ERG

GROUP

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

ABN 23 009 112 725

Company Information

ERG Limited
ABN 23 009 112 725

Board of Directors
C J Henson (Chairman)
J F Carroll
S B Gallagher
D P Saville
M O Clarey

Company Secretary
G A Smith

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Email web.queries@computershare.com.au

Auditors
Deloitte Touche Tohmatsu
180 Lonsdale Street
Melbourne VIC 3000

Australian Securities Exchange Listing
ASX Limited
(Home Exchange: Perth, Western Australia)

Notice of Annual General Meeting
The Annual General Meeting of ERG Limited
will be held at the Sydney Masonic Centre,
66 Goulburn Street, Sydney NSW 2000,
Monday 17 November 2008 at 9.00am (AEDST)

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Chairman's Letter

Dear Shareholder

Please find enclosed the Annual Report for ERG Limited for the year ended 30 June 2008.

Included with the Annual Report is a Notice in respect of the Company's Annual General Meeting to be held in Sydney on Monday 17 November 2008. The Explanatory Memorandum accompanying the Notice details the reasons for the proposed sale of ERG's ongoing global business operations. The sale is a necessary step in addressing the adverse financial impact to the ERG Group following the January 2008 action of the NSW Government in terminating the Company's Tcard contract in Sydney, Australia. Please read the Explanatory Memorandum to gain a better understanding of the situation facing the ERG Group.

The proposed sale is recommended by the non-associated independent Directors. It should be emphasised that if the sale is approved by Shareholders, the Company will be left with no operating business in the immediate future. The main undertaking of ERG following the sale will be the management of the litigation against an arm of the NSW Government relating to the termination of the Tcard contract. ERG and its subsidiary, Integrated Transit Solutions Ltd, are defending an $88 million claim from its former customer in Sydney and pursuing a counter claim in excess of $200 million for what ERG believes was the cost to the ERG Group arising from the wrongful termination of the T-Card contract. The outcome of this litigation will be decisive for the future of ERG Limited.

The termination of the Tcard contract has overshadowed the improving operating results of the ERG Group during the last year. The Group achieved significant milestones on many of its major contracts in the US, Sweden and the UK as well as enjoyed strong growth in revenues from its business in France. The results from the Company's maintenance activities in Australia and Asia were also pleasing.

Despite these improving results the termination of the Tcard contract has left the Group in a financial position that threatens its ongoing viability without a significant reduction in debt and recapitalisation of its ongoing businesses. The proposed sale as detailed in the Notice of Annual General Meeting will address these issues.

The events of the last year have presented the Group with significant new challenges and placed enormous demands on our management, staff and stakeholders. On behalf of the Board I express appreciation for the continuing efforts of the management and staff as well as the support of all stakeholders through this difficult period.

Yours sincerely

Colin Henson

Colin J Henson
Chairman

Corporate Governance Statement

As at the date of this report, ERG has established, where appropriate, measures to comply with the "Principles of Good Corporate Governance and Best Practice Recommendations" (ASX Recommendations) and unless otherwise stated is in compliance with those recommendations.

Role and Composition of the Board

The Board of Directors has responsibility to ensure that shareholders' interests are served by overseeing the Group's strategic direction, performance, policies, risk management and communications among other things. The Board's key objective is to build long term, sustainable value for the Group's shareholders.

The Board has an established Board Charter which details the Board's functions, approach to composition, rights and duties of Directors and Board objectives. The charter is available on the Company's website.

The Board currently comprises two Executive Directors and three Non Executive Directors. The Board is satisfied that two of its Directors, Messrs Henson and Clarey are independent representing a Board of 40% independence. This is below that recommended in the ASX Recommendations, however the Directors believe that the composition of the Board is adequate due to the size and nature of the Company and industry in which it operates, and that the appointment of an additional independent Director to satisfy ASX Recommendation 2.1 is not justified. Further information concerning individual Director experience and qualifications and attendance at meetings is set out in the Directors' Report.

The Board charter contains the right of any Director to seek independent professional advice at the expense of the Company.

Board Committees

Remuneration and Nominations Committee

The remuneration function of the committee includes reviewing and recommending to the Board the remuneration of the Executive Directors and senior management, Directors' fees and the approval of invitations to participate in the ERG Executive Option Plan.

The nominations function includes succession planning for key executive roles, assessing the composition of the Board for the desired competencies and recommending the appointment of new Directors. The nominations function also includes Board induction and performance review.

The Board conducts annual reviews of its own performance including an opportunity for each Director to provide feedback on a range of issues. The performance review is overseen by the Chairman of the Remuneration and Nominations Committee. During the last 12 months an internal performance review was conducted involving an assessment by Directors of the Board's performance against a number of criteria relevant to the Board's functions and objectives.

The guidance to ASX Recommendation 9.2 states that a remuneration committee should be chaired by an independent director. Mr Saville is the Chairman of the Remuneration and Nominations Committee due to the current workload on independent Directors Mr Henson, as Chairman of the Board, and Mr Clarey, as Chairman of the Audit and Risk Committee.

The number of Remuneration and Nominations Committee meetings held during the financial year is detailed in the Directors' Report.

The General Manager Human Resources can be invited to attend all matters pertaining to remuneration and nomination.

The Remuneration and Nominations Committee charter is available on the Company's website.

The Company's remuneration policy reflects the market practices in the countries in which it operates. The Company participates in remuneration surveys and has a salary administration system in place which gives effect to market practices. A full remuneration report is provided in the Directors' Report.

The Company does not operate any schemes for retirement benefits, other than statutory superannuation, for Directors.

Corporate Governance Statement (continued)

Audit and Risk Committee

The Board has an established audit committee that operates under a charter approved by the Board. The Board has joined the functions of audit, risk management, internal control and compliance under the Audit and Risk Committee.

The Audit and Risk Committee charter is available on the Company's website.

The audit function of the Audit and Risk Committee includes to review the effectiveness of internal and operating controls, monitor the quality and reliability of financial information, ensure compliance with accounting policies determined by the Board, and oversee the annual audit and half-yearly review performed by the external auditor. All audit meetings are held with the Company's external audit representative and Executive Director – Finance in attendance.

The Board has also established an External Audit Policy which is available on the Company's website.

The risk function of the Audit and Risk Committee includes:

- facilitate and oversee the process for identification and management of business risk;
- review the business risk analysis and consider its rigour and completeness;
- manage the ERG insurance program in light of the business risk analysis;
- review the Company's preparedness for addressing major loss events; and
- review and recommend risk management education processes and tools.

The number of Audit and Risk Committee meetings held during the financial year is detailed in the Directors' Report.

The Board acknowledges that it is responsible for the effective management of business risks at ERG. In this regard, ERG views risk management as applied corporate governance – that is, effective risk management is one of the functional means by which ERG achieves its high corporate governance standards. ERG's approach to risk management is summarised in the ERG Risk Management Policy that was approved by the Board in June 2000.

Bid Review Committee

The Bid Review Committee is a management committee that evaluates key projects for which ERG bids. The committee reviews the assessment of the risks and returns from the proposed project and the strategic importance of opportunities. Members of the Board are invited to participate in deliberations of this Committee.

Risk Management Policy

ERG is committed to the protection and enhancement of its people, brand, assets and revenues and return to its shareholders. In this context its risk management policy is designed to cover the full range of strategic, financial, operational, commercial and technical risks and opportunities that may affect the achievement of ERG's strategic objectives.

The risk management policy is available on the Company's website.

Director and Employee Conduct

The Company has established codes of conduct for Directors and employees. These codes of conduct are designed to promote actions which reflect the principles of honesty, diligence, respect for the company's assets and people, avoiding conflicts of interest and the proper use of information. Importantly they also establish clear rules for the compliance with the spirit and letter of the laws in the various countries in which the Company operates.

Full details of the codes of conduct are available on the Company's website.

Directors' Report

The Directors present their report on the consolidated entity consisting of ERG Limited and its controlled entities (ERG) for the year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. GENERAL INFORMATION

Directors

The names of the Directors in office at any time during, or since the end of the year are:

NAMES	APPOINTED
C J Henson	21st March 2005
D P Saville	2nd May 2003
M O Clarey	31st January 2005
J F Carroll	29th June 2007
S B Gallagher	29th June 2007

Principal Activities

The principal continuing activities of ERG and its controlled entities (the Group) during the financial year were:

- marketing, installation, service and operation of automated fare collection equipment and systems; and
- smart card systems and services.

There has been no significant change in the nature of the Group activities during the financial year.

Company Secretary

The following individuals have acted as company secretary during 2008:

Glen Smith
Mr Smith was appointed as Company Secretary of ERG Limited on 29 February 2008, with effect on 1 March 2008. He is a Chartered Secretary and has a Bachelor of Commerce as well as a Graduate Diploma in Applied Corporate Governance. Mr Smith has been with ERG since 2004 and is also company secretary of a number of ERG group subsidiaries.

Stephen Gethin
Mr Gethin was Company Secretary of ERG Limited from 1 July 2007 to 29 February 2008. Mr Gethin is a Barrister and Solicitor of the High Court and of the Supreme Court of WA, and has had more than 10 years legal experience.

2. BUSINESS REVIEW

Operating Results

The consolidated loss after income tax for the year, attributable to members of ERG was $103.334 million (2007: $14.838 million). The loss for the financial year was materially attributable to the $88.691 million of assets write downs and termination costs associated with the termination of the Sydney Integrated Ticketing System ('SITS') Project agreement. The termination is now the subject of legal proceedings in the Supreme Court of New South Wales.

Key highlights of the Group's remaining businesses were: successful achievement of a number of project milestones within its major Automated Fare Collection projects around the world, continued revenue growth in its France business, increased presence in UK markets driven by the successful development and certification of an ITSO compliant smart card ticketing system and continued favorable trading in each of its maintenance operations in Melbourne, Hong Kong and Singapore.

Dividends Paid or Recommended

No dividends were paid or declared for the year ended 30 June 2008 (2007: nil).

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board acknowledges the importance of effective risk management by combining the functions of audit, risk management, internal control and compliance under the Audit and Risk Committee. The Audit and Risk Committee Charter is available on the company website.

The risk function of the Audit and Risk Committee includes the following:

- facilitate and oversee the process for identification and management of business risk;
- review the business risk analysis and consider its rigour and completeness;
- manage the ERG insurance program in light of the business risk analysis;
- review ERG's preparedness for addressing major loss events; and
- review and recommend risk management education processes and tools.

The Group's approach to risk management is summarised in the ERG Risk Management Policy that was approved by the Board in June 2000 and has established a number of structures and processes for the effective management of business risk, including the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage risk;
- Implementation of Board – approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and nonfinancial nature;
- The establishment of a Bid Review Committee that evaluates key projects that the Group bids for: The committee reviews the assessment of the risks and returns from the proposed project and the strategic importance of opportunities. Members of the Board are invited to participate in deliberations of this committee; and
- The establishment of a Documents Review Committee to authorise execution of various documents. The committee consists of any two Directors or a Director and the Company Secretary.

Employees

The Group employed 903 employees and contractors as at 30 June 2008 (2007: 1,053).

Directors' Report

3. DIRECTOR INFORMATION

Information on Directors

C J HENSON	Chairman, Independent Non-Executive Director: Aged 60
Qualifications	FCPA, DipLaw(BAB), FCIS, FCIM, FAICD
Experience	Mr Henson brings over 30 years experience in corporate management across a broad range of industries.
	During the past three years Mr Henson has served as a Director of the following other listed entities:
Directorships held in other listed entities	MYOB Limited (appointed August 2004); Hedley Leisure & Gaming Property Partners Limited (appointed June 2007)
D P SAVILLE	Non-Executive Director: Aged 51
Qualifications	BCom (Hons), BSc (Hons), FCA, FFin
Experience	Mr Saville is an experienced director and has held directorships of a number of infrastructure and utility funds, water and international airport companies. Mr Saville is the principal of a global funds management group, Ingot Capital Management Pty Ltd (Ingot).
Directorships held in other listed entities	During the past three years Mr Saville has served as a Director of the following other listed entities: Trust Company of Australia Limited (appointed December 2002, retired July 2006).
M O CLAREY	Independent Non-Executive Director: Aged 62
Qualifications	BA, MIM
Experience	Mr Clarey brings over 30 years international banking and finance experience.
Directorships held in other listed entities	During the past three years Mr Clarey has served as a Director of the following other listed entities: Anzon Australia Limited (appointed October 2004).
J F CARROLL	Executive Director – Finance: Aged 42
Qualifications	BBus (Accounting), GDipAppFin, CA, FFin
Experience	Mr Carroll has held senior finance roles at Mayne Group Ltd in Treasury, Mergers and Acquisitions, Investment Analysis and Investor Relations. Mr Carroll also spent several years working in corporate taxation with a multinational organisation and major accounting firm. He joined ERG in 2003.
S B GALLAGHER	Executive Director – Operations: Aged 44
Qualifications	BEng (Hons) (Electrical Engineering), BBus (Marketing)
Experience	Mr Gallagher has worked with various Australian and Multinational corporations for over 20 years, most recently with Siemens. Mr Gallagher has been a general manager of businesses in Industrial Automation, Power Distribution and Building Industries and lived and worked in Europe and Asia as well as Australia. He joined ERG in 2005.

Meetings of Directors

To assist in the execution of responsibilities and in addition to its regular meetings, the Board has established several committees including the Audit & Risk Committee, Remuneration & Nominations Committee, Document Review Committee and Board Committee. Meetings are held as required. During the financial year, nineteen (19) meetings of Directors (including committees of directors) were held. Attendances by each director during the year were as follows:

			COMMITTEE MEETINGS					
	DIRECTORS' MEETINGS		BOARD COMMITTEE		AUDIT & RISK COMMITTEE		REMUNERATION & NOMINATIONS COMMITTEE	
	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended	Number Eligible to attend	Number attended
C J Henson	10	10	1	1	6	6	2	2
D P Saville	10	10	1	1	6	5	2	2
M O Clarey	10	10	1	1	6	6	2	2
J F Carroll	10	10	1	1	-	-	-	-
S B Gallagher	10	9	1	-	-	-	-	-

There were no meetings of the Document Review Committee held during the year.

Directors' Report

4. REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of ERG Limited, and for the executives receiving the highest remuneration.

Overall Remuneration Philosophy

The performance of ERG depends upon the quality of its directors and executives. ERG must attract, motivate and retain highly skilled directors and executives. To this end, ERG embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- executive remuneration and other terms of employment reviewed annually having regard to performance benchmarks;
- establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

The Remuneration & Nominations Committee of the Board of Directors of ERG is responsible for reviewing compensation arrangements for the directors and the other members of the senior management team. The Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from retention of a high quality Board and executive team. The Committee's charter is available on the Company website. The structure of non-Executive Director and senior manager and Executive Director remuneration is separate and distinct.

The Group has faced various financial challenges over the last five years and has recorded significant losses as a result of business restructuring, investment losses and delays in the commencement or delivery of major supply contracts. Shareholders' funds have been eroded during this period by approximately $253 million.

The following is a summary of the Company's financial performance over the previous five (5) years as at 30 June 2008:

A$ MILLION	2004*	2005*	2006	2007	2008**
Revenue and income	263.8	232.5	191.8	230.7	220.0
Net (loss) after tax attributable to members of parent entity	(52.7)	(7.4)	(74.8)	(14.8)	(103.3)
Cash inflow / (outflow) from operating activities	(29.1)	(41.8)	(49.4)	(6.2)	(35.3)
Basic (loss) per share (cents per share)	(19.7)	(1.3)	(10.0)	(1.7)	(12.0)
Share price (cents per share)	0.54	0.24	0.09	0.13	0.02

* The 2005 balances have been restated to reflect AIFRS adjustments but the 2004 balances have not been restated and are presented under previous AGAAP.

** The 2008 balances reflect contribution from both continuing and discontinued operations.

During the last five years the Group has not paid dividends as a result of the losses incurred. In light of this performance the Group has undergone significant changes in the composition of its Board and executive management.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined shall then be divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 9 November 1994 when shareholders approved an aggregate remuneration of $300,000 per year for non-Executive Directors.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-Executive Directors of comparable companies when undertaking the annual review process. Each director received a fee for being a director of the Company. Non-Executive Directors are encouraged, but not compelled, by the Board to hold shares in the Company (purchased by the director on market). Remuneration of non-Executive Directors is determined by the Board within the maximum amounts approved by shareholders from time to time.

Directors' Report

4. REMUNERATION REPORT (continued)

Executive Directors and Senior Management Remuneration

Objective

ERG aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration & Nominations Committee has the authority to engage an external consultant to provide independent advice both in the form of a written report detailing market levels of remuneration for competitive executive roles, as well as the participation of the independent consultant in the meeting from which the Committee makes its recommendations to the Board.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration in the form of an Executive Incentive Plan, of which there are two components:
  - Short Term Incentive (STI); and
  - Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration is established for each senior manager by the Remuneration & Nominations Committee. The relative portion of the Executive Directors and Executives total remuneration package that is performance-based is set out in the table below.

		% OF TOTAL TARGET COMPENSATION (ANNUALISED)		
	Position	Fixed Remuneration	Performance-based Remuneration (at target)	
			STI	LTI
Executive Directors				
J F Carroll	Executive Director – Finance	67%	33%	0%
S B Gallagher	Executive Director – Operations	67%	33%	0%
Executives				
B Were	General Manager – Business Development	67%	33%	0%
M Donnelly (i)	Former Head of Small Projects Division	N/A	N/A	N/A
P Levy	General Manager – Solution Delivery UK	80%	20%	N/A

(i) M Donnelly employment as Head of Small Projects was terminated on 6 July 2007. in accordance with his Service Agreement. Payments in respect of his termination did not include any STI payment in respect of the year ended 30 June 2008..

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration & Nominations Committee and the process consists of a review of a company wide, business unit and individual performance, relative comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Variable Remuneration – Short Term Incentives (STI)

The objective of the STI plan is to link the achievement of ERG's operational targets with the remuneration received by executives charged with meeting those targets. The total potential STI available is set at a level to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances. Actual STI payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met.

The operational targets for the year consisted of a number of Key Performance Indicators (KPIs) relating to profit and cash flow performance of the Group and or individual business unit as appropriate. The profit indicator currently used is earnings before interest, tax, depreciation and amortisation (EBITDA) and the cash flow indicator was divisional or Group cash receipts as appropriate, as these indicators are considered the two primary drivers of the Group's short term performance. A predetermined benchmark had to be met in order to trigger payment under the short term incentive scheme.

The Directors could also award discretionary incentives in respect of specific short term performance where they believed the outcome to which the specific performance related was of importance to the Group overall, for example in the successful completion of financial restructuring or resolution of complex arrangements relating to historical transactions.

