bills payable	866,000	1,026,000	-	-
Lease liabilities	192,953	120,946	-	-
Total secured liabilities	2,154,440	2,949,885	-	-

The bank overdraft facility is secured by a registered mortgage debenture over the assets of the controlled entity.

Bills payable by controlled entities are secured by registered mortgage debentures over the assets and uncalled capital of the controlled entities.

The debtor finance facility is secured by one of the controlled entity's trade receivables.

Finance leases have an average lease term of 3 years with the option to purchase the asset at the completion of the lease term. The lease facilities are secured by a charge over the leased assets.

**Note 20. Contributed equity**

53,089,827 (2004: 30,680,680) fully paid ordinary shares	24,409,677	17,770,416	24,409,677	17,770,416
<b>(a) Ordinary shares</b>				
<b>2005</b>				
At the beginning of the reporting period	17,770,416		17,770,416	
Shares issued during the year				
- 4,600,000 on 25 August 2004	1,472,000		1,472,000	
- 6,000,000 on 24 September 2004	1,800,000		1,800,000	
- 11,025,031 on 24 September 2004	3,528,010		3,528,010	
- 784,116 on 27 September 2004 (as part of dividend reinvestment plan)	301,430		301,430	
Transaction costs relating to share issues	(462,179)		(462,179)	
At reporting date	24,409,677		24,409,677	

**Notes to the financial statements**  
 For the year ended 30 June 2005

	Consolidated Entity		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>Note 20. Contributed equity (cont)</b>				
<b>(a) Ordinary shares (cont)</b>				
<b>2004</b>				
At the beginning of the reporting period		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		17,770,416
	<b>2005 No.</b>	<b>2004 No.</b>	<b>2005 No.</b>	<b>2004 No.</b>
<b>2005</b>				
At the beginning of the reporting period	30,680,680		30,680,680	
Shares issued during the year				
- 25 August 2004	4,600,000		4,600,000	
- 24 September 2004	6,000,000		6,000,000	
- 24 September 2004	11,025,031		11,025,031	
- 27 September 2004 (as part of dividend reinvestment plan)	784,116		784,116	
	53,089,827		30,680,680	
<b>2004</b>				
At the beginning of the reporting period		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		30,680,680

**Notes to the financial statements**  
 For the year ended 30 June 2005

**Note 20. Contributed equity (cont)**

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 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. None of these options have been exercised.

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. None of these options were exercised and as at 30 June 2005 all have lapsed.

On 28 November 2003, 1,666,200 options were granted to employees under the Employee Option Plan ("Plan") to subscribe for fully paid ordinary shares, exercisable at 10 cents each on or before 28 November 2006. Following a 1 for 4 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 2005 was 164,550. These options are 50% vested based on the requirements of the Employee Option Plan described in Note 28. None of these options have been exercised.

On 12 October 2004, 1,850,000 options were granted to employees under the Employee Option Plan to subscribe for fully paid ordinary shares, exercisable at 40 cents each on or before 12 October 2007. The number of un-issued ordinary shares under these options as at 30 June 2005 was 750,000, with the balance having lapsed.

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. During the reporting period, 2,000,000 of these options lapsed.

During the financial year no options or other security related incentives were granted to any Directors and those granted to specified executives lapsed prior to the end of the reporting period.

Consolidated Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

**Note 21. Accumulated losses**

Accumulated losses at the beginning of the financial year	(8,111,990)	(9,116,332)	(7,958,398)	(8,009,631)
Net profit/(loss) attributable to members of Allied Technologies Group Limited	(5,842,692)	1,004,342	(3,095,245)	51,233
Dividends provided for or paid	(530,035)	-	(530,035)	-
Accumulated losses at the end of the financial year	<u>(14,484,717)</u>	<u>(8,111,990)</u>	<u>(11,583,678)</u>	<u>(7,958,398)</u>

**Note 22. Dividends**

Declared and paid during the year:

Final franked dividend for 2004, paid 27 September 2004: 1.5 cents	530,035	-	530,035	-
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The amount of franking credits available for subsequent financial years are in the order of \$3 million.