Directors' Report

4. REMUNERATION REPORT (continued)

Variable Remuneration – Long Term Incentives (LTI)

The objective of the LTI plan is to reward senior managers in a manner that aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against the relevant long term performance hurdle. The Remuneration & Nominations Committee has the discretion under the LTI plan to make grants to senior managers either in the form of options, or vary the reward from securities to cash.

ERG uses two hurdles for grants under the LTI plan. Firstly, a profit based hurdle must be met – typically earnings before interest, tax, depreciation and amortisation – then secondly a performance hurdle, the relative total shareholder return (TSR) is determined. The use of a TSR hurdle seeks to ensure an alignment between comparative shareholder return and reward for senior managers. ERG must satisfy the profit based hurdle before the TSR hurdle is applied under the LTI plan.

For the year ended 30 June 2008 (2007: Nil) no LTI payments were awarded to Executives.

Employment Contracts

Mr J F Carroll, Executive Director – Finance (appointed 29th June 2007) and Chief Executive Officer of OneLink Holdings Pty Ltd
Mr Carroll has been appointed for a term of 2 years to 30 June 2009. A notice period of 6 months needs to be given by Mr Carroll if the contract is to be terminated earlier, unless notice is given after a change of control in which case the notice period is 3 months. Subject to ERG's right to terminate immediately in cases of serious misconduct ERG must provide notice, or payment in lieu of notice as follows: (1) if Mr Carroll does not achieve agreed performance levels, 6 months (2) in any other case the balance of the 2 year contract term subject always to a minimum period of 12 months.

Except where the contract is terminated for serious misconduct, poor performance or voluntary resignation, in addition to any payment in lieu of notice, Mr Carroll will be entitled to receive unpaid pro rata incentive payments. Any incentive will be assessed at the time of termination having consideration to the relative achievements against the targets to the date of termination subject always to at least 50% of the maximum pro rata incentive being paid. In addition any unexpired, unvested options which may have been issued to Mr Carroll during his employment will immediately vest and be exercisable without hurdles being required to be met.

Mr S B Gallagher, Executive Director – Operations (appointed 29th June 2007)
Mr Gallagher has been appointed for a term of 2 years to 30 June 2009. A notice period of 6 months needs to be given by Mr Gallagher if the contract is to be terminated earlier, unless notice is given after a change of control in which case the notice period is 3 months. Subject to ERG's right to terminate immediately in cases of serious misconduct ERG must provide notice, or payment in lieu of notice as follows: (1) if Mr Gallagher does not achieve agreed performance levels, 6 months (2) in any other case the balance of the 2 year contract term subject always to a minimum period of 12 months.

Except where the contract is terminated for serious misconduct, poor performance or voluntary resignation, in addition to any payment in lieu of notice, Mr Gallagher will be entitled to receive unpaid pro rata incentive payments. Any incentive will be assessed at the time of termination having consideration to the relative achievements against the targets to the date of termination subject always to at least 50% of the maximum pro rata incentive being paid. In addition any unexpired, unvested options which may have been issued to Mr Gallagher during his employment will immediately vest and be exercisable without hurdles being required to be met.

Mr B Were, General Manager Business Development
Mr Were has been appointed for a term of 3 years to 2 April 2009. A notice period of 6 months needs to be given by either party if the contract is to be terminated earlier subject to ERG's right to terminate immediately in cases of serious misconduct or poor performance.

Under his employment contract Mr Were will be paid a retention incentive totalling $150,000 payable in three equal instalments on or about the anniversary of the commencement of the contract (Instalment 1 paid April 2008). Should Mr Were's employment be terminated by ERG for reasons other than serious misconduct before the $150,000 incentive is paid in full, Mr Were will be entitled to receive the balance of the incentive which remains unpaid at the date of termination.

Mr P Levy, General Manager Solution Delivery UK
Mr Levy's contract is unlimited in term, but capable of termination on 3 months notice given by either party. On termination Mr Levy will be entitled to receive his statutory entitlements of accrued annual and long service leave, together with superannuation benefits. Mr Levy's remuneration is reveiwed each year, effective 1 July, and takes into account cost of living adjustments, changes in scope of the role and changes in competitive market forces.

Directors' Report

4. REMUNERATION REPORT (continued)

Current Year Performance

In the current financial year a number of business units in the consolidated entity achieved their operational targets and the Directors awarded discretionary incentives in respect of specific short term performance targets. As a result the STI payments were received as detailed in table below.

	ACTUAL STI PAYMENT (I) $	ACTUAL STI PAYMENT AS A % OF MAXIMUM STI	% FORFEITED
Executive Directors			
J F Carroll (ii)	233,500	100%	0%
S B Gallagher (iii)	-	0%	0%
Executives			
B Were	62,000	40%	60%
M Donnelly (iv)	-	N/A	N/A
P Levy	49,800	85%	15%

(i) A minimum level of performance must be achieved before any STI is payable. The payment relates to STI earned in the financial year ended 30 June 2008 and paid during the December 2008 quarter.

(ii) J Carroll's incentive awards are in respect of the long term performance of OneLink Holdings Pty Ltd and AFC Equipment Co Pty Ltd whilst Mr Carroll occupied the role of Chief Executive Officer to 31 December 2007 as provided for in a previous employment agreement. Actual STI awards in respect of Mr Carroll's performance as ERG Executive Director are to be measured over the two year period to 30 June 2009. No incentives were awarded in relation to the achievement of targets during the year ended 30 June 2008 however Mr Carroll retains the right to earn the maximum STI over the 2 year period through the achievement of agreed targets before 30 June 2009.

(iii) STI awards in respect of S Gallagher's performance as ERG Executive Director are to be measured over the two year period to 30 June 2009. No incentives were awarded in relation to the achievement of targets during the year ended 30 June 2008 however Mr Gallagher retains the right to earn the maximum STI over the 2 year period through the achievement of agreed targets before 30 June 2009.

(iv) M Donnelly's employment as Head of Small Projects was terminated on 6 July 2007 in accordance with his Service Agreement. Payments in respect of his termination did not include any STI payment in respect of the year ended 30 June 2008.

Remuneration Summary

The directors and the five identified executives received the following amounts as compensation for their services during the year:

	SHORT TERM		POST EMPLOYMENT		OTHER	
	Salary & Fees $	Bonus STI (vii) $	Non Monetary (i) $	Super-annuation $	Termination Payments $	Total $
C J Henson	82,500	-	-	60,000	-	142,500
D P Saville	55,046	-	-	4,954	-	60,000
M O Clarey	22,100	-	-	47,900		70,000
Total Non Executives Directors	159,646	-	-	112,854	-	272,500
J F Carroll, Executive Director – Finance (ii), (v)	360,997	233,500	874	13,129	-	608,500
S B Gallagher, Executive Director – Operations (v)	330,360	-	31,200	44,640	-	406,200
Total Executive Directors	691,357	233,500	32,074	57,769	-	1,014,700
B Were, General Manager – Business Development (vi)	271,725	107,872	-	42,404	-	422,000
M Donnelly, former Head of Small Projects Division (iii)	6,175	-	-	556	315,349	322,080
P Levy, General Manager – Solution Delivery UK (iv), (vi)	200,392	95,672	-	34,417	-	330,481
Total Executives	478,292	203,543	-	77,377	315,349	1,074,561
Total	1,329,295	437,043	32,074	248,000	315,349	2,361,761

(i) Non-monetary benefits include payments for the provision of living away from home and expense allowances, utilities, travel, motor vehicles, etc.

(ii) J Carroll's incentive awards are in respect of the long term performance of OneLink Holdings Pty Ltd and AFC Equipment Co Pty Ltd whilst Mr Carroll occupied the role of Chief Executive Officer to 31 December 2007 as provided for in a previous employment agreement. Actual STI awards in respect of Mr Carroll's performance as ERG Executive Director are to be measured over the two year period to 30 June 2009. No incentives were awarded in relation to the achievement of targets during the year ended 30 June 2008 however Mr Carroll retains the right to earn the maximum STI over the 2 year period through the achievement of agreed targets before 30 June 2009.

(iii) M Donnelly's employment as Head of Small Projects was terminated on 6 July 2007 in accordance with his Service Agreement. Payments in respect of his termination did not include any STI payment in respect of the year ended 30 June 2008.

(iv) P Levy is General Manager, Solution Delivery UK Operation

(v) The Executive Directors are jointly responsible for the day to day operations and strategic direction of ERG Group, with all other other senior executives within operating divisions reporting to Executive Directors

(vi) During the financial year B Were and P Levy received, pursuant to a resolution passed by shareholders at ERG Annual General Meeting, $1000 worth or 11,291 ERG ordinary shares from the ERG Employee Share Acquisition Plan.

(vii) Included in Bonus STI is retention incentive payments to Mr B Were $45,872 and Mr P Levy $45,872 in accordance with their service agreements.

Directors' Report

4. REMUNERATION REPORT (continued)

Remuneration Summary (continued)

The directors and the five identified executives received the following amounts as compensation for their services during the comparative financial year:

	SHORT TERM			POST EMPLOYMENT	OTHER	
	Salary & Fees $	Bonus STI $	Non Monetary (i) $	Super-annuation $	Termination Payments $	Total $
C J Henson	41,539	-	-	100,961	-	142,500
D P Saville	55,046	-	-	4,954	-	60,000
M O Clarey	32,110	-	-	37,890	-	70,000
Total Non Executives Directors	128,695	-	-	143,805	-	272,500
Dr A C Sullivan, former Chief Executive Officer (iii)	549,041		102,534	100,000	1,008,150	1,759,725
J F Carroll, Executive Director – Finance (ii)	318,064	303,587	19,250	37,686	-	678,587
S B Gallagher, Executive Director – Operations	278,800	80,625	31,200	40,000	-	430,625
Total Executive Directors	1,145,905	384,212	152,984	177,686	1,008,150	2,868,937
B Were, former Head of Operating Companies Division	267,624	137,871	-	46,505	-	452,000
M Donnelly, Former Head of Small Projects Division	307,614	-	-	42,386	-	350,000
Total Executives	575,238	137,871	-	88,891	-	802,000
Total	1,849,838	522,083	152,984	410,382	1,008,150	3,943,437

(i) Non-monetary benefits include payments for the provision of living away from home and expense allowances, utilities, travel, motor vehicles, etc.

(ii) Incentive payments were in respect of performance of Onelink Holding Pty Ltd under pre-existing agreement.

(iii) In accordance with his Service Agreement, the Company made a separation payment (retired 29 June 2007)to Dr Sullivan plus accrued but untaken leave.

5. OTHER ITEMS

Changes in State of Affairs

During the financial year, the following events occurred which impacted the consolidated entity's state of affairs:

- On 23 January 2008 ERG's wholly owned subsidiary Integrated Transit Solutions Ltd ('ITSL') received a notice from the Public Transport Ticketing Corporation of New South Wales ('PTTC') advising that the Sydney Integrated Ticketing System ('SITS') Project agreement had been terminated. ERG has notified the PTTC that it believes the termination was unlawful and has reserved all of its rights in relation to their actions. The PTTC has served ITSL with a statement of claim for loss and damages resulting from PTTC's termination of the SITS Agreement based on ITSL's alleged breaches of contract arising from delay in completion of contract milestone events. The PTTC's current estimate of the claim value amounts to $88.6 million. ITSL and ERG intend to vigorously defend the PTTC's claim and have file defences and counter claims in response to the claim.
- The adverse financial impact of the termination totals $85.314 million (both continuing and discontinuing) and has been included within the net loss before income tax in the income statement on page 16 of the financial report and has been a material driver of the net asset deficiency position of $11.711 million reported in the Balance Sheet on page 17 of the financial report.
- ERG Ltd has announced the conditional disposal, subject to shareholder and other approvals, of its 33.33% shareholding in Onelink Holdings Pty Ltd and AFC Equipment Co Pty Ltd to Utilico Ltd, a company associated with its major shareholding group, the Ingot Entities. Sale proceeds of $9.5 million have been received in advance.
- ERG Ltd has signed a Memorandum of Understanding with Vix Technology Pty Ltd in relation to the proposed sale of its ongoing global business operations including relevant operating subsidiaries to Vix ERG Pty Ltd for $115.4 million. ERG Ltd plans to hold a General Meeting of shareholders in November 2008 to vote on the sale transaction.

Other than the above, there was no significant change in the state of affairs of the consolidated entity during the financial year.

Directors' Report

5. OTHER ITEMS (continued)

Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments

ERG Ltd plans to hold a General Meeting of shareholders in November 2008 to vote on the restructure transactions being a) disposal of its 33.33% shareholding in Onelink Holdings Pty Ltd and AFC Equipment Co Pty Ltd and b) sale of its ongoing global business operations including relevant operating subsidiaries. If the shareholders vote to approve these disposal transactions, ERG Group will be comprised of ERG Ltd as parent entity along with several dormant non operating subsidiaries. The principle activity that will remain with the Group is to manage the current litigation with the PTTC regarding the Sydney Integrated Ticketing System Project agreement termination.

Other than above any likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial statements and directors' report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2008 can be found on page 15 of the financial report.

Non-audit services

The board of directors, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services disclosed below do not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved to ensure they do not impact integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

	2008 $	2007 $
Tax compliance services	39,769	22,126
	39,769	**22,126**

Environmental Regulations

Based on continual reviews of the Group's operations, the directors confirm that there are no particular environmental obligations to which ERG or its controlled entities are subject, outside of the usual common law and legislative requirements.

Directors' Report

6. INDEMNIFICATION AND INSURANCE

Indemnification

ERG's Constitution provides for an indemnity of Directors, executive officers and company secretaries where liability is incurred in connection with the performance of their duties in those roles other than as a result of their negligence, default or breach of duty in relation to the consolidated entity. The indemnification will also meet the full amount of any such liabilities, including legal fees where that person is acquitted or where proceedings are withdrawn before judgment. ERG has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of ERG or of any related body corporate against a liability incurred as such by an officer or auditor.

Insurance Premiums

The consolidated entity has paid insurance premiums in respect of Directors and Officers' liability, legal expenses and insurance contracts for current Directors and Officers, including executive officers and company secretaries of the consolidated entity, and Directors, executive officers and company secretaries of its controlled entities, other than card.etc AG, OneLink Holdings Pty Ltd, OneLink Transit Systems Pty Ltd and AFC Equipment Co Pty Ltd. OneLink Holdings Pty Ltd, OneLink Transit Systems Pty Ltd and AFC Equipment Co Pty Ltd have their own Directors and Officers insurance policy. In accordance with commercial practices, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premiums paid.

7. INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares and options of ERG Limited were:

	ORDINARY SHARES	OPTIONS AND CONVERSION RIGHTS *
Directors	Number	Number
C J Henson	200,000	-
D P Saville	257,056,459	382,005,995
M O Clarey	105,000	-
J F Carroll	382,950	-
	257,744,409	**382,005,995**

* At the 2007 ERG Annual General Meeting held in November 2007 sharholders approved the consolidation and amendment of terms and conditions of the Ingot 1 loan and Ingot 2 loan to extend the repayment date to 30 September 2010 and grant conversion rights to the new consolidated Ingot loan balance plus any future amounts capitalised. The balance of the consolidated loan at 30 June 2008 was $50,149,747 and the exercise price for conversion into ordinary shares is $0.13128 per share.

* Conversion rights totalling 238,062,059 granted by shareholders on 24 November pursuant to the previous release of security and extension of Ingot loan facilities were cancelled during the year.

As at the date of this report, the following Directors indirectly held shares in Onelink Holdings Pty Ltd via interests in director related entities:

	ORDINARY SHARES
Directors	Number
D P Saville	6,912,000
J F Carroll	1,152,000

As at the date of this report, the following Directors indirectly held shares in AFC Equipment Co Pty Ltd via interests in director related entities:

	ORDINARY SHARES
Directors	Number
D P Saville	1,200,000
J F Carroll	200,000

Directors' Report

8. OPTIONS

At the date of this report, the unissued ordinary shares of ERG Limited under option are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
30 August 1999	30 August 2009	$10.76	3,000
26 November 1999	26 November 2009	$24.86	7,500
2 December 1999	2 December 2009	$25.26	12,000
10 January 2000	10 January 2010	$24.29	2,700
11 January 2000	11 January 2010	$24.76	4,500
14 January 2000	14 January 2010	$25.89	7,500
17 November 2000	17 November 2010	$30.66	25,750
24 November 2005	30 September 2010	$0.13	382,005,995
			382,068,945

This report is made in accordance with a resolution of the Board of Directors pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors

Executive Director – Finance
J F Carroll

Dated 30th September 2008, Melbourne Victoria

Deloitte.

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30 September 2008

Board of Directors
ERG Limited
121-127 High Street
Prahran, VIC 3181

Dear Board Members

Auditor's Independence Declaration – ERG Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ERG Limited.

As lead audit partner for the audit of the financial statements of ERG Limited for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. A. Watson

D A WATSON
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Income Statement

For the Year Ended 30 June 2008

		CONSOLIDATED		COMPANY	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenue	3	**4,170**	18,343	**1,341**	4,754
Other income	3	**11,191**	-	**-**	-
Total		**15,361**	18,343	**1,341**	4,754
Changes in inventories of finished goods and work in progress		**(624)**	623	**-**	-
Raw materials and consumables used		**(3,936)**	(11,170)	**-**	-
Employee benefits expense	4	**(4,789)**	(6,136)	**(460)**	9
Operating lease expenses		**(423)**	(550)	**-**	24
Other labour and consulting costs		**(1,005)**	(1,223)	**(250)**	(264)
Finance costs	4	**(9,590)**	(8,432)	**(9,039)**	(7,984)
Depreciation and amortisation expense	4	**(176)**	(212)	**-**	-
Impairment of non-current assets	4	**-**	-	**(81,803)**	22,604
Loss on termination of contract	4	**(82,668)**	-	**(13,122)**	-
Other expenses		**(2,691)**	(551)	**(763)**	(768)
Loss before income tax		**(90,541)**	(9,308)	**(104,096)**	18,375
Income tax expense	5	**-**	-	**-**	-
(Loss) / profit for the year from continuing operations		**(90,541)**	(9,308)	**(104,096)**	18,375
Discontinued Operations					
(Loss) / profit for the year from discontinued operations	22	**(8,503)**	149	**(77)**	2,592
(Loss) / profit for the year		**(99,044)**	(9,159)	**(104,173)**	20,967
Profit attributable to minority interest in discontinued operations		**(4,290)**	(5,679)	**-**	-
Loss / (profit) attributable to members of parent entity		**(103,334)**	(14,838)	**(104,173)**	20,967
Earnings per share (note 6):					
From continuing and discontinued operations:					
Basic (loss) / earnings per share (cents per share)		**(12.04)**	(1.73)		
Diluted (loss) / earnings per share (cents per share)		**(12.04)**	(1.73)		
From continuing operations:					
Basic (loss) / earnings per share (cents per share)		**(10.55)**	(1.09)		
Diluted (loss) / earnings per share (cents per share)		**(10.55)**	(1.09)		

The income statement is to be read in conjunction with the notes to these financial statements

Balance Sheet

As at 30 June 2008

		CONSOLIDATED		COMPANY	
	Note	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
ASSETS					
Current assets					
Cash and cash equivalents		-	15,342	-	775
Trade and other receivables	7	-	156,019	82,652	11,570
Inventories	8	-	20,609	-	7,144
Other assets	9	-	9,269	-	4,949
		-	201,239	82,652	24,438
Assets of a disposal group classified as held for sale	22	188,876	-	61,208	
Total current assets		188,876	201,239	143,860	24,438
Non-current assets					
Trade and other receivables	7	-	59,356	-	161,428
Other financial assets	10	1	6	-	700
Plant & equipment	11	-	8,803	-	176
Deferred tax asset	12	-	3,883	-	-
Other assets	9	-	482	-	-
Total non-current assets		1	72,530	-	162,304
TOTAL ASSETS		188,877	273,769	143,860	186,742
LIABILITIES					
Current liabilities					
Trade and other payables	13	462	57,616	-	10,886
Borrowings	14	115,415	35,836	115,415	35,836
Current tax payable	15	-	913	-	246
Provisions	16	9,000	20,083	-	146
Other liabilities	17	9,500	5,144	9,500	419
		134,377	119,592	124,915	47,533
Liabilities of a disposal group classified as held for sale	22	66,211	-	26,811	-
Total current liabilities		200,588	119,592	151,726	47,533
Non-current liabilities					
Borrowings	14	-	55,774	-	43,579
Provisions	16	-	73	-	-
Other liabilities	17	-	489	-	-
Total non-current liabilities		-	56,336	-	43,579
TOTAL LIABILITIES		200,588	175,928	151,726	91,112
NET (DEFICIENCY) / ASSETS		(11,711)	97,841	(7,866)	95,630
EQUITY					
Issued capital	18	711,854	711,450	711,854	711,450
Reserves		(27,614)	(23,232)	1,890	1,617
Accumulated losses		(700,654)	(597,320)	(721,610)	(617,437)
Parent entity interest		(16,414)	90,898	(7,866)	95,630
Minority interest	19	4,703	6,943	-	-
TOTAL (DEFICIENCY) / EQUITY		(11,711)	97,841	(7,866)	95,630

The balance sheet is to be read in conjunction with the notes to these financial statements

Cash Flow Statement

For the Year Ended 30 June 2008

		CONSOLIDATED		COMPANY	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flows from operating activities					
Receipts from customers		195,315	211,799	8,004	46,124
Payments to suppliers and employees		(217,532)	(210,222)	(44,127)	(75,180)
Interest received		1,538	422	528	85
Finance costs		(13,199)	(7,756)	(11,916)	(7,545)
Income taxes paid		(1,464)	(444)	(44)	(19)
Net cash used in operating activities	24	(35,342)	(6,201)	(47,557)	(36,535)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		27	186	-	-
Acquisitions of plant and equipment		(2,207)	(5,046)	(70)	(125)
Investments in controlled entities		-	-	(834)	(700)
Capital returns from controlled entities		-	-	3,265	4,800
Proceeds from sale of businesses received in advance		9,500	-	9,500	-
Net cash (used in) / provided by investing activities		7,320	(4,860)	11,861	3,975
Cash flows from financing activities					
Refund of share issue costs	18	-	69	-	69
Proceeds from borrowings		36,000	33,980	36,000	33,980
Repayment of borrowings		(1,540)	-	-	-
Proceeds from the return of bonds		-	631	-	631
Payment of bonds		(3,879)	(6,127)	(530)	(2,311)
Payment for return of capital to minority interests		(6,530)	(9,600)	-	-
Net cash provided by financing activities		24,050	18,953	35,469	32,369
Net increase / (decrease) in cash and cash equivalents		(3,972)	7,892	(226)	(191)
Cash and cash equivalents at the beginning of the financial year		15,342	7,180	775	960
Effect of exchange rate fluctuations on cash held in foreign currencies		62	270	-	6
Cash and cash equivalents at the end of the financial year		11,432	15,342	549	775
Attributable to:					
Continuing operations		-	15,342	-	775
Discontinued operations (note 22)		11,432	-	549	-
		11,432	15,342	549	775

The cash flow statement is to be read in conjunction with the notes to these financial statements

Statement of Changes in Equity

For the Year Ended 30 June 2008

	CONSOLIDATED					
	Issued capital	Accumulated Losses	Foreign Currency Translation Reserve	General Reserve	Minority Equity Interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2007	711,450	(597,320)	(21,773)	(1,459)	6,943	97,841
Changes						
Losses attributable to members of the parent entity	-	(103,334)	-	-	-	(103,334)
Profit attributable to minority interests	-	-	-	-	4,290	4,290
Total recognised income and expense	-	(103,334)	-	-	4,290	(99,044)
Issue of shares under Employee Share Plan	404	-	-	-	-	404
Capital return to minority interests	-	-	-	-	(6,530)	(6,530)
Exchange differences arising from translation of foreign operations	-	-	(4,382)	-	-	(4,382)
Equity / (deficiency) as at 30 June 2008	711,854	(700,654)	(26,155)	(1,459)	4,703	(11,711)
Balance as at 1 July 2006	711,381	(582,482)	(10,438)	231	14,245	132,937
Changes						
Losses attributable to members of the parent entity	-	(14,838)	-	-	-	(14,838)
Profit attributable to minority interests	-	-	-	-	5,679	5,679
Total recognised income and expense	-	(14,838)	-	-	5,679	(9,159)
Capital return to minority interests	-	-	-	-	(9,600)	(9,600)
Share issue costs refunded	69	-	-	-	-	69
Exchange differences arising from translation of foreign operations	-	-	(11,335)	-	-	(11,335)
Impact of acquisition of associate entity	-	-	-	(1,690)	(3,381)	(5,071)
Equity as at 30 June 2007	711,450	(597,320)	(21,773)	(1,459)	6,943	97,841

The statement of changes in equity is to be read in conjunction with the notes to these financial statements

Statement of Changes in Equity

For the Year Ended 30 June 2008

	COMPANY			
	Issued capital	Accumulated Losses	Foreign Currency Translation Reserve	Total
	$'000	$'000	$'000	$'000
Balance as at 1 July 2007	711,450	(617,437)	1,617	95,630
Changes				
Losses attributable to members of the parent entity	-	(104,173)	-	(104,173)
Total recognised income and expense	-	(104,173)	-	(104,173)
Issue of shares under Employee Share Plan	404	-	-	404
Exchange differences arising from translation of foreign operations	-	-	273	273
Equity / (deficiency) as at 30 June 2008	711,854	(721,610)	1,890	(7,866)
Balance as at 1 July 2006	711,381	(638,404)	430	73,407
Changes				
Profit attributable to members of the parent entity	-	20,967	-	20,967
Total recognised income and expense	-	20,967	-	20,967
Share issue costs refunded	69	-	-	69
Exchange differences arising from translation of foreign operations	-	-	1,187	1,187
Equity as at 30 June 2007	711,450	(617,437)	1,617	95,630

The statement of changes in equity is to be read in conjunction with the notes to these financial statements

Notes to the Financial Statements

For the Year Ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

The financial report covers the consolidated entity of ERG Limited and controlled entities (together referred to as the consolidated entity or Group), and ERG Limited (the Company) as an individual company. ERG Limited is a listed public company, incorporated and domiciled in Australia. ERG Limited and its controlled entities operate in Australia, Asia, Europe and North America.

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Website www.erggroup.com

Principal Place of Business
247 Balcatta Road
Balcatta Western Australia 6021

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

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirement of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

In the current year, the consolidated entity and company have adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of these new accounting standards are set out in the individual accounting policy notes set out below.

The Group has also adopted the following standards as listed below which only impacted on the Group's financial statements with respect to disclosure.

- *AASB 101 'Presentation of Financial Statements' (revised October 2006)*
- *AASB 7 'Financial Instruments: Disclosures'*
- *AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and other amendments'*
- *AASB 2007-7 'Amendments to Australian Accounting Standards'*
- *AASB 2008-4 'Amendments to Australian Accounting Standards - Key Management Personnel Disclosures by Disclosing Entities'*

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by ERG and its controlled entities for the year ended 30 June 2008.

- *AASB 8 Operating Segments - applicable for annual reporting periods beginning on or after 1 January 2009.*
- *AASB 101 Presentation of Financial Statements revised standard - applicable for annual reporting periods beginning on or after 1 January 2009.*
- *AASB 123 Borrowing Costs - applicable for annual reporting periods beginning on or after 1 January 2009.*
- *AASB 3 Business Combinations revised standard - applicable for annual reporting periods beginning on or after 1 July 2009.*
- *AASB 127 Consolidated and Separate Financial Statements revised standard - applicable for annual reporting periods beginning on or after 1 July 2009.*

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Financial Statements of the Company or the Consolidated Entity.

These Standards and Interpretations will be first adopted in the Financial Statements of the Consolidated Entity that relates to the annual reporting period beginning after the effective date of pronouncement, which in all cases will be the company's annual reporting period beginning on 1 July 2009. In addition to the standards issued above, other standards have been issued by the Australian Accounting Standards Board, these standards are not relevant to the operations of the Group.

The financial statements were authorised by the directors on 30th September 2008.

Notes to the Financial Statements

For the Year Ended 30 June 2008

(b) Basis of preparation

The financial report has been prepared on the basis of historical costs, except for assets and liabilities of a disposal group as held for sale, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of a kind referred to in the ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(c) Going Concern

The Group has recorded a loss from continuing and discontinued operations of $81.320 million at the level of earnings before interest, tax, depreciation and amortisation ("EBITDA"), materially driven by a loss of $85.314 million incurred on termination of the group's major contract in Sydney, being the Sydney Integrated Ticketing System Project (see note 32 for additional detail). As at 30 June 2008 the Group's net asset position is a deficiency of $11.711 million.

In addition to the events surrounding the termination of its major contract in Sydney the Group continued to invest working capital in its other major contracts in San Francisco, Seattle, Stockholm, and Gothenburg resulting in a total net operating cash outflow of $35.342 million for the financial year ended 30 June 2008. This operating cash outflow, plant and equipment acquisitions and performance bond payments were funded by borrowings under existing credit facilities provided by director related entities ("Ingot Entities"). At the date of signing this report approximately $1.3 million of the credit facilities remained undrawn.

On 29 August 2008, ERG Ltd entered into a binding memorandum of understanding ("MOU") with Vix Technology Pty Ltd detailing the restructure of the current ERG Group's businesses, including a) the sale of its ongoing operating businesses into a joint venture with the Ingot Entities for $115.4 million and b) disposal of its 33.33% shareholding in Onelink Holdings Pty Ltd and AFC Equipment Co Pty Ltd. In addition as part of the proposed restructure the Group will enter into a funding agreement with Vix Technology Pty Ltd to fund the costs associated with the litigation in relation to the Sydney Integrated Ticketing System Project (refer note 32). Under the funding agreement liability for repayment of any borrowings will be limited to the value of any security given in relation to the loan including the proceeds of any damages claim awarded to the Group in the litigation and unless both parties agree that the litigation be continued, Vix Technology Pty Ltd may at its discretion by not less than 14 days written notice to the ERG Ltd terminate its obligation to provide any further funding under this agreement.

The Directors believe that once finalised the sale proceeds from the restructure, in conjunction with the above mentioned funding agreement, will be sufficient to enable the settlement of the Group's liabilities as shown in the Balance Sheet. ERG Ltd proposes to seek relevant ERG shareholder approval of the restructure transaction at an general meeting ("GM") to be held in November 2008.

Pending the GM the Group has negotiated the extension of repayment dates for loans totalling approximately $17.6 million that were due for repayment on or about 31 March 2008 and loans totalling approximately $38.5 million due for repayment on 30 September 2008 until the date of the GM. The Group has a substantial working capital investment in its major contracts which are progressively being converted into cash as project milestones are achieved and expects that approximately $35.0 million milestone receipts will be received in the period from balance date to the date of GM. Combined with receipts from other operations the Directors believe these receipts will allow the Group to meet debts and commitments as they fall due.

As a result of the above the Directors are of the opinion that it is appropriate for the financial report to be prepared on a going concern basis.

In the event that the restructure transaction is not approved by ERG shareholders there is significant uncertainty as to whether the Group and the Company will be able to continue as going concerns and therefore whether they would be able to realise their assets and extinguish their liabilities in the normal course of business and at amounts stated in the financial statements. The financial statements do not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or the amounts or classification of the liabilities that might be necessary should the Group and the Company not continue as going concerns.

(d) Basis of Consolidation

A list of controlled entities is contained in Note 28 to the financial statements. All controlled entities have a June financial year-end. A controlled entity is an entity ERG Limited has the power to control the financial and operating polices so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies applied by the company.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(e) Borrowing Costs

Borrowing costs (and interest expense) are recognised as expenses in the year in which they are incurred.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(g) Construction Contracts and Work in Progress

Construction work in progress is valued at recoverable costs incurred, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full. Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

(h) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Contributions to defined contribution superannuation plans are expensed when incurred.

(i) Employee Share Incentive Scheme

Amounts receivable under the terms of the ERG Limited Employee Share Incentive Scheme are disclosed as current where shares are available after a two-year escrowed term and the issue price is below the current market price for shares traded on the Australian Securities Exchange. Repayment of loan monies can be made any time after the two-year period.

Shares outstanding and held by employees who terminate their employment within the two-year escrowed term are repurchased and cancelled by ERG Limited for the original subscription price. Amounts receivable in relation to the Employee Share Incentive Scheme are reduced by any necessary allowance for doubtful debts.

(j) Financial Instruments

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less accumulated impairment.

Available-for-sale financial assets
Available-for-sale assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised as a separate component of equity until the investment is de-recognised or impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the profit and loss.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques if applicable are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(k) Foreign Currency Transactions and Balances

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Group companies
The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(l) Government Grants

Grants and subsidies received or receivable in relation to research and development costs, which are recognised as an expense during the current year or previous periods, are recognised as revenue in net profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2008

(m) Impairment of Assets

Impairment determination

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset for which the estimates of future cashflow have not been adjusted.

Recoverable amount not possible to estimate

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(n) Income Tax

Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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.

Tax consolidation

ERG Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidation group under the Tax Consolidation Regime with effect from 30 June 2003. ERG Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AAS112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, ERG Limited. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

(o) Intangibles

Licences

Licences are recognised at cost of acquisition. Licences have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

Software development costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life.

Amortisation

Amortisation on fixed life intangibles is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for intangibles with finite lives are as follows:

Licences	5 to 10 years
Software development costs	5 years

The useful lives of intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

(p) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials – purchase cost on a weighted average cost basis; and
- finished goods and work in progress – costs of direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

(q) Investments in Associates

Investments in associate companies are recognised in the consolidated financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies. The equity method of accounting recognises the Group's share of post acquisition reserves of its associates.

(r) Leases

Operating leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

(s) Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The estimated useful lives used in calculation of depreciation are as follows:

Depreciation

Plant and equipment are depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use so as to write-off the net cost to its estimated residual value. Plant and Equipment held at the reporting date are being depreciated over three to six years.

Amortisation

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 Group, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over three to eight years.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

Service warranties

Provision is made for the estimated liability on all products still under warranty at balance date. Amounts provided for are classified as current liabilities. The estimate is based on the Group's warranty costs experience over previous years.

Onerous contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceeds the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised assets.

Onerous Leases

An onerous lease is considered to exist where the Group has a lease (contract) under which the unavoidable cost of meeting the contractual obligations within the lease exceeds the economic benefits expected to be received under it.

Contract termination

A contract termination provision is recognised when the Group expecteds future cost obligations associated with the termination of a contract. The associated cost obligations can include: write-off of plant and equipment, inventory, property expenses (including make-good) and any litigation costs associated with the contract termination.

Restructure

A restructure provision is recognised when the Group has developed a formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by commencing implementing the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(u) Research

Expenditure on research is expensed to the income statement when incurred.

(v) Revenue

Long-term projects

In the case of long-term projects involving the supply of an automated fare collection system, revenue is recognised in accordance with the percentage of completion method, with stage of completion measured by the proportion of costs incurred to date over total estimated costs of the contract.

Profit is accounted for by taking the percentage of completion of the total contract value and applying the percentage against the total current forecast profit for the project.

Where it is probable that a loss will arise from a contract, the excess of total forecast cost over total forecast revenue is recognised as an operating expense immediately.

Notes to the Financial Statements

For the Year Ended 30 June 2008

Other revenue

Interest revenue is recognised using the effective interest method on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(w) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Debts which are known to be uncollectible are written off.

(x) Trade and other payables

Trade payables and other payables are carried at amortised cost.

They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(y) Reserves

Foreign currency translation reserve

Exchange differences arising on translation of self-sustaining, foreign-controlled entities are taken to the foreign currency translation reserve as detailed in Note 1(k).

General reserve

The Group's general reserve relates to the acquisition of AFC Equipment Pty Co Ltd and represents the parent entity's equity holders share of the financial impact of the acquisition.

(z) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authorities, it is recognised as part of the cost of acquisition of the asset or as part of an item of expense;

  or

- for receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authorities is included as a current asset or liability in the balance sheet.

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

(aa) Shared Based Payments

The group provides benefits to employees (including directors) of the group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('Equity-settled transactions').

Equity-settled share based payments are measured at the fair value of the equity instrument at the grant date and recognised as an employee benefit expense in the income statement with a corresponding increase in equity. The fair value measured at grant date is calculated using an option pricing model which considers the following factors:

- Exercise Price
- Expected life of award
- Current market price of the underlying shares
- Expected volatility
- Expected dividends
- Risk-free interest rate
- Market-based performance hurdles

The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met. Upon exercising, the balance of the share-based payment reserve relating to those options is transferred to share capital. The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of earnings per share.

Shares issued to employees under the employee share plan are recognised as an employee benefits expense in the income statement, measured at fair value on issue date.

(ab) Discontinued Operations / Assets of a disposal group classified as held for sale

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

This condition is regarded as met only when the sale is highly probable and the assets (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs relating to the sale.

(ac) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Solution Delivery (Large Project) Contracts
Profit recognised in relation to Large Project contracts is determined based on agreed contract value with the client and forecasted total costs to complete the contract.

Forecast outcomes are updated at each reporting date to determine the appropriateness of profit recognised on projects. Unapproved variation revenue is recognised where it is probable that the revenue will be certified by the client and approved. Forecasted contract costs are assessed as costs incurred to date and estimated costs to complete the contract.