**Notes to the financial statements**  
 For the year ended 30 June 2005

**Note 23. 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.

2005	Notes	Floating interest maturing in:		Fixed interest maturing in:		Non-interest bearing	Total
		1 year or less	Over 1 to 5 years	1 year or less	Over 1 To 5 years		
		\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
Cash and deposits	5	3,228,971	-	-	-	-	3,228,971
Receivables	6	-	-	-	-	9,470,630	9,470,630
Other financial assets	9	-	-	-	-	5,395	5,395
		<u>3,228,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,476,025</u>	<u>12,704,996</u>
Weighted average interest rate		3.3%					
<b>Financial liabilities</b>							
Overdraft		-	-	-	-	-	-
Debtor finance facility	15,18	(1,037,646)	-	-	-	-	(1,037,646)
Bank loan	15,18	(29,816)	(28,025)	-	-	-	(57,841)
Bills		(426,000)	(440,000)	-	-	-	(866,000)
Payables	14	-	-	-	-	(8,477,861)	(8,477,861)
Lease liabilities	15,18	-	-	(105,592)	(87,361)	-	(192,953)
		<u>(1,493,462)</u>	<u>(468,025)</u>	<u>(105,592)</u>	<u>(87,361)</u>	<u>(8,477,861)</u>	<u>(10,632,301)</u>
Weighted average interest rate		8.2%	6.3%	9.7%	9.7%	-	-
Net financial assets (liabilities)		<u>1,735,509</u>	<u>(468,025)</u>	<u>(105,592)</u>	<u>(87,361)</u>	<u>998,164</u>	<u>2,072,695</u>

**Notes to the financial statements**  
 For the year ended 30 June 2005

**Note 23. Financial instruments (cont)**

2004	Notes	Floating interest maturing in:		Fixed interest maturing in:		Non-interest bearing	Total
		1 year or less	Over 1 to 5 years	1 year or less	Over 1 To 5 years		
		\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
Cash and deposits	5	967,719	-	-	-	-	967,719
Receivables	6	-	-	-	-	10,148,092	10,148,092
Other financial assets	10	-	-	-	-	298,560	298,560
		<u>967,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,446,652</u>	<u>11,414,371</u>
Weighted average interest rate		4.0%					
<b>Financial liabilities</b>							
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)
		<u>(1,962,939)</u>	<u>(866,000)</u>	<u>(89,210)</u>	<u>(31,736)</u>	<u>(4,711,066)</u>	<u>(7,660,951)</u>
Weighted average interest rate		8.1%	8.1%	11.9%	11.9%	-	-
Net financial assets (liabilities)		<u>(995,220)</u>	<u>(866,000)</u>	<u>(89,210)</u>	<u>(31,736)</u>	<u>(5,735,586)</u>	<u>3,753,420</u>

**(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.

No items are carried at an amount greater than their fair value.

## Notes to the financial statements

For the year ended 30 June 2005

### Note 24. Remuneration of directors and executives

- (a) Names and positions held of specified directors and specified executives in office at any time during the financial year are:

#### Specified directors

M J Addison	Chairman & Managing Director — Executive
A V Berriman	Director — Executive
R C Doak	Director — Non-Executive (Executive Director to 18 March 2005)
A Maroc	Director — Non-Executive (resigned 16 November 2004)
J L Gwyther	Director — Non-Executive (appointed 24 September 2004)

#### Specified executives

D Sargeant	Interim Chief Executive Officer; Interim Chief Financial Officer (14 March – 1 June 2005)
T Simonsen	Chief Operating Officer (22 February to 1 June 2005); Chief Executive Officer – Allied Technologies Australia Pty Limited (from 1 June 2005)
D Goodall	Chief Executive Officer – TUSC Computer Systems Pty Limited (from 1 October 2004, being the date on which TUSC Computer Systems Pty Limited was acquired)
J Fletcher	Chief Financial Officer (until 18 March 2005)
N Moore	Chief Operations Officer (until 15 April 2005)
R Barden	Chief Sales & Marketing Officer (until 27 May 2005)
G Allan	Chief Technical Officer (until 2 May 2005)
W Masson	Chief Financial Officer (from 1 June 2005)

- (b) Specified directors' remuneration

#### Remuneration policy

The Remuneration Committee is responsible for making recommendations on the remuneration policies and practices of the Company and its controlled entities, on the remuneration packages of the Executive Directors and senior management, and on the adequacy of fees paid to Non-executive Directors.