General Meeting Result
It has been assumed that at the proposed General Meeting of shareholders in November 2008 ERG shareholders will approve the relevant resolutions allowing the sale of ERG's ongoing businesses and the non strategic assets. As such, the disclosure of continued and discontinued operations is contained within the financial report.

Provision For Contract Termination
During the financial year a provision has been recognised in the financial statements for contract termination costs, including litigation costs. The amount provided for litigation costs was based on a quotation from the Group's external legal advisors and assumes that the litigation proceedings will complete with a decision made via the relevant court.

Determining the amount of the provision for any damages and loss arising from the Sydney Integrated Ticketing System Project (Tcard) contract termination requires judgement as to the outcome of the litigation. Refer to Note 32 (a)(iv) for further explanation.

2. SEGMENTAL REPORTING

The segment information as prepared in conformity with the accounting policies of the consolidated entity as disclosed in note 1 and the Accounting Standard AASB 114 Segment Reporting. The consolidated entity is organised on a global basis into the following:

Business segments

Solution Delivery: This segment of the business is responsible for the implementation of projects and establishment of operations until the customer has fully launched the system to the public and ERG are meeting all contractual performance obligations.

Operations, Maintenance & Support: This segment of the business is responsible for meeting customers ongoing service requirements, in addition to offering value added services.

Group Functions: This segment of the business provides the technology, financing, business development, quality assurance and administrative support to the operational segments outlined above.

On 18 April 2008, ERG Ltd Board of Directors announced a) a proposed restructure, subject to shareholder approval and various procedural steps, which would involve selling its ongoing global business operations including, relevant operating subsidiaries into a joint venture entity with its major shareholding group, the Ingot Entities and b) the conditional disposal, subject to shareholder and other approvals, of non strategic assets for which deposit proceeds of $9.5 million has been received. As such the relevant operations have been classified as discontinued operations and excluded from the relevant business segments for 30 June 2008 reporting purposes. Comparative period information has also been restated to reflect this change. Refer to note 22 for further information regarding the proposed restructure and non strategic assets sale.

Segment information is presented in the financial statements in respect of the consolidated entity's business segments which reflects the management and the internal reporting structure of the consolidated entity during the financial period.

2. SEGMENTAL REPORTING (Continued)

	SOLUTION DELIVERY		OPERATIONS, MAINTENANCE & SUPPORT		GROUP FUNCTIONS		CONSOLIDATED CONTINUING OPERATIONS		DISCONTINUED OPERATIONS (II)		CONSOLIDATED	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary reporting Business segments												
Revenue												
Sales to external customers:	3,101	13,971	-	-	342	3,046	3,443	17,017	200,486	207,190	203,929	224,207
Other revenue	-	-	-	-	727	1,326	727	1,326	3,985	5,010	4,712	6,336
Non operating gains	-	-	-	-	11,191	-	11,191	-	95	160	11,286	160
Total	3,101	13,971	-	-	12,260	4,372	15,361	18,343	204,566	212,360	219,927	230,703
Segment results before loss arising from Sydney project	(5,027)	(5,309)	-	-	10,121	4,433	5,094	(876)	(1,181)	(771)	3,913	(1,647)
Loss arising from Sydney project (i)	(86,045)	-	-	-	-	-	(86,045)	-	(2,646)	-	(88,691)	-
Finance costs	-	-	-	-	(9,590)	(8,432)	(9,590)	(8,432)	(1,710)	(481)	(11,300)	(8,913)
Income tax (expense) / benefit	-	-	-	-	-	-	-	-	(2,966)	1,401	(2,966)	1,401
Profit attributable to minority interest	-	-	-	-	-	-	-	-	(4,290)	(5,679)	(4,290)	(5,679)
Profit/(loss) for the year	(91,072)	(5,309)	-	-	531	(3,999)	(90,541)	(9,308)	(12,793)	(5,530)	(103,334)	(14,838)
Assets and liabilities												
Segment assets	-	187,189	-	53,130	1	33,450	1	273,769	188,876	-	188,877	273,769
Total assets	-	187,189	-	53,130	1	33,450	1	273,769	188,876	-	188,877	273,769
Segment liabilities	9,462	42,682	-	29,828	124,915	103,418	134,377	175,928	66,211	-	200,588	175,928
Total liabilities	9,462	42,682	-	29,828	124,915	103,418	134,377	175,928	66,211	-	200,588	175,928
Other segment information												
Capital expenditure	190	1,331	-	-	-	-	190	1,331	2,017	3,715	2,207	5,046
Depreciation and amortisation	(176)	(212)	-	-	-	-	(176)	(212)	(3,281)	(7,023)	(3,457)	(7,235)

(i) Loss arising from Sydney project of $88.691 milllion comprises: (a) $85.314 million on termination of the Sydney Integrated Ticketing System Project agreement and (b) start up costs incurred of $3.377 million in establishment of the post project installation operations, maintenance and support activity.

(ii) Discontinued operations include: non strategic assets Onelink Holdings Pty Ltd and AFC Equipment Co Pty Ltd (previously reported in Operations, Maintenance & Support segment) and ongoing global operations excluding non strategic assets (previously reported in Solution Delivery, Operations, Maintenance & Support and Group Functions segments). Refer to note 22 for further information regarding discontinued operations.

2. SEGMENTAL REPORTING (Continued)

Geographical segments

The consolidated entity's business segments operate in the following three main geographical areas:

Asia-Pacific – comprises operations in Australia, Hong Kong, Malaysia and Singapore. Australia is the home country of the parent entity and provides all of the consolidated entity's corporate support.

Europe, the Middle East and Africa – comprises operations in Belgium, France, Germany, Italy, Sweden and the United Kingdom.

North America – comprises operations in Canada and the United States.

	ASIA PACIFIC		EUROPE, MIDDLE EAST AND AFRICA		NORTH AMERICA		CONSOLIDATED CONTINING OPERATIONS		DISCONTINUED OPERATIONS (II)		CONSOLIDATED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Secondary reporting Geographical segments												
Sales to external customers	**3,443**	17,017	**-**	-	**-**	-	**3,443**	17,017	**200,486**	207,190	**203,929**	224,207
Carrying amount of segment assets	**1**	120,938	**-**	86,182	**-**	66,648	**1**	273,769	**188,876**	-	**188,877**	273,769
Capital expenditure	**190**	1,331	**-**	-	**-**	-	**190**	1,331	**2,017**	3,715	**2,207**	5,046

(ii) Discontinued operations include: non strategic assets Onelink Holdings Pty Ltd and AFC Equipment Co Pty Ltd (previously reported in Operations, Maintenance & Support segment) and ongoing global operations excluding non strategic assets (previously reported in Solution Delivery, Operations, Maintenance & Support and Group Functions segments). Refer to note 22 for further information regarding discontinued operations.

3. REVENUE AND OTHER INCOME

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenue				
Continuing Operations				
Sales to external customers	**3,443**	17,017	**343**	3,046
Interest Income	**727**	1,326	**606**	1,191
Other revenue	**-**	-	**392**	517
	4,170	18,343	**1,341**	4,754
Discontinued Operations (note 22)				
Sales to external customers	**200,486**	207,190	**22,134**	16,134
Interest Income	**625**	410	**1**	2
Other revenue	**3,359**	4,600	**42**	-
	204,470	212,200	**22,177**	16,136
	208,641	230,543	**25,852**	20,889
Other Income				
Continuing Operations				
Gain on settlement of unsecured loan	**11,191**	-	**-**	-
Discontinued Operations (note 22)				
Gain on disposal of plant and equipment	**95**	160	**-**	-
	11,286	160	**-**	-

4. LOSS FROM OPERATIONS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loss before income tax has been arrived at after charging the following:				
Finance Costs				
Borrowing costs				
Continuing Operations				
external	(26)	(21)	(26)	(21)
related parties	(5,656)	(1,651)	(5,648)	(1,651)
	(5,682)	(1,673)	(5,674)	(1,672)
Discontinued Operations (note 22)				
external	(19)	(86)	-	-
Interest Expense				
Continuing Operations				
external	(543)	(970)	-	(523)
related parties	(3,365)	(5,789)	(3,365)	(5,789)
	(3,908)	(6,759)	(3,365)	(6,312)
Discontinued Operations (note 22)				
external	(1,691)	(4)	-	-
related parties	-	(391)	-	-
	(1,691)	(395)	-	-
Total Finance Costs				
Continuing operations	(9,590)	(8,432)	(9,039)	(7,984)
Discontinued operations	(1,710)	(481)	-	-
	(11,300)	(8,913)	(9,039)	(7,984)
Bad and doubtful debts (expense) / writebacks:				
Continuing Operations				
associated entities	-	844	-	435
other persons and/or corporations	-	(409)	-	-
	-	434	-	435
Discontinued Operations				
associated entities	1,672	-	-	-
other persons and/or corporations	(354)	713	-	(1,182)
	1,318	713	-	(1,182)
Inventories				
Continuing Operations				
Reversal of write-down of inventories to net realisable value	-	2	-	-
Discontinued Operations				
Reversal of write-down of inventories to net realisable value	558	383	-	-
Net Foreign Exchange Losses				
Continuing Operations				
Net foreign gains/ (losses) exchange differences	(746)	(215)	(429)	(772)
Discontinued Operations				
Net foreign gains/ (losses) exchange differences	(627)	(435)	18	-
Depreciation and amortisation				
Continuing Operations				
Depreciation of non-current assets	(99)	(109)	-	-
Amortisation of non-current assets	(77)	(78)	-	-
Amortisation of capitalised costs	-	(25)	-	-
	(176)	(212)	-	-

4. LOSS FROM OPERATIONS (continued)

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Depreciation and amortisation (continued)				
Discontinued Operations (note 22)				
Depreciation of non-current assets	**(3,091)**	(3,646)	**(28)**	(11)
Amortisation of non-current assets	**(190)**	(257)	**(8)**	(5)
Amortisation of capitalised costs	**-**	(3,120)	**-**	-
	(3,281)	(7,023)	**(36)**	(16)
Employee Benefits Expense				
Continuing Operations				
Defined contribution plans	**(340)**	(468)	**(23)**	(23)
Equity settled share based payments	**(404)**	-	**(404)**	-
Other employee benefits	**(4,045)**	(5,668)	**(33)**	32
	(4,789)	(6,136)	**(460)**	9
Discontinued Operations (note 22)				
Defined contribution plans	**(3,968)**	(3,887)	**(35)**	(24)
Termination benefits	**(315)**	(1,008)	**-**	-
Other employee benefits	**(79,612)**	(77,058)	**(2,619)**	(1,121)
	(83,896)	(81,953)	**(2,655)**	(1,145)
Individually significant items				
Impairment of non-current assets				
Continuing Operations				
(Increase) / Reversal in impairment of group entities receivables (i)	**-**	-	**(85,068)**	20,554
Reversal of prior year impairment losses of group investment (ii)	**-**	-	**3,265**	2,050
	-	-	**(81,803)**	22,604

Reversal of prior year impairment losses
(i) During the current financial year the company increased impairment provisions totalling $(85,068,000) held against receivables from group entities (2007: reversal of impairment of $20,554,000).

(ii) During the 2004 financial year the company raised an impairment provision of $7,566,800 against its investment of $10,316,800 in Onelink Holdings Pty Ltd, the carrying value of $2,750,000 was supported by the then estimated net cashflow associated with distributions from Onelink Holdings Pty Ltd.

During the current financial year cash distributions of $2,765,000 (2007: $4,800,000) were received from Onelink Holdings Pty Ltd and $500,000 (2007: Nil) from AFC Equipment Co Pty Ltd. Consequently, the impairment provision was reversed to the extent that the distributions exceed the carrying value of the investment.

Individually significant items				
Continuing Operations				
Loss on termination of contract	**(82,668)**	-	**(13,122)**	-
Discontinued Operations (note 22)				
Loss on termination of contract	**(2,646)**	-	**-**	-
Total	**(85,314)**		**(13,122)**	

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For the Year Ended 30 June 2008

5. INCOME TAXES

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Reconciliation between tax (benefit) / expense and pre-tax net (loss) / profit				
(Loss) / profit before income tax from continuing operations	(90,541)	(9,308)	(104,096)	18,375
(Loss) / profit before income tax from discontinued operations	(5,537)	(1,252)	(77)	2,592
	(96,078)	(10,559)	(104,173)	20,967
Prima facie tax payable / (benefit) on loss before income tax at 30% (2007: 30%)	(28,823)	(3,168)	(31,252)	6,290
From which is deducted the tax effect of:				
Deductible business related costs	(384)	(538)	(384)	(673)
Research and development allowance	-	(1,983)	-	-
Expenditure allowable for income tax purposes	-	(634)	-	-
Previously unrecognised tax losses now recognised as deferred tax assets	(551)	(2,619)	-	-
Reversal of prior year temporary differences not brought to account	(4,410)	-	(980)	(6,166)
Other items	-	(433)	-	-
From which is added the tax effect of:				
Expenditure not deductible for income tax purposes	1,907	-	1,617	-
Current year tax losses not brought to account	37,020	11,939	3,795	1,568
Current year temporary differences not brought to account	-	680	27,532	685
Effects of higher rates of tax on overseas income	82	92	-	-
	4,841	3,336	328	1,704
Recoupment of prior year tax losses not previously brought to account	(1,875)	(4,737)	(328)	(1,704)
Total tax expense / (benefit)	2,966	(1,401)	-	-
Attributable to:				
Continuing operations	-	-	-	-
Discontinued operations (note 22)	2,966	(1,401)	-	-
	2,966	(1,401)	-	-

6. EARNINGS PER SHARE

Set out below are the basic and diluted earnings per share of the consolidated entity for the financial year ended 30 June 2008 calculated in accordance with AASB 133 *Earnings per Share*.

	2008	2007
	Cents per share	Cents per share
Basic earnings per share		
From Continuing Operations	**(10.55)**	(1.09)
From Discontinued Operations	**(1.49)**	(0.64)
Total basic earnings per share	**(12.04)**	(1.73)
Diluted earnings per share		
From Continuing Operations	**(10.55)**	(1.09)
From Discontinued Operations	**(1.49)**	(0.64)
Total diluted earnings per share	**(12.04)**	(1.73)

	2008	2007
Basic earnings per share	**$'000**	$'000
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Earnings used in the calculation of basic EPS	**(103,334)**	(14,838)
Adjustments:		
- exclude loss for the period from discontinued operations	**8,503**	(149)
- exclude profit attributable to minority interests in discontinued operations	**4,290**	5,679
Earnings used in the calculation of basic EPS from continuing operations	**(90,541)**	(9,308)

	2008	2007
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	**858,505,943**	855,813,872

	2008	2007
Diluted earnings per share	**$'000**	$'000
The earnings used in the calculation of diluted earnings per share are as follows:		
Earnings used in the calculation of diluted EPS	**(103,334)**	(14,838)
Adjustments:		
- exclude loss for the period from discontinued operations	**8,503**	(149)
- exclude profit attributable to minority interests in discontinued operations	**4,290**	5,679
Earnings used in the calculation of diluted EPS from continuing operations	**(90,541)**	(9,308)

	2008	2007
Weighted average number of ordinary shares (diluted):	**Number**	Number
Weighted average number of ordinary shares	**858,505,943**	855,813,872
Effect of share options on issue (i)	**-**	-
Weighted average number of ordinary shares (diluted):	**858,505,943**	855,813,872

(i) The weighted average potential ordinary shares totalling 385,465,854 (30 June 2007: 255,776,975) are anti dilutive and are therefore excluded from the above earnings per share calculation.

Notes to the Financial Statements

For the Year Ended 30 June 2008

7. TRADE AND OTHER RECEIVABLES

		CONSOLIDATED		COMPANY	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current Receivables					
Trade receivables		-	39,337	-	3,574
Provision for impairment of receivables (ii)		-	(4,476)	-	(2,193)
		-	34,861	-	1,381
Bonds receivable		-	204	-	-
Due from transit project customers not yet billed		-	112,195	-	10,042
Other receivables		-	10,262	-	1,650
Allowance for doubtful debts (ii)		-	(1,503)	-	(1,503)
		-	8,759	-	147
Amounts receivable from:					
Wholly owned subsidiairies (i)		-	-	628,860	-
Provision for impairment of receivables from wholly-owned subsidiaries (i)		-	-	(546,207)	-
		-	-	82,652	-
Classified as part of a discontinued operation (ii) (iii)	22	114,138	-	48,564	-
		114,138	156,019	131,216	11,570
Non Current Receivables					
Debtor retentions		-	1,156	-	-
Bonds receivable		-	37,178	-	17,333
Due from transit project customers not yet billed		-	18,645	-	-
Loans due by employees		547	547	547	547
Loans due by former directors		3,238	3,238	3,238	3,238
Provision for impairment of employee share scheme (ii)		(3,785)	(3,785)	(3,785)	(3,785)
		-	-	-	-
Other receivables		-	5,162	-	2,325
Provision for impairment of other receivables (ii)		-	(2,785)	-	-
		-	2,377	-	2,325
Amounts receivable from:					
Wholly owned subsidiairies		-	-	-	602,909
Provision for impairment of receivables from wholly-owned subsidiaries		-	-	-	(461,139)
		-	-	-	141,770
Equity associates		4,109	30,914	4,109	4,646
Provision for impairment of receivables from equity associates (ii)		(4,109)	(30,914)	(4,109)	(4,646)
		-	-	-	-
		-	59,356	-	161,428
Classified as part of a discontinued operation (iii)	22	33,735	-	7,551	-
		33,735	59,356	7,551	161,428

(i) ERG Ltd has entered into a binding memorandum of understanding ('MOU') with an Ingot related entity detailing the restructure of the current ERG Group's businesses, including the sale of its ongoing operating businesses into a joint venture. The restructure requires the approval of ERG shareholders to be sought at a general meeting in November 2008. On the assumption that approval is gained, prior to completion of the restructure transaction the company's net receivable from from wholly owned subsidiaries of $82.652 million will be forgiven.

(ii) An allowance has been made for estimated irrecoverable trade and other receivables arising from the past sale of goods and services, determined by reference to default experience. During the current financial year, the allowance for doubtful debts increased by $2,470,086 (2007: decrease $1,109,000) in the consolidated entity and increased by $135,614 (2007: decrease $529,000) in the company. This movement was recognised part in the profit and loss and part in the foreign currency translation reserve.

(iii) Trade and other receivables classified as part of a discontinued operation are to be realised though the sale of businesses and not via normal operational trading.