The broad approach to remuneration is to ensure that remuneration packages properly reflect individuals' duties and responsibilities, are competitively set to attract, retain and motivate appropriately qualified and experienced Directors, senior management and personnel, and uphold the interests of shareholders.

The remuneration policy aims to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the Consolidated Entity's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Entity.

#### Fixed remuneration

All Directors and executives receive a base salary (which is based on factors such as length of service and experience) and superannuation guarantee contributions required by the government, currently at 9%. The base salary is calculated on a total cost to Company basis and includes FBT charges related to employee benefits including motor vehicles. The Remuneration Committee reviews executive packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

## Notes to the financial statements

For the year ended 30 June 2005

### Note 24. Remuneration of directors and executives (cont)

#### Performance based remuneration

The Board may exercise discretion in relation to approving incentives and bonuses. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

#### Executive options

Directors and specified executives may be granted share options under the Company's shareholder approved Employee Option Plan. Furthermore, share options and other security related discretionary incentives may be offered to Directors and specified executives, subject to any necessary shareholder, ASX and other statutory or regulatory requirements.

During the financial year no options or other security related incentives were granted to any Directors and those granted to specified executives lapsed prior to the end of the reporting period.

#### Service contracts

It is the Consolidated Entity's policy that service contracts for Executive Directors and senior management be in force for a fixed period with an extension period negotiable prior to completion of the initial term. The agreements are capable of termination, acknowledging appropriate notice periods, and the Consolidated Entity retains the right to terminate the contract immediately through contractual breach on the part of the executive or by making payment in lieu of notice. The Executive Directors and senior management are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave, together with any superannuation benefits.

The service agreements outline the components of remuneration paid to the Executive Directors and senior executives and prescribe that the remuneration levels are modified based on inflation or performance criteria individually agreed. Remuneration levels are reviewed annually by the Remuneration Committee.

#### Non-executive Directors

The Company's Constitution provides that the Non-executive Directors are each entitled to be paid such remuneration from the Company as the Directors decide for their services as Director, but the total amount provided to all Non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount is currently fixed at \$120,000. Non-executive Directors' fees may be in the form of cash and superannuation contributions. They may also be reimbursed for travelling and other expenses incurred in attending to the Company's affairs. Non-executive Directors of the Company are not provided with retirement benefits other than statutory superannuation. The remuneration of Non-executive Directors must not include a commission on, or percentage of, profits or operating revenue and they do not receive options or bonus payments. Fees for Non-executive Directors are not linked to the performance of the Consolidated Entity.

**Notes to the financial statements**  
 For the year ended 30 June 2005

**Note 24. Remuneration of directors and executives (cont)**

**Remuneration of specified directors**

2005	Primary			Super- annuation	Equity	Other	Total
	Salary and Fees	Cash Bonus	Non-Cash Benefits		Options***		
	\$	\$	\$	\$	\$	\$	\$
M J Addison	190,513	10,000	-	11,488	24,322	-	236,323
R C Doak	426,077	-	5,878	9,801	-	-	441,756
A V Berriman	136,488	10,000	-	40,644	24,322	-	211,454
A Maroc*	100	-	-	15,233	-	-	15,333
J L Gwyther**	25,871	-	-	4,129	-	-	30,000
	779,049	20,000	5,878	81,295	48,644	-	934,866

\* This represents the remuneration paid until resignation as a Director on 17 November 2004.

\*\* This represents the remuneration paid since appointment as a Director on 24 September 2004.

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

2004	Primary			Super- annuation	Equity	Other	Total
	Salary and Fees	Cash Bonus	Non-Cash Benefits		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 on the proportional period of time expired in relation to the full 24 month vesting period.