8. INVENTORIES

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Raw materials and stores		-	1,924	-	-
Work in progress		-	7,964	-	6,443
Finished goods		-	10,721	-	701
		-	20,609	-	7,144
Classified as part of a discontinued operation	22	17,144	-	2,741	-
		17,144	20,609	2,741	7,144

9. OTHER ASSETS

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Current other assets					
Prepayments		-	5,326	-	1,647
Net VAT receivable		-	619	-	-
Other current assets		-	3,324	-	3,302
		-	9,269	-	4,949
Classified as part of a discontinued operation	22	3,824	-	59	-
		3,824	9,269	59	4,949
Non current other assets					
Other non current assets		-	482	-	-
Classified as part of a discontinued operation	22	631	-	-	-
		631	482	-	-

10. OTHER FINANCIAL ASSETS

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Other non-current financial assets					
Shares in other corporations – at fair value		1	6	-	-
Shares in controlled entities – at recoverable amount		-	-	-	700
		1	6	-	700
Classified as part of a discontinued operation	22	-	-	1,534	-
		1	6	1,534	700

11. PLANT AND EQUIPMENT

		CONSOLIDATED		COMPANY	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Plant and equipment (a)					
At cost		-	52,157	-	127
less accumulated depreciation		-	(45,015)	-	(12)
		-	7,142	-	115
Classified as part of a discontinued operation	22	5,535	-	150	-
		5,535	7,142	150	115
Leashold improvements (b)					
At cost		-	4,120	-	66
less accumulated amortisation		-	(2,459)	-	(5)
		-	1,661	-	61
Classified as part of a discontinued operation	22	558	-	60	-
		558	1,661	60	61
		6,093	8,803	210	176
Movements in carrying amounts					
(a) Plant and equipment					
Opening carrying value		7,142	7,255	115	33
Additions		2,011	4,022	61	95
Disposals		(328)	(26)	-	-
Depreciation expense		(3,190)	(3,755)	(29)	(11)
Foreign exchange differences		(100)	(354)	3	(2)
		5,535	7,142	150	115
Less: – classified as part of discontinued operations	22	5,535	-	150	-
Closing carrying value		-	7,142	-	115
(b) Leasehold improvements					
Opening carrying value		1,661	1,056	61	40
Additions		196	1,024	6	30
Disposals		(1,072)	-	-	-
Amortisation expense		(267)	(335)	(8)	(5)
Foreign exchange differences		40	(84)	1	(4)
		558	1,661	60	61
Less: – classified as part of discontinued operations	22	558	-	60	-
Closing carrying value		-	1,661	-	61
(c) Total					
Opening carrying value		8,803	8,311	176	73
Additions		2,207	5,046	67	125
Disposals		(1,400)	(26)	-	-
Depreciation and amortisation expense		(3,457)	(4,090)	(37)	(16)
Foreign exchange differences		(60)	(438)	4	(6)
		6,093	8,803	210	176
Less; – amounts classified as part of discontinued operations	22	6,093	-	210	-
Closing carrying value		-	8,803	-	176

12. DEFERRED TAX ASSETS

		CONSOLIDATED		COMPANY	
	Note	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
The balance comprises:					
Tax value of carry-forward losses		**-**	3,883	**-**	-
		-	3,883	**-**	-
Classified as part of a discontinued operation	22	**1,877**	-	**-**	-
		1,877	3,883	**-**	-
Unrecognised deferred tax assets					
Unused tax losses for which no deferred tax asset has been recognised:					
Tax losses – revenue		**109,341**	78,575	**60,954**	27,730
Tax losses – capital		**25,366**	25,366	**25,366**	25,366
		134,707	103,941	**86,320**	53,096

The benefit of these losses has not been brought to account as realisation is not probable. The benefit will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised

(b) the company continues to comply with the conditions for deductibility imposed by the law; and

(c) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

13. TRADE AND OTHER PAYABLES

Trade payables (i)		**-**	16,762	**-**	1,398
Other creditors and accruals		**462**	40,854	**-**	9,488
		462	57,616	**-**	10,886
Classified as part of a discontinued operation	22	**45,425**	-	**24,408**	-
		45,887	57,616	**24,408**	10,886

(i) Terms of payment for trade payables range from 14-60 days from date of invoice, however, due to the cash flow difficulties encountered during the financial year (as referred to in note 1(c)) these payment terms have from time to time extended to 120 days from date of invoice.

Notes to the Financial Statements

For the Year Ended 30 June 2008

14. BORROWINGS

		CONSOLIDATED		COMPANY	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current borrowings					
Secured other loans (i)		115,415	35,836	115,415	35,836
Non current borrowings					
Secured other loans (i)		-	43,579	-	43,579
Unsecured other loans		-	12,195	-	-
		-	55,774	-	43,579

(i) Security for borrowings

Other loans are secured by:

- a first registered fixed and floating charge over the assets and undertakings of ERG Limited, ERG Management Services Ltd, ERG Transit Systems Ltd, ERG Telecommunications Pty Ltd, ERG R&D Pty Ltd, ERG Holdings Ltd, ERG IP Pty Ltd, ERG Property Pty Ltd in its own right and as trustee for The Energy Research Group Unit Trust, ERG Card Systems Ltd and ERG Card Systems (Aust) Ltd;
- a cross guarantee and indemnity given by ERG Limited, ERG Management Services Ltd, ERG Transit Systems Ltd, ERG Telecommunications Pty Ltd, ERG R&D Pty Ltd, ERG Holdings Ltd, ERG Property Pty Ltd in its own right and as trustee for The Energy Research Group Unit Trust, ERG Card Systems Ltd and ERG Card Systems (Aust) Ltd;
- a share mortgage given by ERG Holdings Ltd and ERG Transit Systems Ltd over their respective shares in ERG Transit Systems (Eur) NV.

Assets Pledged as Security				
The Group's carrying amounts of assets pledged as security are:				
Current Assets				
Cash and cash equivalents	-	1,831	-	775
Trade and other receivables	-	26,655	-	11,570
Inventories	-	8,640	-	7,144
Other assets	-	6,890	-	4,949
	-	44,016	-	24,438
Assets of a disposal group held for sale	80,380	-	59,674	-
Total Current Assets	80,380	44,016	59,674	24,438
Non Current Assets				
Trade and other receivables	-	19,711	-	19,660
Other financial assets	-	6	-	700
Plant and equipment	-	4,020	-	176
Total Non Current Assets	-	23,737	-	20,536
Total Assets Pledged as Security	80,380	67,753	59,674	44,974

15. CURRENT TAX LIABILITIES

Current tax payable		-	913	-	246
Classified as part of a discontinued operation	22	410	-	201	-
		410	913	201	246

16. PROVISIONS

		CONSOLIDATED		COMPANY	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Service warranties		-	3,283	-	-
Dividends		-	59	-	59
Employee benefits		-	6,670	-	87
Project losses		-	9,640	-	-
Contract termination		9,000	-	-	-
Onerous lease		-	313	-	-
Restructure		-	191	-	-
		9,000	20,156	-	146
Classified as part of a discontinued operation	22	16,690	-	1,984	-
		25,690	20,156	1,984	146
Current		25,690	20,083	1,984	146
Non current		-	73	-	-
		25,690	20,156	1,984	146

- Provision for service warranties represents the Directors' best estimate of the future sacrifice of economic benefits that will be required under the consolidated entity's warranty program. The estimate has been made on the basis of historical warranty trends.
- Provision for employee benefits represents annual leave and vested long service leave entitlements accrued but not taken.
- Provision for project losses represents the excess of total forecast cost over total forecast revenue of a project where it is probable that a loss will arise.
- Provision for contract termination repesents future cost obligations associated with the termination of a contract, including legal fees.
- Provision for onerous leases represents the present value of the future lease payments that the consolidated entity is presently obliged to make under non-cancellable onerous lease contracts, less revenue expected to earned on the lease including estimated future sub-lease revenue, where applicable.
- Provision for restructure represents anticipated costs in relation to further structural changes planned.

	Service warranties	Dividends	Employee benefits	Project losses	Contract Termination	Onerous lease	Restructure	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Movements in carrying amounts								
Consolidated								
Balance at 1 July 2007	3,283	59	6,670	9,640	-	313	191	20,156
Additional provisions recognised	1,320	-	5,095	16,407	15,872	873	665	40,233
Reductions arising from payments/ other sacrifices of future economic benefits	(221)	(11)	(5,106)	(9,933)	(6,738)	(313)	(188)	(22,510)
Additions / (reductions) resulting from the re-measurement of the estimated future sacrifice	(20)	-	-	(11,889)	-	-	(3)	(11,912)
Foreign exchange difference	114	-	(22)	(369)	-	-	-	(277)
Balance at 30 June 2008	**4,476**	**48**	**6,637**	**3,856**	**9,134**	**873**	**665**	**25,690**
Attributable to:								
Continuing operations	-	-	-	-	9,000	-	-	9,000
Discontinued operations	4,476	48	6,637	3,856	134	873	665	16,690
	4,476	**48**	**6,637**	**3,856**	**9,134**	**873**	**665**	**25,690**

Notes to the Financial Statements

For the Year Ended 30 June 2008

16. PROVISIONS (continued)

	Dividends	Employee benefits	Service warranties	Restructure	Total
	$'000	$'000	$'000	$'000	$'000
Movements in carrying amounts					
Company					
Balance at 1 July 2007	59	87	-	-	146
Additional provisions recognised	-	30	1,255	600	1,885
Reductions arising from payments/ other sacrifices of future economic benefits	(11)	(44)	-	-	(55)
Foreign exchange difference	-	4	4	-	8
Balance at 30 June 2008	**48**	**77**	**1,259**	**600**	**1,984**
Attributable to:					
Continuing operations	-	-	-	-	-
Discontinued operations	48	77	1,259	600	1,984
	48	**77**	**1,259**	**600**	**1,984**

17. OTHER LIABILITIES

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Current other liabilities				
Progress payments in advance	**-**	5,144	**-**	315
Sale of other businesses proceeds received in advance	**9,500**	-	**9,500**	-
Other	**-**	-	**-**	104
	9,500	5,144	**9,500**	419
Classified as part of a discontinued operation (note 22)	**3,311**	-	**217**	-
	12,811	5,144	**9,717**	419
Non current other liabilities				
Other	**-**	489	**-**	-
Classified as part of a discontinued operation (note 22)	**375**	-	**-**	-
	375	489	**-**	-

18. ISSUED CAPITAL

	COMPANY			
	2008 Number	2007 Number	**2008 $'000**	2007 $'000
Movements in ordinary shares on issue:				
Opening balance	**855,813,872**	855,813,872	**711,450**	711,381
Ordinary shares issued during the year :				
- Refund of rights issue expenses	**-**	-	**-**	69
- Employee Share Acquisition Plan	**4,561,564**	-	**404**	-
At reporting date	**860,375,436**	855,813,872	**711,854**	711,450

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Terms and condition of ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholders has one vote on a show of hands.

Share Issues

At the Annual General Meeting held on 26 November 2007, the shareholders of ERG Ltd passed a resolution to issue $1,000 worth of ordinary shares to each of its eligible employees. In conjunction with the resolution passed, 404 eligible employees were issued with 11,291 ordinary shares each on 28 November 2007.

Rights Issue Expenses

During the comparative financial year the company received a refund of expenses incurred pursuant to a rights issue dated 6 December 2005.

19. MINORITY INTEREST

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Analysis of outside equity interests in controlled entities:				
Issued Capital	**16,368**	22,899	**-**	-
Accumulated losses	**(11,665)**	(15,956)	**-**	-
	4,703	6,943	**-**	-

20. DIVIDENDS

No dividends have been paid or proposed in respect of the current financial year.

	COMPANY	
	2008 $'000	2007 $'000
Adjusted franking account balance (tax paid basis)	**1,161**	1,161

21. SUBSEQUENT EVENTS

Other than items mentioned in: (i) going concern note (see note 1(c) on page 22 of this Financial Report) and (ii) trade and other receivables note in relation to parent entity receivable from wholly owned subsidiaries (see note 7 on page 34 of this Financial Report), no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results or state of affairs of ERG Limited in subsequent periods.

22. DISCONTINUED OPERATIONS

Disposal of non strategic assets

ERG Ltd has announced the conditional disposal, subject to shareholder and other approvals, of its 33.33% shareholding in Onelink Holdings Pty Ltd and AFC Equipment Co Pty Ltd to Utilico Ltd, a company associated with its major shareholding group, the Ingot Entities. Sale proceeds of $9.5 million have been received in advance. The proceeds on sale exceed the book value of the related net assets and accordingly no impairment losses were recognised on the reclassification of these operations as held for sale.

Plan to dispose ongoing operations

ERG Ltd has signed a Memorandum of Understanding with Vix Technology Pty Ltd in relation to the proposed sale of its ongoing global business operations including relevant operating subsidiaries to Vix ERG Pty Ltd for $115.4 million. Vix ERG Pty Ltd will be controlled by Vix Technology Pty Ltd with ERG Ltd retaining a 50% residual interest. The operations subject to the sale exclude the non strategic assets referred to above. The proposal is consistent with the Group's requirement to recapitalise its ongoing global operations and on initial reclassification of these operations as held for sale there has been no recognition of any impairment losses. The operations impacted by the sale have been classified and accounted for at 30 June 2008 as a disposal group held for sale.

ERG Ltd plans to hold an Extraordinary General Meeting of shareholders in November 2008 to vote on the sale transaction and will distribute to shareholders the Notice of Meeting together with an independent experts report in October 2008. The sale transaction is dependent upon the satisfaction of conditions precedent including: shareholder approval and various procedural steps to facilitate the transfer of the assets. If the shareholders vote to approve these disposal transactions, ERG Group will be comprised of ERG Ltd as parent entity along with several dormant non operating subsidiaries.

Notes to the Financial Statements

For the Year Ended 30 June 2008

22. DISCONTINUED OPERATIONS (continued)

The combined results of the discontinued operations which have been included in the income statement are as follows. The comparative loss and cash flows from discontinued operations have been presented to include those operations classified as discontinued in the current period:

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Loss for the year from discontinued operations:				
Revenue	**204,470**	212,200	**22,177**	16,136
Other income	**95**	160	**-**	-
Total	**204,565**	212,360	**22,177**	16,136
Changes in inventories of finished goods and work in progress	**(2,661)**	1,934	**(4,403)**	(1,292)
Raw materials and consumables used	**(65,627)**	(72,451)	**(8,937)**	(7,621)
Employee costs	**(83,896)**	(81,953)	**(2,655)**	(1,145)
Operating lease expense	**(6,099)**	(17,775)	**(172)**	(188)
Other labour and consulting costs	**(22,510)**	(20,695)	**(1,902)**	(894)
Finance costs	**(1,710)**	(481)	**-**	-
Depreciation and amortisation	**(3,281)**	(7,023)	**(36)**	(16)
Loss on termination of contract	**(2,646)**	-	**-**	-
Communication expenses	**(2,841)**	(2,568)	**(84)**	(88)
Other expenses	**(18,831)**	(12,601)	**(4,067)**	(2,303)
(Loss) / profit before income tax and minority interests	**(5,537)**	(1,252)	**(77)**	2,592
Income tax (expense) / benefit	**(2,966)**	1,401	**–**	-
(Loss) / profit for the year	**(8,503)**	149	**(77)**	2,592
Profit attributable to minority interest	**(4,290)**	(5,679)	**-**	-
(Loss) / profit for the year from discontinued operations	**(12,793)**	(5,530)	**(77)**	2,592
Cash flows from discontinued operations:				
Net cash flows (used in) / from operating activities	**(7,461)**	16,665	**1,926**	2,506
Net cash flows from / (used in) investing activities	**7,430**	(3,008)	**(904)**	(820)
Net cash flows used in financing activities	**(3,878)**	(5,495)	**(530)**	(1,680)
Net cash (outflow) / inflow	**(3,909)**	8,162	**492**	6
The major classes of assets and liabilities comprising the operations classified as held for sale at balance date are as follows:				
Cash and cash equivalents	**11,432**	-	**549**	-
Trade and other receivables	**147,874**	-	**56,116**	-
Inventories	**17,144**	-	**2,741**	-
Other Assets	**4,455**	-	**59**	-
Other financial assets	**-**	-	**1,534**	-
Plant & equipment	**6,093**	-	**210**	-
Defered tax asset	**1,877**	-	**–**	-
Total assets of a disposal group classified as held for sale	**188,876**	-	**61,208**	-
Trade and other payables	**45,425**	-	**24,408**	-
Current tax payable	**410**	-	**201**	-
Provisions	**16,690**	-	**1,984**	-
Other liabilities	**3,686**	-	**217**	-
Total liabilities of a disposal group classified as held for sale	**66,211**	-	**26,810**	-
Net assets of a disposal group classified as held for sale	**122,665**	-	**34,398**	-

23. LEASING COMMITMENTS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Total operating lease expenditure contracted for at				
balance date but not recognised as liabilities, payable				
Within one year	**12,637**	9,589	**-**	-
Later than one year but not later than five years	**21,376**	18,058	**-**	-
Later than five years	**5,581**	8,428	**-**	-
	39,595	36,075	**-**	-

Operating leases relate to office and warehouse facilities with lease terms of between two and nine years, with options to extend for a further one to five years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

The ability of a controlled entity (OneLink Transit Systems Pty Ltd) to meet lease commitments to another controlled entity (AFC Equipment Co Pty Ltd) of $16,043,506 (2007: $12,875,040), including interest due over the lease period and shown in the above lease commitments, is supported by revenue due over a commensurate period arising from a service contract with an unrelated party, guaranteed by the State Government of Victoria.

24. CASH FLOW INFORMATION

Reconciliation of cash flow from operating activities for the year:

	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Loss after related income tax expense pre minority interests	**(99,044)**	(9,159)	**(104,173)**	20,967
Non cash flows in profit from ordinary activities				
Depreciation and amortisation	**3,458**	7,235	**36**	16
Net (writeback) / allowance for doubtful debts	**(1,734)**	(1,147)	**-**	747
Reversal of allowance for inventory obsolescence	**-**	(385)	**-**	-
Equity settled share based payments	**404**	-	**404**	-
Net (gain) / loss on disposal of plant and equipment	**1,373**	(160)	**-**	-
Net (gain)/ loss on disposal of investments	**(95)**	-	**-**	-
Net (gain) / loss on foreign exchange transactions	**(11,191)**	650	**428**	772
Loss on termination of contract	**85,314**	-	**13,122**	-
Impairment / (reversal of impairment) of non-current assets	**-**	-	**81,803**	(22,604)
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	**(11,963)**	(48,110)	**(37,778)**	(46,239)
(Increase)/decrease in deferred tax receivables	**2,006**	(2,614)	**-**	-
(Increase)/decrease in other assets	**2,090**	24,933	**1,089**	(1,884)
(Increase)/decrease in inventories	**(2,883)**	(2,306)	**4,403**	1,291
(Increase)/decrease in investments	**-**	-	**-**	2,750
Increase/(decrease) in trade and other payables	**1,207**	19,815	**(8,589)**	8,383
Increase/(decrease) in income taxes payable	**(503)**	770	**(44)**	(19)
Increase/(decrease) in other liabilities	**(3,781)**	4,277	**1,742**	(715)
Net cash used in operating activities	**(35,342)**	(6,201)	**(47,557)**	(36,535)

Non-cash Financing and Investing Activities
During the financial year and in accordance with a shareholder resolution passed at the 2007 ERG Ltd Annual General Meeting, 404 eligible employees were issued with $1,000 worth or 11,291 ordinary shares each.

During the comparative financial year there were no non-cash financing and investing activities.

24. CASH FLOW INFORMATION (continued)

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Loan facilities				
Loan facilities	116,751	79,867	116,751	79,867
Amount utilised	(115,415)	(79,415)	(115,415)	(79,415)
Loan facilities not utilised at balance date	1,336	452	1,336	452

Acquisition of controlled entities

Acquisition of controlled entities	Date of Acquisition	Proportion of Shares Acquired	Cost of Acquisition
30 June 2008			
There were no acquisitions of businesses during the year.			
30 June 2007			
AFC Equipment Co Pty Ltd	1 March 2007	-	Nil
BAWA No. 2 Pty Ltd	15 May 2007	19.18%	Nil
RGE Pty Ltd	15 May 2007	20.39%	Nil

30 June 2007
AFC Equipment Co Pty Ltd

Effective from 1 March 2007 ERG Ltd assumed management control of an associated entity AFC Equipment Co Pty Ltd, pursuant to an amendment to the mangement and shareholders agreement relating to OneLink Holdings Pty Ltd, Onelink Transit Systems Pty Ltd and AFC Equipment Co Pty Ltd.

ERG Ltd paid nil consideration for the right to management control and retained its existing level of ownership interest in AFC Equipment Co Pty Ltd at 33.33%.

With the assumption of management control of AFC Equipment Co Pty Ltd, the criteria for control set out in *AASB 3 – Business Combinations* has been satisfied and it is now treated as a controlled entity, not an associtated entity, in the financial statements of the consolidated entity.

BAWA No. 2 Pty Ltd and RGE Pty Ltd

During the comparative financial year ERG IP Pty Ltd acquired the remaining 19.18% and 20.39% respectively of the controlled entities BAWA No. 2 Pty Ltd and RGE Pty Ltd for nil consideration.

Effect of acquitisions
The acquisitions had the following effect on the consolidated entity's assets and liabilities.

30 June 2007

AFC Equipment Co Pty Ltd (as at 1 March 2007)	Book Value	Fair Value Adjustments	Fair Value on Acquisition
	$'000	**$'000**	**$'000**
Trade and other receivables	135	-	135
Deferred tax assets	1,269	-	1,269
Trade and other payables	(390)	-	(390)
Other payables	(6,084)	-	(6,084)
Net identifiable assets and liabilities	(5,070)	-	(5,070)
Consideration Paid	-	-	-

25. INVESTMENTS IN ASSOCIATED COMPANIES

Interests in Associates

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting and are carried at recoverable amount by the parent entity. Information relating to the associated companies is set out below:

Name	Principal Activities	Country Of Incorporation	Ownership Interest		Carrying Amount of Investment	
			2008 %	2007 %	**2008 $'000**	2007 $'000
Prepayment Cards Ltd	Supplying and servicing of prepaid fare collection systems (refer to note 31)	Australia	47.10	47.10	-	-

	CONSOLIDATED	
	2008 $'000	2007 $'000
Summarised aggregate income statement and balance sheet of the associates		
Current assets	**89**	101
Non current assets	**-**	-
Total assets	**89**	101
Current liabilities	**25,644**	31,647
Non current liabilities	**4,134**	4,674
Total liabilities	**29,778**	36,321
Net assets	**(29,689)**	(36,220)
Revenue	**2,523**	16,742
Total profit before income tax expense for the financial year	**2,523**	1,848
Income tax expense	**-**	-
Total profit after income tax expense for the financial year	**2,523**	1,848
Aggregate share of associates unrecognised losses		
Opening unrecognised share of losses	**(838)**	(1,553)
Unrecognised gains/ (losses) for the financial year	**838**	715
Closing unrecognised share of losses	**-**	(838)

26. AUDITORS REMUNERATION

	CONSOLIDATED		COMPANY	
	2008 $	2007 $	**2008 $**	2007 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu (Australia):				
Auditing and reviewing the financial report	**588,000**	520,250	**36,500**	24,000
	588,000	520,250	**36,500**	24,000
Amounts received or due and receivable by Deloitte Touche Tohmatsu (Overseas):				
Auditing and reviewing the financial report	**320,000**	298,500	**26,000**	25,000
Taxation compliance services	**39,769**	22,126	**-**	-
	359,769	320,626	**26,000**	25,000

27. FINANCIAL INSTRUMENTS

(A) Capital Risk Management

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 14 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of equity and note 18.

The Group operates globally, primarily through subsidiary companies established in the markets in which it trades and none of the Group's entities are subject to externally imposed capital requirements. Operating cashflows, along with debt facilities not yet drawn down, are used to meet the Group's routine ouflows of tax and payables. The Group's primary source of funds is provided by its major shareholder the Ingot Entities to meet its current and anticipated funding requirements.

The Group also protects its equity in assets by taking out insurance. There were no changes to the Group's and the Company's approach to capital management during the financial year.

Gearing Ratio
During the financial year ERG's wholly owned subsidiary Integrated Transit Solutions Ltd ('ITSL') received a notice from the Public Transport Ticketing Corporation of New South Wales ('PTTC') advising that the Sydney Integrated Ticketing System ('SITS') Project agreement had been terminated. The adverse financial impact of the termination has been a material driver of the net asset deficiency position of $11.711 million reported in the Group's Balance Sheet on page 17 of the financial report.

The Group has announced details of a restructure (refer to note 1(c) on page 22 of this financial report) which will recapitalise the Balance Sheet.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
The gearing ratio at year end was as follows:				
Debt (i)	**115,415**	91,610	**115,415**	79,415
Cash and cash equivalents	**(11,432)**	(15,342)	**(549)**	(775)
Net debt	**103,982**	76,268	**114,866**	78,640
Equity (i)	**(11,711)**	97,841	**(7,866)**	95,630
Net debt to equity ratio (ii)	**113%**	44%	**107%**	45%

(i) Debt is defined as short and long term borrowings per note 14 and equity includes all capital and reserves per the Statement of Changes in Equity.

(ii) Net Debt to Equity ratio is calculated as Net Debt / (Net Debt + Equity)

(B) Financial Risk Management

The Group's principal financial instruments comprise cash, receivables, payables, financial assets and liabilities. Financial assets include bonds, guarantees and security deposits. Financial Liabilities include borrowings and other interest bearing liabiltiies. Risk's relevant to the Group include capital risk, interest rate risk, exchange rate risk, credit risk and liquidity risk. The Group's Corporate Treasury function provides financial services to the business and both monitors and manages the financial risks relating to the operations of the Group.

The Group does not actively use derivative financial instruments to hedge against these risk and does not enter into the trading of derivative financial instruments for speculative purposes.

(i) Credit Risk Management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit exposure is controlled by counterparty limits that are reviewed annually. Trade receivables consist of a sizeable number of customers, spread across multiple geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of trade and other receivables and financial assets recorded in the financial statements, net of any allowance for losses, represents the consolidated entity's and company's exposure to credit risk.

27. FINANCIAL INSTRUMENTS (continued)

(B) Financial Risk Management (continued)

(ii) Liquidity Risk Management

Liquidity risk refers to the risk that the Group and the company will not be able to meet its financial obligations as they fall due. The Group and the company manages liquidity risk by maintaining adequate cash reserves, utilisation of existing borrowing facilities and continuous monitoring of actual and forecast.

Cashflow forecasts, detailing forcast expectation for a rolling 12 week period, are received weekly from the Group operating businesses. These forecasts are consolidated and reviewed by corporate treasury with a summary report submitted to Executive Directors and senior management.

At balance date the Group has undrawn credit facilities totalling $1.336 million as at 30 June 2008 (30 June 2007: $0.452 million) (refer to note 24 on page 44 of this financial report) .

The following tables detail the Group's and Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000	$'000
Consolidated						
2008						
Non interest bearing		32,543	-	-	-	-
Interest bearing liabilities						
Fixed rate debt (i)	10.00	-	-	115,415	-	-
Other financial liabilities						
Fixed rate	8.85	-	-	-	134	-
Floating rate	14.69	-	-	13,520	-	-
		32,543	**-**	**128,935**	**134**	**-**
2007						
Non interest bearing		43,393	-	3,713	-	-
Interest bearing liabilities						
Fixed rate debt	10.00	-	-	44,011	60,599	-
Floating rate (ii)	2.39	-	-	319	1,276	12,195
Other financial liabilities						
Fixed rate	9.46	-	-	-	199	-
Floating rate	13.99	-	-	10,971	-	-
		43,393	**-**	**59,014**	**62,074**	**12,195**
Company						
2008						
Non interest bearing		4,844	-	19,564	-	-
Interest bearing liabilities						
Fixed rate debt (i)	10.00	-	-	115,415	-	-
		4,844	**-**	**134,979**	**-**	**-**
2007						
Non interest bearing		7,133	-	3,713	-	-
Interest bearing liabilities						
Fixed rate debt	10.00	-	-	44,011	60,599	-
Floating rate	13.99	-	-	40	-	-
		7,133	**-**	**47,764**	**60,599**	**-**

(i) The fixed rate interest bearing liabilities of $115.415 million relate completely to borrowings owed to Ingot entities. As at balance date the Ingot entities have executed a temporary suspension of interest accruing on these liabilities until the date of the ERG general meeting in November 2008.

(ii) During the financial year the Group settled its outstanding debt (including interest owing) of $12.832 million with ATOS Worldwide S.A relating to ERG's acquisition of Proton World International in 2001. Under the settlement ERG paid $1.644million being principal of $1.261 million and interest $0.383 million in full and final settlement for the debt. The settlement resulted in a gain of $11.191 million being booked to Profit & Loss.settled its floating rate interest bearing liabilities.

27. FINANCIAL INSTRUMENTS (continued)

(B) Financial Risk Management (continued)

(iii) Interest Rate Risk Management

The Group is exposed to interest rate risk on its borrowings and other financial instruments. The Group has borrowings that attract both fixed and floating interest rates. As a result of sustained trading losses and a Balance Sheet with a net asset deficiency, the Group is not able to readily access capital markets in order to manage interest rate risk effectively. For details of security for borrowings please refer to note 14 on page 38 of this Financial Report.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Summary of interest rate positions at balance date The Group has interest rate risk on borrowings and the exposures at reporting date together with the interest rate risk management transactions are as follows:				
(a) Interest payable				
Principal amounts of all interest bearing liabilities:				
Borrowings	**115,415**	91,610	**115,415**	79,455
Other payables	**13,344**	10,191	**-**	-
	128,759	101,801	**115,415**	79,455
Attributable to:				
Continuing operations	**115,415**	91,610	**115,415**	79,455
Discontinued operations	**13,344**	10,191	**-**	-
	128,759	101,801	**115,415**	79,455
Principal amounts of fixed interest rate liabilities:				
Borrowings	**115,415**	79,415	**115,415**	79,415
Other payables	**134**	199	**-**	40
	115,549	79,614	**115,415**	79,455
Attributable to:				
Continuing operations	**115,415**	79,415	**115,415**	79,415
Discontinued operations	**134**	199	**-**	40
	115,549	79,614	**115,415**	79,455

Interest rate sensitivity analysis – interest payable

At balance date the Group has 89.74% of its interest bearing liabilities exposed to fixed rates. The remaining 10.26% or interest bearing liability of $13.210 million is exposed to floating rates, at an average rate of 8.85% (2007: 78.21% or $83.646 million exposed to fixed rates; 21.79% or $22.187 million exposed to an average rate of 9.97%).

An **increment** of 0.5% in the market rate would result in an increase in yearly interest expense of $0.066 million (2007: $0.011 million). A **decrement** of 0.5% in the market rate would result in a decrease in yearly interest expense of $0.066 million (2007: $0.0 11 million). The increment or decrement in interest expense is proportional to the increase or decrease in interest rates.

As at balance date the Ingot entities have executed a temporary suspension of interest accruing on these liabilities until the date of the general meeting in November 2008.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(b) Interest receivable				
Principal amounts of all interest bearing assets:				
Non-current bonds receivable	**11,446**	18,388	**-**	10,000
Attributable to:				
Continuing operations	**–**	4,882	**-**	10,000
Discontinued operations	**11,446**	13,506	**-**	-
	11,446	18,388	**-**	10,000

27. FINANCIAL INSTRUMENTS (continued)

(B) Financial Risk Management (continued)

(iii) Interest Rate Risk Management (continued)

Interest rate sensitivity analysis – interest receivable
At balance date the Group has nil fixed of its interest bearing assets exposed to fixed rates with the remaining $11.446 million being 100% exposed to floating rates, at an average of 1.62% (2007: nil interest bearing assets exposed to fixed interest rates; 100% or $18.388 million exposed to floating interest rates at an average of 4.77%).

An **increment** of 0.5% in the market rate would result in an increase in yearly interest revenue of $0.057 million (2007: $0.092 million). A **decrement** of 0.5% in the market rate would result in a decrease in yearly interest revenue of $0.057 million (2007: $0.092 million). The increment or decrement in interest revenue is proportional to the increase or decrease in interest rates.

(iv) Exchange Rate Risk Management

The Group is exposed to foreign exchange rate risk via translation risk and transactional risk.

Translation risk relates to the translation of the Group foreign subsidiaries Balance Sheet with movements recognised on consolidated in the Group's foreign currency translation reserve. Transactional risk relates indiviudual transactions undertaken by entitties within the Group in a currency other than the entity's underlying currency. Movements in foreign currency exchange rates that occur between the underlying currency and the nominated transaction currency are recognised in the Income Statement as realised foreign exchange gains or losses.

The Group does not enter into derivative financial instruments to manage its exposure to foreign exchange risk and does not enter into or trade in financial instruments for speculative purposes.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Summary of foreign exchange balance sheet positions The table below sumarises the Groups foreign exchange exposure at reporting date.				
USD				
Net liabilities	**(20,732)**	(15,311)	**-**	-
EUR				
Net liabilities	**(21,815)**	(30,682)	**(61,084)**	(59,547)
Borrowings	**(1,630)**	-	**(1,630)**	-
Total EUR	**(23,445)**	(30,682)	**(62,714)**	(59,547)
SEK				
Net assets	**21,376**	5,214	**-**	-
Other Currencies Combined (i)				
Net liabilities	**(6,258)**	(19,121)	**-**	(518)
Total foreign exchange exposures – AUD	**(23,445)**	(59,900)	**(62,714)**	(60,065)
Attributable to:				
Continuing operations – AUD	**35,040**	7,653	**(1,649)**	(518)
Discontinued operations – AUD	**(64,099)**	(67,554)	**(61,065)**	(59,547)
	(29,059)	(59,900)	**(62,715)**	(60,065)

(i) Other currencies combined includes balances held in Singapore Dollars, Hong Kong Dollars, Great British Pounds, New Zealand Dollars, Chinese Renminbi and Norwegian Kroner.

27. FINANCIAL INSTRUMENTS (continued)

(B) Financial Risk Management (continued)

(iv) Exchange Rate Risk Management (continued)

Exchange rate sensitivity analysis
An increment of 10% in the market rate for **USD** (0.961 to 1.0571) would result in an increase to the foreign currency translation reserve of $2.547 million (2007: 0.8557 to 0.9413 increase $1.793 million) and an expense to the income statement of $0.663 million (2007: expense $0.375 million). An decrement of 10% in the market rate for **USD** (0.961 to 0.8649) would result in an decrease to the foreign currency translation reserve of $3.113 million (2007 – 0.8557 to 0.7701 decrease $2.191 million) and a gain to the income statement of $0.810 million (2007: gain $0.522 million).

An increment of 10% in the market rate for **Euro** (0.6133 to 0.6746) would result in an increase to the foreign currency translation reserve of $1.842 million (2007 – 0.6358 to 0.6858 increase $2.255 million) and a expense to the income statement of $0.141 million (2007: expense $0.534 million). An decrement of 10% in the market rate for **Euro** (0.6133 to 0.5519) would result in a decrease to the foreign currency translation reserve of $2.251 million (2007 – 0.6358 to 0.5722 decrease $2.756 million) and a gain to the income statement of $0.173 million (2007: gain $0.653 million)

An increment of 10% in the market rate for **SEK** (5.8142 to 6.396) would result in a decrease to the foreign currency translation reserve of $0.321 million (2007 – 5.8995 to 6.4895 decrease $0.091 million) and a gain to the income statement of $2.270 million (2007: gain $0.383 million). An decrement of 10% in the market rate for **SEK** (5.8142 to 5.2327) would result in an increase to the foreign currency translation reserve of $0.393 million (2007 – 5.8995 to 5.3096 increase $0.112 million) and an expense to the income statement of $2.762 million (2007 expense $0.468 million).

(C) Categories of Financial Instruments

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Consolidated Assets				
Cash and cash equivalents	**11,432**	15,342	**549**	775
Trade receivables (i)	**57,912**	34,861	**57,912**	1,381
Other receivables (ii)				
Interest bearing	**11,446**	18,388	**-**	10,000
Non-interest bearing	**11,975**	29,800	**20,974**	9,805
Consolidated liabilities				
Payables	**(32,543)**	(47,425)	**(24,408)**	(10,886)
Interest bearing liabilities				
Fixed rate debt	**(115,549)**	(79,416)	**(115,415)**	(79,416)
Floating rate debt	**-**	(12,195)	**-**	-
Other financial liabilities	**(13,210)**	(10,191)	**-**	-
	(68,537)	(50,836)	**(60,388)**	(68,341)
Attributable to:				
Continuing operations	**(115,415)**	(79,416)	**(115,415)**	(79,416)
Discontinued operations	**46,878**	28,580	**55,027**	11,075
	(68,537)	(50,836)	**(60,388)**	(68,341)

(i) Trade receivables includes trade debtors outstanding as at balance date, net of provision for impairment of receivables.

(ii) Other receivables includes sundry receivables (net of allowance for doubtful debts), bonds, guarantees and security deposits as at balance date.

Fair Value of Financial Instruments
The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cashflow analysis.