Allied Technologies Group Limited and controlled entities  
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**Notes to the financial statements**  
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**Note 24. Remuneration of directors and executives (cont)**

(c) Specified executives' remuneration

2005	Primary				Equity	Other	Total
	Salary and Fees	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
	\$	\$	\$	\$	\$	\$	\$
D Sargeant Interim Chief Executive Officer and Interim Chief Financial Officer (14 March 2005 to 1 June 2005)	94,000	-	-	-	-	-	94,000
T Simonsen Chief Operating Officer (22 February 2005 to 1 June 2005) Chief Executive Officer – Allied Technologies Australia Pty Ltd (from 1 June 2005)	70,160	26,142	-	5,013	-	-	101,315
D Goodall Chief Executive Officer – TUSC Computer Systems Pty Ltd (from 1 October 2004, being the date on which TUSC Computer Systems Pty Ltd was acquired)	148,954	48,333	-	8,689	-	-	205,976
J Fletcher Chief Financial Officer (until 18 March 2005)	135,313	-	3,985	10,224	-	-	149,522
N Moore Chief Operations Officer (until 15 April 2005)	121,112	-	7,170	12,725	-	-	141,007
R Barden Chief Sales & Marketing Officer (until 27 May 2005)	134,614	-	-	11,117	-	-	145,731
G Allen Chief Technical Officer (until 2 May 2005)	67,577	-	-	-	-	-	67,577
W Masson Chief Financial Officer (from 1 June 2005)	23,000	-	-	-	-	-	23,000
	<b>794,730</b>	<b>74,475</b>	<b>11,155</b>	<b>47,768</b>	-	-	<b>928,128</b>
<b>2004</b>							
J Fletcher*	24,000	-	-	2,000	-	-	26,000
N Moore*	27,000	-	-	2,000	-	-	29,000
R Barden*	27,000	-	-	2,000	-	-	29,000
G Allen*	24,000	-	-	-	-	-	24,000
	<b>102,000</b>	-	-	<b>6,000</b>	-	-	<b>108,000</b>

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

**Notes to the financial statements**  
 For the year ended 30 June 2005

**Note 24. Remuneration of directors and executives (cont)**

**(d) Highest remunerated executives**

In addition to the specified executives in (c) above, the following received remuneration during the year ended 30 June 2005 at a level which places them in the top 5 highest remunerated of the Consolidated Entity.

		Primary			Equity	Other	Total
		Salary, Fees & Allowances	Cash Bonus	Non-Cash Benefits	Super- annuation	Options	
		\$	\$	\$	\$	\$	\$
D Christis							
Solutions Architect Professional Services (until 30 June 2005)							
	2005	152,420	23,269	-	11,495	-	187,184
	2004*	17,802	-	-	1,477	-	19,279
M Wilson							
Canberra Branch Manager – Allied Technologies Australia Pty Ltd							
	2005	119,997	25,000	-	10,734	15,121	170,852
	2004*	23,056	-	-	2,064	-	25,120
G White							
Regional Professional Services Manager (until 20 May 2005)							
	2005	140,583	16,214	-	10,782	-	167,579
	2004*	21,172	-	-	1,906	-	23,078
T Settle							
Practice Leader – Prof. Services							
	2005	114,626	21,734	-	11,585	-	147,945
	2004*	4,237	-	-	361	-	4,598
Total 2005		<u>527,626</u>	<u>86,217</u>	<u>-</u>	<u>44,596</u>	<u>15,121</u>	<u>673,560</u>
Total 2004*		<u>66,267</u>	<u>-</u>	<u>-</u>	<u>5,808</u>	<u>-</u>	<u>72,075</u>

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

**(e) 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. 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. During the reporting period, 2,000,000 of these options lapsed.

During the financial year no options or other security related incentives were granted to any Directors and those granted to specified executives lapsed prior to the end of the reporting period.

**(f) Shares issued on exercise of remuneration options**

No Directors or specified executives exercised any options during the current reporting period.

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**Note 24. Remuneration of directors (cont)**

**(g) Options and rights holdings**

Number of options held by specified directors and specified executives

	Balance 1.7.04	Granted as			Balance 30.6.05	Total Vested 30.6.05	Total Exercisable	Total Unexercis- able
		Remun- eration	Options Exercised	Net Change Other*				
<b>Specified directors</b>								
M J Addison	1,000,000	-	-	-	1,000,000	-	-	1,000,000
A V Berriman	1,100,000	-	-	(100,000)	1,000,000	-	-	1,000,000
R C Doak	2,000,000	-	-	(2,000,000)	-	-	-	-
J L Gwyther	-	-	-	-	-	-	-	-
<b>Specified executives</b>								
D Sargeant	-	-	-	-	-	-	-	-
T Simonsen	-	-	-	-	-	-	-	-
D Goodall	-	-	-	-	-	-	-	-
J Fletcher	-	300,000	-	(300,000)	-	-	-	-
N Moore	-	300,000	-	(300,000)	-	-	-	-
R Barden	-	300,000	-	(300,000)	-	-	-	-
G Allan	-	-	-	-	-	-	-	-
W Masson	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4,100,000</b>	<b>900,000</b>	<b>-</b>	<b>(3,000,000)</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>

\* Options which lapsed during the reporting period

**(h) Shareholdings**

Number of shares held by specified directors and specified executives

	Balance 1.7.04	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.05
M J Addison	2,000,000	-	-	78,039	2,078,039
A V Berriman	2,188,433	-	-	(414,611)	1,773,822
R C Doak	13,046,879	-	-	(872,106)	12,174,773
J L Gwyther	-	-	-	5,400,000	5,400,000
<b>Specified executives</b>					
D Sargeant	-	-	-	-	-
T Simonsen	-	-	-	-	-
D Goodall	-	-	-	-	-
N Moore	168,215	-	-	(168,215)	-
R Barden	168,215	-	-	6,563	174,778
J Fletcher	7,000	-	-	273	7,273
G Allan	7,000	-	-	273	7,273
W Masson	-	-	-	-	-
<b>Total</b>	<b>17,585,742</b>	<b>-</b>	<b>-</b>	<b>4,030,216</b>	<b>21,615,958</b>

\* Net Change Other refers to shares purchased, acquired under the Company's dividend reinvestment plan, acquired as part consideration for the TUSC business or sold during the financial year.

**Notes to the financial statements**  
 For the year ended 30 June 2005

Consolidated Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

**Note 25. Remuneration of auditors**

Remuneration of the auditor of the parent entity for:

- auditing and reviewing the financial reports	173,459	48,500	69,011	21,500
- independent accountant's report on acquisitions	130,000	59,000	130,000	59,000
- other services	79,308	19,500	48,279	7,500
	<u>382,767</u>	<u>127,000</u>	<u>247,290</u>	<u>88,000</u>

Remunerations of other auditors of subsidiaries for:

- auditing the financial report	-	11,000	-	-
- other services	90,427	21,100	83,940	-
	<u>90,427</u>	<u>32,100</u>	<u>83,940</u>	<u>-</u>

**Note 26. Contingent liabilities**

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

**Guarantees**

Secured guarantees by the controlled entities in respect of:

(a) leases of controlled entities	-	-	-	32,398
(b) finance facility of a controlled entity	-	-	-	600,000
(c) Indemnity guarantee	133,796	80,250	-	-
	<u>133,796</u>	<u>80,250</u>	<u>-</u>	<u>632,398</u>

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

**Note 27. Commitments for expenditure**

**Operating leases**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	601,579	366,260	-	-
Later than one year but not later than 5 years	486,450	58,771	-	-
Later than 5 years	-	-	-	-
	<u>1,088,029</u>	<u>425,031</u>	<u>-</u>	<u>-</u>

**Finance leases**

Commitments in relation to finance leases are payable as follows:

Within one year	95,634	95,137	-	-
Later than one year but not later than 5 years	115,270	34,113	-	-
Later than 5 years	-	-	-	-
Total minimum lease payments	<u>210,904</u>	<u>129,250</u>		
Less: future finance charges	<u>(17,951)</u>	<u>(8,304)</u>		
Total lease liabilities	<u>192,953</u>	<u>120,946</u>		

Representing lease liabilities:

Current (Note 15)	105,592	89,210	-	-
Non-current (Note 19)	87,361	31,736	-	-
	<u>192,953</u>	<u>120,946</u>	<u>-</u>	<u>-</u>

The weighted average interest rate implicit in the leases is 9.7% (2004 – 11.9%)

## Notes to the financial statements

For the year ended 30 June 2005

Consolidated Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

### Note 28. Employee benefits

#### Employee benefits liabilities

Provision for employee benefits

Current (Note 17)	1,134,315	510,926	40,493	-
Non-current (Note 17)	280,679	161,429	-	-
Aggregate employee benefits liability	1,414,994	672,355	40,493	-

#### Employee numbers

Average number of employees during the financial year

No.	No.	No.	No.
215	41	2	-

#### 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 29. 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 (Chairman & Managing Director)	5 June 2003	Current
W J Masson (Alternate to M J Addison)	10 September 2005 (Temporary Appointment)	19 September 2005
A V Berriman (Executive Director)	5 June 2003	Current
R C Doak (Executive Director)	21 April 2004	18 March 2005
R C Doak (Non-executive Director)	19 March 2005	Current
A Maroc (Non-executive Director)	21 April 2004	16 November 2004
J L Gwyther (Non-executive Director)	24 September 2004	Current

#### Remuneration benefits

Information on remuneration benefits of Directors is disclosed in Note 24.