(D) Significant Accounting Policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

28. INVESTMENTS IN CONTROLLED ENTITIES

Name	Country Of Incorporation	Ownership Interest 2008 %	2007 %
Parent Entity:			
ERG Limited	Australia		
Controlled entities:			
ERG Management Services Ltd	Australia	**100**	100
ERG Share Plan Pty Ltd	Australia	**100**	100
ERG Property Pty Ltd	Australia	**100**	100
The Energy Research Group Unit Trust	Australia	**100**	100
ERG Telecommunications Pty Ltd	Australia	**100**	100
Triumphant Launch Sdn Bhd	Malaysia	**100**	100
AFC Equipment Co Pty Ltd *	Australia	**33.33**	33.33
OneLink Holdings Pty Ltd *	Australia	**33.33**	33.33
which has the controlled entity:			
OneLink Transit Systems Pty Ltd	Australia	**100**	100
ERG Holdings Ltd	Australia	**100**	100
which has the controlled entities:			
ERG Transit Systems (HK) Limited	Hong Kong	**100**	100
ERG IP Pty Ltd	Australia	**100**	100
which has the controlled entities:			
BAWA No 2 Pty Ltd	Australia	**100**	100
RGE Pty Ltd	Australia	**100**	100
ERG Transit Systems (China) Limited	China	**100**	100
ERG R&D Pty Ltd	Australia	**100**	100
ERG Transit Systems (Sing) Pte Ltd	Singapore	**100**	100
ERG Transit Systems (USA) Inc	USA	**100**	100
ERG Transit Systems (Ger) GmbH	Germany	**100**	100
Integrated Transit Solutions Ltd **	Australia	**50**	50
ERG Transit Systems (Eur) NV	Belgium	**100**	100
which has the controlled entity:			
ERG Transit Systems (Fra) SA	France	**100**	100
ERG Card Systems Ltd	Australia	**100**	100
which has the controlled entity:			
ERG Card Systems (Aust) Ltd	Australia	**100**	100
card.etc AG ***	Germany	**66.80**	66.80
ERG Transit Systems Ltd	Australia	**100**	100
which has the controlled entities:			
ERG Transit Systems (Scandinavia) AB	Sweden	**100**	100
ERG Transit Systems (UK) Ltd	United Kingdom	**100**	100

During the comparative financial year Integrated Transit Solutions (Italy) Srl and Integrated Transit Solutions (Sing) Pte Ltd were both dissolved.

* The company is a controlled entity due to the following reasons:

ERG Limited controls the Board of OneLink Holdings Pty Ltd (OLH) & AFC Equipment Co Pty Ltd (AFC) by virtue of a casting vote held by the Chairman who is appointed by ERG under the Shareholder Agreement; ERG is to meet the financing and performance obligations of OLH; and the shareholders of OLH & AFC have agreed, under the terms of the Shareholder Agreement, that OLH & AFC will be a controlled entity of ERG for the purposes of the Corporations Act 2001 and Australian Accounting Standards.

**The company is a controlled entity due to the following reasons:

ERG controls the Board of Integrated Transit Solutions Ltd (ITS) which is fully comprised of ERG representatives. This is a permanent arrangement documented in an agreement between shareholders of ITS (Agreement); ERG is to meet the financing and performance obligations of ITS; and the shareholders of ITS have agreed, under the terms of the Agreement, that ITS will be a controlled entity of ERG for the purposes of Corporations Act 2001 and Australian Accounting Standards.

***The company is a controlled entity due to the following reasons:

ERG Card Systems Limited (a wholly owned subsidiary of ERG Limited) controls the Supervisory Board of card.etc AG (card.etc) which is comprised of two ERG representatives and one other representative; and one of the shareholders of card.etc AG, who holds its shares beneficially for ERG Ltd resulting in ERG controlling the majority of voting shares. ERG have a total shareholding representing a majority of the issued capital for the purposes of the Corporations Act 2001 and Australian Accounting Standards.

28. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgment of financial reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001.

The subsidiaries subject to the Deed are ERG Card Systems (Aust) Ltd, ERG Card Systems Ltd, ERG Holdings Ltd, ERG Management Services Ltd, ERG Property Pty Ltd in its own right and as trustee for The Energy Research Group Unit Trust, ERG R&D Pty Ltd, ERG Telecommunications Pty Ltd and ERG Transit Systems Ltd.

Set out below is a consolidated income statement and balance sheet at 30 June 2008 of the Closed Group and represents the entities subject to the Deed of Cross-Guarantee.

	CLOSED GROUP	
	2008 $'000	2007 $'000
Deed of Cross Guarantee – Income Statement		
Income Statement		
(Loss) before income tax	**(30,658)**	(26,408)
Income tax	**(63)**	-
Net (loss) for year	**(30,721)**	(26,408)
Deed of Cross Guarantee – Accumulated Losses		
Accumulated Losses		
Accumulated losses at the beginning of the year	**(527,999)**	(501,591)
Loss after income tax	**(30,721)**	(26,408)
Accumulated losses at the end of the year	**(558,720)**	(527,999)
Deed of Cross Guarantee – Balance Sheet		
Current assets		
Cash and cash equivalents	**-**	1,831
Trade and other receivables	**-**	27,005
Inventories	**-**	8,639
Other assets	**-**	6,890
	-	44,365
Assets of a disposal group held for sale	**245,356**	-
Total current assets	**245,356**	44,365
Non-current assets		
Trade and other receivables	**68,560**	190,685
Other financial assets	**-**	78,546
Plant and equipment	**-**	4,020
Intangible assets	**-**	-
Total non-current assets	**68,560**	273,251
Total assets	**313,916**	317,616

28. INVESTMENTS IN CONTROLLED ENTITIES (continued)

	CLOSED GROUP	
	2008 $'000	2007 $'000
Current liabilities		
Trade and other payables	**-**	30,481
Short-term borrowings	**115,415**	56,125
Current tax payable	**-**	246
Provisions	**-**	4,701
Other liabilities	**9,500**	1,745
	124,915	93,298
Liabilities of a disposal group held for sale	**36,311**	-
Total current liabilities	**161,226**	93,298
Non current liabilities		
Long-term borrowings	**-**	35,485
Other liabilities	**-**	261
Total non current liabilities	**-**	35,746
Total liabilities	**161,226**	129,044
Net assets	**152,690**	188,572
Equity		
Issued capital	**711,852**	711,450
Reserves	**(442)**	5,121
Accumulated losses	**(558,720)**	(527,999)
Total equity	**152,690**	188,573

29. KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel

Key Management Personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the activities of the ERG Group. All executive and non-Executive Directors of ERG Limited are Key Management Personnel of ERG Limited and the consolidated entity The following directors and senior executives are considered key mangement personnel for the entire period unless otherwise indicated.

(a) Directors

Names	Position
C J Henson	Non-Executive Director and Chairman
D P Saville	Non-Executive Director
M O Clarey	Non-Executive Director
J F Carroll	Executive Director – Finance
S B Gallagher	Executive Director – Operations

(b) Senior Executives
On 29 June 2007 ERG Ltd announced the retirement of its Managing Director and Chief Executive Officer Dr A C Sullivan and the appointment of two Executive Director position, J F Carroll as Executive Director – Finance and S B Gallagher as Executive Director – Operations.

The Executive Directors are jointly responsible for the day-to-day operations and strategic direction of ERG Group, with all other senior executives within operating divisions reporting to the Executive Directors. As such the Executive and Non-Executive Directors are the only persons who qualify, from that date, as a KMP under the defintion prescribed by *AASB 124 – Related Party Disclosures*.

Notes to the Financial Statements

For the Year Ended 30 June 2008

29. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

Payments to Directors and Key Management Personnel

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	CONSOLIDATED		COMPANY	
	2008 $	2007 $	**2008 $**	2007 $
Short-term employee benefits	**1,116,577**	2,524,905	**159,646**	128,695
Post-employment benefits	**170,623**	410,382	**112,854**	143,805
Termination benefits	**-**	1,008,150	**-**	-
	1,287,200	3,943,437	**272,500**	272,500

The compensation of each member of the key management personnel of the Group for the current financial year is set out below:

	SHORT TERM		POST EMPLOYMENT		OTHER	
	Salary & Fees $	Bonus STI $	Non Monetary (i) $	Super-annuation $	Termination Payments $	Total $
C J Henson	82,500	-	-	60,000	-	142,500
D P Saville	55,046	-	-	4,954	-	60,000
M O Clarey	22,100	-	-	47,900		70,000
Total Non Executives Directors	**159,646**	**-**	**-**	**112,854**	**-**	**272,500**
J F Carroll (ii)	360,997	233,500	874	13,129	-	608,500
S B Gallagher (iii)	330,360	-	31,200	44,640	-	406,200
Total Executive Directors	**691,357**	**233,500**	**32,074**	**57,769**	**-**	**1,014,700**
Total	**851,003**	**233,500**	**32,074**	**170,623**	**-**	**1,287,200**

(i) Non-monetary benefits include payments for the provision of living away from home and expense allowances, utilities, travel, motor vehicles, etc.

(ii) J Carroll's incentive awards are in respect of the long term performance of OneLink Holdings Pty Ltd and AFC Equipment Co Pty Ltd whilst Mr Carroll occupied the role of Chief Executive Officer to 31 December 2007 as provided for in a previous employment agreement. Actual STI awards in respect of Mr Carroll's performance as ERG Executive Director are to be measured over the two year period to 30 June 2009. No incentives were awarded in relation to the achievement of targets during the year ended 30 June 2008 however Mr Carroll retains the right to earn the maximum STI over the 2 year period through the achievement of agreed targets before 30 June 2009.

(iii) STI awards in respect of S Gallagher's performance as ERG Executive Director are to be measured over the two year period to 30 June 2009. No incentives were awarded in relation to the achievement of targets during the year ended 30 June 2008 however Mr Gallagher retains the right to earn the maximum STI over the 2 year period through the achievement of agreed targets before 30 June 2009.

29. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

The compensation of each member of the key management personnel of the Group for the comparative financial year is set out below:

	SHORT TERM			POST EMPLOYMENT	OTHER	
	Salary & Fees $	Bonus STI $	Non Monetary (i) $	Super-annuation $	Termination Payments $	Total $
C J Henson	41,539	-	-	100,961	-	142,500
D P Saville	55,046	-	-	4,954	-	60,000
M O Clarey	32,110	-	-	37,890	-	70,000
Total Non Executives Directors	**128,695**	**-**	**-**	**143,805**	**-**	**272,500**
Dr A C Sullivan (iii)	549,041		102,534	100,000	1,008,150	1,759,725
J F Carroll (ii)	318,064	303,587	19,250	37,686	-	678,587
S B Gallagher	278,800	80,625	31,200	40,000	-	430,625
Total Executive Directors	**1,145,905**	**384,212**	**152,984**	**177,686**	**1,008,150**	**2,868,937**
B Were (iv)	267,624	137,871	-	46,505	-	452,000
M Donnelly (iv)	307,614	-	-	42,386	-	350,000
Total Executives	**575,238**	**137,871**	**-**	**88,891**	**-**	**802,000**
Total	**1,849,838**	**522,083**	**152,984**	**410,382**	**1,008,150**	**3,943,437**

(i) Non-monetary benefits include payments for the provision of living away from home and expense allowances, utilities, travel, motor vehicles, etc.

(ii) Incentive payments were in respect of performance of Onelink Holding Pty Ltd under pre-existing agreement.

(iii) In accordance with his Service Agreement, the Company made a separation payment (retired 29 June 2007) to Dr Sullivan plus accrued but untaken leave.

(iv) B Were and M Donnelly were KMP is comparative financial year .

Shareholdings

Movement in the number of shares held by executive and Non Executive Directors during the financial year

	Opening Balance	Received as Remuneration	Options Exercised	Purchase / (Disposal) of Shares	Closing Balance Current Directors
C J Henson	200,000	-	-	-	200,000
D P Saville	257,056,459	-	-	-	257,056,459
M O Clarey	105,000	-	-	-	105,000
J F Carroll	-	-	-	382,950	382,950
	257,361,459	**-**	**-**	**382,950**	**257,744,409**

Movement in the number of shares held by executive and Non Executive Directors during the comparative financial year

	Opening Balance	Received as Remuneration	Options Exercised	Closing Balance (Resigned) Directors	Purchase / (Disposal) of Shares	Closing Balance Current Directors
C J Henson	200,000	-	-	-	-	200,000
Dr A C Sullivan (resigned 29th June 2007)	278,366	-	-	(278,366)	-	-
D P Saville	297,298,635	-	-	-	(40,242,176)	257,056,459
M O Clarey	105,000	-	-	-	-	105,000
	297,882,001	**-**	**-**	**(278,366)**	**(40,242,176)**	**257,361,459**

29. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

Options and Rights Holdings

Number (No.) of Options in which Key Management Personnel have a relevant interest

	Balance 1 July 2007	Net Change Other *	Balance 30 June 2008	Total Exercisable
D P Saville	255,018,979	126,987,016	382,005,995	-
	255,018,979	**126,987,016**	**382,005,995**	**-**

* The net change other column above includes those options that have been forfeited by holders as well as options issued during the year under review.

Other Transactions with Directors

During the year borrowing facilities were provided to ERG by director related entities, the Ingot Entities ('Ingot'), for the purpose of providing additional working capital. A summary of borrowing activities are as follows:

At the ERG Group Annual General Meeting ('AGM') in November 2007, ERG shareholders approved the consolidation and amendment of certain terms of the Ingot 1 facility (previously established January 2003) and the Ingot 2 facility (previously established in February 2007). The outstanding balance of the combined facility at year-end was $50,149,747 (2007: $46,003,947). The repayment date of the combined facility is 30 September 2010.

The interest applicable to these loans is 10% per annum payable every six months in arrears. At year-end, interest accrued on the outstanding balance was nil (2007: $2,405,818). During the year, interest paid on the loan totalled $1,629,906 (2007: $3,818,562). Other borrowing costs paid in relation to the combined facility were $110,076 (2007: $800,000) and other borrowing costs accrued at year-end totalled nil (2007: nil).

The Ingot 3 facility (previously entered into in June 2006) was restructured in September 2007 to: a) accept a transfer of $8,487,675 from Ingot Standby facility and b) provide an additional facility for $4,000,000 for the purpose of providing additional working capital. The outstanding balance of the facility at year-end was $27,298,956 (2007: $13,548,060). The original repayment dates for the facility was 31 March 2008 for the additional $4,000,000 (including any capitaliased interest or borrowing costs) and 30 September 2008 for original principal. However, to align with proposed general meeting ('GM') (see note 1(c) Going Concern) ERG has negotiated an extension of repayment until the date of the proposed general meeting of shareholders in November 2008.

The interest applicable to these loans is 10% per annum payable every three months in arrears. At year-end, interest accrued on the outstanding balance totaled nil (2007: $678,483). During the year, interest paid totalled $583,813 (2007: $328,491). Other borrowing costs paid to Ingot in relation to the facility was $1,546,661 (2007: $1,537,839) and other borrowing costs accrued at year-end totalled nil (2007: $100,000).

The Ingot Standby facility (previously entered into in February 2007) was restructured in September 2007 to allow for a) transfer $8,487,675 to Ingot 3 facility and b) provide an additional $4,000,000 for provision of additional working capital. A further amendment was executed in October 2007 to provide a facility for $3,000,000 for the provision of additional working capital. The outstanding balance at year-end was $23,383,271 (2007: $19,863,096). The original repayment dates for the facility was 31 March 2008 for the additional $7,000,000 (including any capitalised interest or borrowing costs) and 30 September 2008 for the original principal. However, repayment has been extended to the date of the proposed general meeting of shareholders in November 2008.

The interest applicable to these loans is 10% per annum payable every three months in arrears. At year-end, interest accrued on the outstanding balance totaled nil (2007: $628,419). During the year, interest paid totalled $1,096,297 (2007: $69,863). Other borrowing costs paid to Ingot in relation to Ingot Standby facility was $3,723,519 (2007: $867,100) and other borrowing costs accrued at year-end totalled nil (2007: $1,450,000).

During the year ERG entered into a new facilities with Ingot ("Ingot 5 and Ingot 6"). The balance outstanding at year-end in relation to these new facilities was a) Ingot 5 - $5,418,698 and b) Ingot 6 - $9,163,933. The original repayment date for Ingot 5 was 31 March 2008, however, this has been extended to the date of the proposed general meeting of shareholders in November 2008. The repayment date of the Ingot 6 facility is 30 April 2009.

The interest applicable to these loans is 10% per annum payable every three months in arrears. During the year, interest paid in relation to these loans totalled $54,945 (2007: nil) and other borrowing costs paid to Ingot in relation to Ingot 5 and 6 was $363,753 (2007: nil).

As at balance date the Ingot entities have executed a temporary suspension of interest and fees accruing on these liabilities until the date of the ERG general meeting in November 2008.

At 30 June 2008 the Company had $2,821,120 (2007: $2,821,120) and SEK 11,000,000 (2007: 11,000,000) on deposit with Ingot as security for bank guarantees arranged by Ingot and issued on behalf of ERG. Interest of nil (2007: $20,431) was earned on these deposits and nil fees were paid to Ingot (2007: nil).

Insurance services were supplied by an entity related to Mr D P Saville for the amount of $208,732 (2007: $208,732).

ERG Ltd has entered into a binding memorandum of understanding ('MOU') with Vix Technology Pty Ltd (an Ingot related entity) detailing the restructure of the current ERG Group's businesses, including a) the sale of its ongoing operating businesses into a joint venture with the Ingot Entities for $115.4 million and b) sale of non strategic assets to the Ingot Entities for $9.5 million. The proceeds from the sale of ongoing operating businesses will be used to repayment the existing debt with Ingot.

30. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2008:

Employee Share Incentive Scheme

The parent entity has an Employee Share Incentive Scheme (Scheme) established in 1987 and subsequently amended on 31 October 1995. The Scheme provides Executive Directors, full-time and part-time employees of ERG Limited and its controlled entities with the opportunity to subscribe for ordinary fully paid shares in ERG, and for ERG to assist in funding the subscription monies by way of an interest-free loan.

Under the Scheme, shares are issued to eligible participants at the market price at the time of invitation, less a discount of up to 10% as determined by the Directors. The market price is the lesser of the last sale price for ERG shares on the day preceding the invitation, and the average last sale price for ERG shares during the five days preceding the date of invitation.

A condition attached to each application is that the participant must complete two years of employment from the date of each allotment of shares under the invitation. If the employee ceases employment during the two year period or an employee is dismissed for wilful misconduct or gross negligence, ERG will purchase back the shares for the original subscription price for which the shares were issued and terminate the loan.

Loan repayments, other than from dividends, are not permitted before the expiration of the two-year period. Dividends paid to participants are applied 50% towards repayment of the loan and the remaining 50% is paid to participants.