#### Other transactions with directors and director-related entities

During the reporting period there have been no related party transactions. However, in the previous year, services were provided by Unitas Capital Partners Pty Ltd and Andrew Maroc & Associates Pty Ltd.

A Director, Mr M J Addison, is also a Director of Unitas Capital Partners Pty Ltd. Unitas provided consulting services to the Company during the 2004 financial year. These transactions were based on normal commercial terms and conditions.

A former 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 during the 2004 financial year. 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 24. No Director had any interest in contracts with the Consolidated Entity other than as disclosed.

**Notes to the financial statements**  
 For the year ended 30 June 2005

Consolidated		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

**Note 29. Related parties (cont)**

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

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 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, TUSC Computer Systems Pty Ltd, Enterprise Management Solutions Pty Ltd and Woodther Pty Limited.

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 repayable out of future profits, if any, of the controlled entities. Investments in wholly owned controlled entities are disclosed in Note 30.

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

Current receivables				
Controlled entities (loans)	-	-	900,469	436,212
Controlled entities (deferred income tax liabilities)	-	-	77,119	-
	-	-	<u>977,588</u>	<u>436,212</u>
Current payables				
Controlled entities (loans)	-	-	(20,000)	-
Controlled entities (future income tax benefits)	-	-	(589,817)	-
	-	-	<u>(609,817)</u>	<u>-</u>

**Note 30. Investments in controlled entities**

Name of entity	Country of incorporation	Class of shares	Equity Holding	
			2005 %	2004 %
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	100
Allied Technologies Australia Pty Limited	Australia	Ordinary	100	100
Allied Properties Unit Trust	Australia	Ordinary	100	100
TUSC Computer Systems Pty Limited	Australia	Ordinary	100	-
Enterprise Management Solutions Pty Limited	Australia	Ordinary	100	-
Woodther Pty Limited	Australia	Ordinary	100	-

\* These entities are dormant and do not trade.

**Notes to the financial statements**  
 For the year ended 30 June 2005

**Note 31. Events occurring after reporting date**

**Proposed sale of TUSC**

On 9 August 2005 it was announced that, following a decline in the Company's share price, the Board considered that building the Group through further acquisition was no longer a realistic prospect and that they believed that the market capitalisation of the Company substantially undervalued the group's operations.

Based on these conclusions, Grant Thornton Corporate (NSW) Pty Limited was appointed as corporate advisors to Allied to invite and evaluate offers for TUSC and, if appropriate, to manage a sale process. At the date of this report, the TUSC sale process is well underway and is progressing satisfactorily.

**Proposed capital distribution to shareholders and value maximisation of remaining group assets**

It is the Board's current intention to distribute part or all of any net TUSC sale proceeds to shareholders and, following the proposed distribution, the Board will consider various options to maximise the value of the group's remaining businesses.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2005 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 32. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities**

	Consolidated Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
(a) Profit/(loss) from ordinary activities after income tax	(5,842,692)	1,004,342	(3,095,245)	51,233
Depreciation and amortisation	1,235,596	202,566	-	-
Write down of investments to recoverable amount	302,890	-	1,911,623	-
Write down of goodwill	1,653,312	-	-	-
Gain on sale of tenement rights and property, plant and equipment	(266,177)	(30,000)	(40,000)	(30,000)
Write off of non-current assets to recoverable amounts	492,342	-	-	-
Change in operating assets and liabilities				
Decrease/(Increase) in trade & other debtors	2,674,023	(6,474,085)	(425,442)	(532,695)
Decrease in inventories	1,017,460	405,685	-	-
(Increase) in future income tax benefit	(90,446)	(213,670)	(620,685)	-
(Decrease)/Increase in trade creditors, other creditors and accruals	(356,635)	3,406,362	657,189	(408,651)
(Decrease)/Increase in provision for income taxes payable	(208,638)	347,318	104,227	-
Increase/(Decrease) in other provisions	69,066	591,351	40,493	-
Net cash inflow/(outflow) from operating activities	680,101	(760,131)	(1,467,841)	(920,113)
(b) Reconciliation of cash				
Cash on hand	7,140	200	200	200
Cash at bank	2,875,831	940,429	1,531,848	775,795
Deposits at call	346,000	27,090	-	-
Bank overdraft	-	(421,898)	-	-
	3,228,971	545,821	1,532,048	775,995

**Notes to the financial statements**  
 For the year ended 30 June 2005

Consolidated Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

**Note 32. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities (cont)**

(c) Financing facilities available

At reporting date, the financing facilities that had been negotiated and were available are:

- debtor finance facility of \$3,000,000
- bank loans of \$57,841
- overdraft facility of \$600,000
- commercial bills of \$866,000

Facilities used at reporting date are:

- debtor finance facility \$1,037,646
- bank loans \$57,841
- overdraft facility of \$nil
- commercial bills of \$866,000

Facilities unused at reporting date are:

- debtor finance facility \$1,962,354
- bank loans \$nil
- overdraft facility \$600,000
- commercial bills \$nil

(d) Non-cash financing and investing activities

Finance lease transactions

During the financial year the Consolidated Entity acquired plant and equipment with an aggregate fair value of \$176,063 by means of finance leases.

Dividend Reinvestment Plan

Under the terms of the dividend reinvestment plan, \$301,430 (2004: \$nil) of dividends were paid via the issue of 784,116 shares (2004: nil)

(e) Acquisition of entities

During the year 100% of TUSC Computer Systems Pty Limited and its controlled entities was acquired. (2004: 100% of Allied Group Pty Limited and its controlled entities.) Details of this transaction are:

Consideration

Purchase consideration-shares	1,800,000	7,102,505	1,800,000	7,102,505
Deferred purchase consideration (Note 14)	2,342,289	-	2,342,289	-
Cash consideration	2,000,000	198,116	2,000,000	198,116
Capitalised acquisition costs	125,332	-	125,332	-
	<u>6,267,621</u>	<u>7,300,621</u>	<u>6,267,621</u>	<u>7,300,621</u>

**Notes to the financial statements**  
 For the year ended 30 June 2005

Consolidated Entity                      Parent entity  
**2005                      2004                      2005                      2004**  
**\$                      \$                      \$                      \$**

**Note 32. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities (cont)**

Assets and liabilities held at acquisition date:

Cash	321,483	22,977
Receivables	1,885,330	3,342,006
Inventories	-	2,787,448
Property, plant and equipment	225,436	1,408,078
Other financial assets	833,058	105,396
Intangibles	791,938	-
Other assets	-	243,592
Creditors and accruals	(2,169,616)	(2,138,151)
Interest bearing liabilities	(566,876)	(2,146,307)
Tax liabilities	-	(281,510)
Other liabilities	(673,573)	(494,474)
Net assets acquired	<u>647,180</u>	<u>2,849,055</u>
Goodwill on consolidation	<u>5,620,441</u>	<u>4,451,566</u>

Net cash outflow on acquisitions

Cash and cash equivalent consideration	2,155,332	198,116	2,155,332	198,116
Less cash and cash equivalent balances acquired	(321,483)	(22,977)	-	-
Cash consideration for the acquisition of brand names	30,000	-	-	-
Cash paid for purchase of controlled entity as reflected in the consolidated statement of cash flows	<u>1,833,849</u>	<u>175,139</u>	<u>2,125,332</u>	<u>198,116</u>

**Note 33. Earnings/(loss) per share**

	Consolidated Entity	
	<b>2005</b>	2004
	<b>\$</b>	<b>\$</b>
Net profit/(loss)	<u>(5,842,692)</u>	<u>1,004,342</u>
Earnings/(loss) used in the calculation of basic earnings/(loss) per share	<u>(5,842,692)</u>	<u>1,004,342</u>
	<b>2005</b>	2004
	<b>Number</b>	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings/(loss) per share	<u>48,066,464</u>	<u>12,244,768</u>

Options outstanding at 30 June 2005 and 30 June 2004 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 20.

**Allied Technologies Group Limited and controlled entities**  
**ABN 57 010 597 672**

## **Notes to the financial statements**

**For the year ended 30 June 2005**

### **Note 34. Segment reporting**

Business Segments:

The Consolidated Entity operates predominantly in one industry sector – the Information and Communications 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 35. 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

TUSC Computer Systems Pty Limited  
666 Doncaster Road  
Doncaster VIC 3108

**Allied Technologies Group Limited**  
**ABN 57 010 597 672 and controlled entities**  
**Directors' declaration**

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The Directors of the Company declare that:

- (a) 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;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and
- (c) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

M J Addison  
Managing Director

Sydney  
30 September 2005

## **Independent audit report to members of Allied Technologies Group 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 Allied Technologies Group Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, 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. The directors are also responsible for the remuneration disclosures contained in the directors' report.

#### *Audit approach*

We conducted an independent audit of the financial report 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 judgement, 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 in Australia, 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

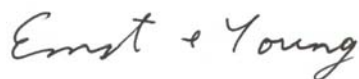
### Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included at page 13 of the financial report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### 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 financial position of Allied Technologies Group Limited and the consolidated entity at 30 June 2005 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.



Ernst & Young



G.J. Knuckey  
Partner  
Canberra  
Date: 30 September 2005

**Allied Technologies Group Limited**  
**ABN 57 010 597 672 and controlled entities**  
**Shareholder information**

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The shareholder information set out below was applicable as at 22 September 2005.

**A. Distribution of equity securities**

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

		<b>Number of Holders</b>	<b>Ordinary Shares Number of Units</b>	<b>Percentage of issued shares</b>
1	– 1,000	1,660	227,629	0.428
1,001	– 5,000	187	514,827	0.969
5,001	– 10,000	154	1,252,393	2.359
10,001	– 100,000	309	10,315,992	19.431
100,001	and over	68	40,778,986	76.811

**B. Equity security holders**

***Twenty largest quoted equity security holders***

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

<b>Name</b>	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>Percentage of issued shares</b>
Raymond Colin Doak	11,822,247	22.268
Nevitt Nominees Pty Limited	5,400,000	10.171
Michael John Addison	2,078,039	3.914
Con Stathis	1,635,375	3.080
Phoenix Development Fund Ltd	1,562,500	2.943
Ross Jonathon Macdonald	1,284,826	2.420
Apkel Pty Limited	903,947	1.702
Tolvine Pty Limited	883,166	1.663
Todbern Pty Ltd	778,719	1.466
Fortis Clearing Nominees Pty Ltd	771,819	1.453
Ironwood Investments Pty Limited	600,000	1.130
HMPW Holdings Pty Limited	600,000	1.130
Miss Suzan Petronijevic	570,000	1.073
Phoenix Management Pty Ltd	509,000	0.958
RBC Global Services Australia	500,000	0.941
Mrs Anna Margaret Goyen	425,000	0.800
Forbar Custodians Limited	409,000	0.770
Durak Pty Limited	408,656	0.769
Mr Brian George Weston & Mrs Renate Lotte Weston	350,000	0.659
Thang Pty Ltd	345,213	0.650
	<b>31,837,507</b>	<b>59.960</b>

At 22 September 2005, there were a total of 53,089,827 ordinary shares on issue.

**Allied Technologies Group Limited**  
**ABN 57 010 597 672 and consolidated entities**  
**Shareholder information**

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**C. Substantial Shareholders**

Substantial shareholders of the Company are noted below:

Raymond Colin Doak has a direct and indirect entitlement to a total of 12,174,773 ordinary shares. John Leslie Gwyther has an indirect entitlement to a total of 5,400,000 ordinary shares.

Options:

**i. Employee Option Plan (Unquoted and non-transferable)**

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 1 for 4 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 2005 was 164,550. These options are 50% vested based on the requirements of the employee option plan described in Note 28.

On 12 October 2004, 1,850,000 options were granted to employees under the employee option plan to subscribe for fully paid ordinary shares, exercisable at 40 cents each on or before 12 October 2007. The number of un-issued ordinary shares under these options as at 30 June 2005 was 750,000, with the balance having lapsed.

There were no other options granted as part of the plan other than those noted above.

**ii. 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.

**iii. 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. The number of un-issued shares under these options at 30 June 2005 was 2,000,000.

**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.