The employee shares are not listed on the Australian Securities Exchange and the aggregate number of employee shares on issue may not exceed 5% of the total capital of the parent entity. The number of shares on issue at 30 June 2008 was 899,510 (2007: 899,510) or 0.1% (2007: 0.1%) of the capital of the parent entity. Voting rights are attached to the shares issued to participants.

Invitations are made from time to time to selected employees and invitations to Executive Directors require the approval of members in a General Meeting. There are currently 55 (2007: 55) employees participating in the Scheme.

During the financial year, there were no ordinary fully paid shares (2007: nil) issued to participants. During the year, there were no (2007: nil) shares bought back. At the end of the financial year, an accumulated amount of $3,784,780 (2007: $3,784,780), refer to note 7, representing 682,215 (2007: 682,815) shares, remains owing in respect of shares issued pursuant to the terms of the Scheme. The market value at the end of the financial year in respect of those shares was $13,644 (2007: $92,180).

As the subscription prices are considerably higher than the current market prices of these shares, it is unlikely that employees will take up the shares and in turn repay the loan to ERG. For this reason the receivable has been fully provided for. It is expected that shares held for security will be cancelled and there will be a reduction in share capital.

Exempt Employee Share Plan

The establishment of the ERG Limited Exempt Employee Share Plan (Plan) was approved by a special resolution of shareholders on 9 November 1998.

The Plan provides permanent full-time and permanent part-time employees of ERG and its controlled entities with the opportunity to participate in acquiring shares up to an amount of not exceeding $1,000 per employee or such other amounts permitted under the provisions of the Income Tax Assessment Act 1936 (as amended).

A condition attached to each application is that the participant must complete three years of employment from the date of acquisition of the shares before the shares can be withdrawn from the Plan or be disposed of by the participant. If the employee ceases employment during the three-year period, the employee can either withdraw from the Plan or sell his/her shares.

Participants are entitled to receive any dividends, rights (both renounceable and non-renounceable), or other distributions made in respect of shares held by the employee under the Plan.

The number of shares under all employee share schemes, including outstanding employee options, may not exceed 7.5% of the total capital of the parent entity. The number of shares on issue under the Plan at 30 June 2008 was nil (2007: nil) or 0% (2006: 0%) of the capital of the parent entity. During the current year, no shares lapsed (2006: nil). Voting rights are attached to the shares issued to participants. Invitations are made from time to time to eligible employees who have been invited by the Board of Directors to participate. There are currently no (2007: nil) employees participating in the Plan.

30. SHARE-BASED PAYMENTS (continued)

Employee Share Acquisition Plan

The establishment of the ERG Limited Employee Share Acquisition Plan (Plan) was approved by an ordinary resolution of shareholders on 26 November 2007.

The Plan provides permanent full-time and permanent part-time employees of ERG and its controlled entities with the opportunity to participate in acquiring shares up to an amount of not exceeding $1,000 per employee or such other amounts permitted under the provisions of the Income Tax Assessment Act 1936 (as amended). For employees to become eligible for the Plan they must have met the miminum service period as set by the Board of Directors.

A participant in the Plan may not sell, transfer, or otherwise deal with employee shares issued to them under the Plan during the restriction period. The restriction period is the period that commences on the date the shares are allocated to the particpant (Allocation Date) and ends either three years from that Allocation Date, or when a participant ceases employment with the ERG Group if that is earlier.

Participants are entitled to receive dividends in respect of employee shares, and are entitled to participate in any future bonus issues and other entitlements offered pro rata to other ordinary shareholders of the Company. The number of shares under all employee share schemes, including outstanding employee options, may not exceed 7.5% of the total capital of the parent entity. In accordance with the resolution passed a total of 4,561,564 shares, being 404 eligible employees entitled to 11,291 ordinary shares, were issued on 28 November 2008. The number of shares on issue under the Plan at 30 June 2008 was 3,793,776 (2007: nil) or 0.44% (2007: 0%) of the capital of the parent entity.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of movements in share options on issue during the year:

	2008		2007	
	No	WAEP $	No	WAEP $
Outstanding at the beginning of the year	255,169,829	0.27	256,075,029	0.29
Granted	382,005,995	0.13	-	-
Forfeited	-		(105,200)	20.49
Exercised	-		-	-
Expired	(255,041,779)	0.26	(800,000)	3.76
Outstanding at year-end	382,134,045	0.14	255,169,829	0.27
Exercisable at year-end	382,134,045	0.14	255,169,829	0.27

(i) Included within this balance are 800,000 options issued outside the Executive Option Plan, these options were issued pursuant to the PWI acquisition. Also included in this balance are 16,956,410 options issued pursuant to a loan agreement dated 28 January 2003 to entities related to Mr D Saville. In addition the exercise price of the remaining options have been amended to allow for the impact of all rights issues.

31. RELATED PARTY TRANSACTIONS

Transactions within the Wholly Owned Group

The consolidated financial statements include the financial statements of ERG Limited and the controlled entities listed in Note 28. Details of interests in associates are disclosed in Note 25.

ERG Limited is the ultimate parent entity. Transactions between ERG and related parties in the wholly owned Group during the years ended 30 June 2008 and 30 June 2007 consisted of:

- loans advanced;
- loans repaid;
- management fees and rent;
- sales of product and services;
- reimbursement for disbursements, sundry costs, contract settlement and warranty work;
- purchase of goods and services;
- sale and transfer of intellectual property licences within the consolidated entity;
- transfer of research and development expenditure; and
- restructure of loans to and from controlled entities within the consolidated entity resulting in the forgiveness and write-off of loans.

The transactions between ERG and related parties in the wholly owned Group were made on commercial terms and conditions or at cost, except that there are no fixed terms and generally no interest terms for the repayment of loans advanced by ERG Limited or within the wholly owned Group.

In the current year an impairment losses of $85,068,000 was recognised by the parent entity (2007: reversal of prior year impairment losses of $20,554,076). The amounts receivable from, and payable to, the wholly owned group are detailed in Notes 7 and 13 respectively.

Transactions with Directors

Refer to Note 29.

31. RELATED PARTY TRANSACTIONS (continued)

Transactions with Other Related Parties

OneLink Transit Systems Pty Ltd
During the year, ERG received revenue from OneLink Transit Systems Pty Ltd (OLT) amounting to $19,350,025 (2007: $17,687,891) relating to the provision of maintenance and management services. The aggregate of amounts owing by OLT to ERG at year-end was $1,448,607 (2007: $2,057,211). This balance is included in Note 7.

OLT has entered into a series of agreements in connection with the supply of an automated fare collection system to the Victorian Government currently managed by the Public Transport Ticketing Body (PTTB) of Victoria, Australia. ERG is a signing party to several of these agreements, including an agreement for the supply and installation of equipment and software. All agreements are on commercial terms and conditions.

ERG has granted a guarantee and indemnity to the PTTB of Victoria, Australia in connection with the monetary and performance obligations of OLT arising from various automated fare collection (AFC) system contracts. ERG holds cross-indemnities, via various agreements with its co-shareholders in OneLink Holdings Pty Ltd, in respect to the performance of the respective co-shareholders' delivery obligations.

OneLink Holdings Pty Ltd
During the financial year, ERG did not make any further advances to OneLink Holdings Pty Ltd (OLH) (2007: nil) and received repayments of Nil (2007: $4,922,093). The balance payable by OLH to ERG at year-end was Nil (2007: Nil). The net movement for the comparative financial year represents repayments of advances, interest payable and an internal interest charge of Nil which has been eliminated on consolidation.

During the financial year OneLink Holdings Pty Ltd paid capital distributions to ERG Ltd of $2,765,000 (2007: $4,800,000) and to director related entities associated with Mr D P Saville and Mr J F Carroll of $1,659,000 (2007: $2,880,000) and $276,500 (2007: $480,000) respectively.

AFC Equipment Co Pty Ltd
OLT has entered into a series of agreements in connection with the supply of an AFC system for the PTTB. AFC Equipment Co Pty Ltd (AFCE) is a signing party to several of these agreements, including an agreement for the lease of equipment and software to OLT.

During the financial year, ERG did not recognise any interest income on outstanding receivables from AFCE (2007: nil) as all receivables were non-interest bearing.

During the year, AFCE made repayments of $4,424,373 to OLT in respect to net advances previously advance by OLT (2007: advances received by AFCE from OLT $9,647,698). In accordance with an existing lease agreement, AFCE made lease charges of $7,563,115 (2007: $18,854,952) to OLT during the year.

The closing balance of the amount payable by AFCE to OLT at year-end was $806,765 (2007: $5,231,138). The closing balance of outstanding receivable, by ERG from AFCE at year-end was $1,633,692 (2007: Nil) and has been included in Note 7.

During the financial year AFCE paid capital distributions to ERG Ltd of $500,000 (2007: Nil) and to director related entities associated with Mr D P Saville and Mr J F Carroll of $300,000 (2007: Nil) and $50,000 (2007: Nil) respectively.

Both the AFCE payable to OLT and ERG are eliminated on consolidation.

Transactions with Associated Corporations
All transactions with associated corporations are made on commercial terms and conditions, except that there are no fixed terms and generally no interest terms for the repayment of loans advanced by ERG Limited or within the wholly owned Group.

Prepayment Cards Limited
In previous financial years, ERG and certain controlled entities endeavoured to develop an AFC system to be supplied to Prepayment Cards Limited (PCL) under a contract for the delivery of a concessionary fare scheme for the Greater Manchester Passenger Transport Executive (GMPTE). During the previous financial year PCL's contract with GMPTE was cancelled.

During the financial year ERG recovered a portion of the receivable from PCL to leave a balance at year-end of $28,283,831 (2007: $36,836,451). An allowance for doubtful debts was adjusted for the amount recovered and at the year-end was $28,283,831 (2007: $36,836,451).

The closing balance of payables by ERG to PCL at year-end was nil (2007: $36,677).

Transactions between OneLink Holdings Pty Ltd and its Related Parties

The following transactions occurred during the financial year;

Class of Related Party is – Other Related Party

The Party is – Fujitsu Australia Ltd
Transaction types included Management service fees paid of $1,956,634 (2007: $1,868,293), AFC Management service fees paid of $2,310,532 (2007: $2,043,615) and Claims receivable from the Public Transport Ticketing Body of Victoria nil (2007: $17,435).

These transactions were made on commercial terms and conditions or at cost, except that there are no fixed terms and generally no interest terms for the repayment of loans advanced from or to related parties.

32. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(a) Details and estimates of maximum amounts of contingent liabilities are as follows:				
(i) Melbourne Operations ERG Limited has granted a guarantee and indemnity to the Public Transport Ticketing Body (formerly the Public Transport Corporation) of Victoria in connection with the monetary and performance obligations of OneLink Transit Systems Pty Ltd ('OLT') arising from various automated fare collection system contracts. ERG Limited holds cross-indemnities, via various agreements with its co-shareholders in OLT, in respect to the performance of the respective co-shareholders' delivery obligations.	**-**	-	**-**	-
(ii) Stockholm Large Project ERG is currently delivering its contract with AB Storstockholms Lokaltrafik ('SL'). Certain penalties have been levied by SL in relation to the non achievement of contract milestones. In compliance with the prima facie contractual position ERG has provided for the penalties levied during the year ended 30 June 2008. The dispute was settled in July 2008 with the settled amount being provided as at 30 June 2008 in the financial report.	**-**	3,423	**-**	-
(iii) Guarantees Bank guarantees and performance bonds held by contracting parties in the normal course of business.	**64,075**	90,971	**4,495**	31,164
Total	**64,075**	94,394	**4,495**	31,164

(iv) Sydney Integrated Ticketing System Project (Tcard)

On 23 January 2008 ERG's wholly owned subsidiary Integrated Transit Solutions Ltd ('ITSL') received a notice from the Public Transport Ticketing Corporation of New South Wales ('PTTC') advising that the Sydney Integrated Ticketing System ('SITS') Project agreement had been terminated. ERG has notified the PTTC that it believes the termination was unlawful and has reserved all of its rights in relation to their actions.

Prior to termination, delays had been incurred in relation to the completion of certain contract milestone events and the maximum possible claim against the company in respect of the delays was $10 million.

The PTTC has served ITSL with a statement of claim for loss and damages resulting from PTTC's termination of the SITS Agreement based on ITSL's alleged breaches of contract arising from delay in completion of contract milestone events. The PTTC's current estimate of the claim value amounts to $88.6 million. On 4 April 2008 PTTC was given leave by the Supreme Court of NSW to add ERG Ltd as a second defendant to the proceedings. ITSL and ERG intend to vigorously defend the PTTC's claim and have file defences and counter claims in response to the claim.

At a directions hearing held at the Supreme Court of New South Wales on 4 April 2008, the Court required ITSL and ERG to file details of their defences and counter claims by 9 May 2008, the relevant documents were filed on this date. Since 9 May 2008 filing there has not been any material outcomes in relation to the progress of the litigation, simply a series of legal requests and filings from both parties associated with the detailed identification of claim particulars.

Due to the preliminary stage of the proceedings the Directors are unable to quantify any potential claim against the group but note that the SITS Agreement contains provisions limiting PTTC's right to recover loss in the event of a contractual breach.

The Directors believe that based on PTTC's statement of claim such provisions would limit the group's liability to an amount not exceeding $44 million should ITSL and ERG's defences and counter claims be unsuccessful. Of this amount PTTC has purportedly recovered approximately $27m already through seizure of group assets which had been deposited as performance security and which have been fully provided against in the reported net loss of $103.334 million as shown in the Income Statement. Therefore the Directors believe the maximum additional liability the group would incur in the event of an unsuccessful defence of PTTC's claim would be approximately $17 million.

The outcome of the claim cannot be foreseen at present and the Directors intend to vigorously defend the claim.

(b) Details and estimates of maximum amounts of contingent assets are as follows:

Sydney Integrated Ticketing System Project (Tcard)
On 23 January 2008 ERG's wholly owned subsidiary Integrated Transit Solutions Ltd ('ITSL') received a notice from the Public Transport Ticketing Corporation of New South Wales ('PTTC') advising that the Sydney Integrated Ticketing System Project agreement had been terminated. ITSL notified the PTTC that it considered the termination to be unlawful and to constitute a repudiation of the SITS Agreement ('the SITS Agreement'). ITSL has accepted that repudiation and reserved all of its rights in relation to PTTC's actions. ERG has also requested that the PTTC return a project surety deposit of $24 million plus accrued interest of approximately $3.12 million; the carrying value of these items has been fully provided against in the Income Statement for financial year ended 30 June 2008.

The PTTC has served ITSL with a statement of claim for loss and damages resulting from its termination of the SITS Agreement based on ITSL's alleged breaches of contract arising from delay in completion of contract milestone events. The PTTC's current estimate of the claim value amounts to $88.6 million. On 4 April 2008 PTTC was given leave by the Supreme Court of NSW to add ERG Ltd as a second defendant to the proceedings. ITSL and ERG intend to vigorously defend the PTTC's claim and will file defences and counter claims in response to the claim.

At a directions hearing held at the Supreme Court of New South Wales on 4 April 2008, the Court required ITSL and ERG to file details of their defences and counter claims by 9 May 2008. On 9 May 2008 ERG filed a counter claim for in excess of $200.0 million for the loss and damages suffered as a result of PTTC's repudiation of the SITS agreement. Since that filing there has not been any material outcomes in relation to the progress of the litigation, simply a series of legal requests and filings from both parties associated with the detailed identification of claim particulars.

Directors' Declaration

For the Year Ended 30 June 2008

The directors of the Company declare that:

1. 1. the financial statements and notes, as set out on pages 16 to 61, are in accordance with the Corporations Act 2001 and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company and the consolidated entity;
2. the directors have been given the declarations required by s.295A of the Corporations Act 2001;
3. 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.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor the payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 28 to the financial statements, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the directors

Executive Director – Finance
J F Carroll

Dated 30th September 2008, Melbourne Victoria

Deloitte.

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Independent Auditor's Report to the members of ERG Limited

Report on the Financial Report

We have audited the accompanying financial report of ERG Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 62.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is not sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Deloitte.

Basis for Disclaimer of Auditor's Opinion

During the performance of our audit we became aware of multiple material uncertainties which are as follows:-

As indicated in Note 32 "Contingent Assets and Contingent Liabilities" in the financial report, ERG Limited and its controlled entity Integrated Transit Solutions Limited are defendants to legal proceedings in the Supreme Court of New South Wales by Public Transport Ticketing Corporation Limited seeking to recover unspecified damages arising from a terminated contract. The legal claim was issued on 21 February 2008 and on 9 May 2008, the consolidated entity filed a counterclaim for in excess of $200 million for loss and damages suffered. Discovery and inspection of documents relating to the proceedings are in progress. The circumstances of the case are such that the ultimate outcome of the litigation proceedings cannot presently be determined with an acceptable degree of reliability, and accordingly no provision for any liability or recording of any asset that may result have been recognised in the financial report.

We draw attention to Note 1 (c) "Going Concern" in the financial report. The consolidated entity incurred a net loss attributable to members of the parent entity of $103,334 thousand (company $104,173 thousand) during the year ended 30 June 2008 and, as of that date, the consolidated entity's total liabilities exceeded its total assets by $11,711 thousand (company $7,866 thousand). The consolidated entity and the company are currently finalising the restructure of their businesses, including the sale of their operating entities to related parties to facilitate the settlement of their liabilities. ERG Limited proposes to seek shareholder approval of the restructure at a general meeting of shareholders to be held in November 2008. Accordingly, the ultimate outcome of the restructure cannot presently be determined. These conditions, along with other matters as set forth in Note 1 (c) "Going Concern" and the litigation proceedings set forth in the preceding paragraph, indicate the existence of material uncertainties which may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns. The financial report does not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

Disclaimer of Auditor's Opinion:

Due to the existence of the multiple material uncertainties as described in the disclaimer paragraphs above, we are unable to and do not express an opinion as to whether:

(a) the financial report of ERG Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 7 to 11 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion the Remuneration Report of ERG Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

D. A. Watson
D A WATSON
Partner
Chartered Accountants
Melbourne, 30 September 2008

Investor Information

The investor information set out below was applicable as at 16 September 2008.

Twenty Largest Shareholders

Name	Number of Shares	Percentage of Issued Capital
J P Morgan Nominees Australia Limited	186,549,682	21.68
HSBC Custody Nominees (Australia) Limited	55,999,003	6.51
ANZ Nominees Limited	31,310,705	3.64
Pan Australian Nominees Pty Limited	25,600,000	2.97
Ingot Capital Holdings Pty Ltd	14,896,023	1.73
MLEQ Nominees Pty Limited	12,165,598	1.41
National Nominees Limited	9,242,663	1.07
Healesville & District Private N H Pty Ltd	8,760,000	1.02
Visa International Services Association	7,500,000	0.87
Tresdam Pty Ltd	6,783,304	0.79
Mr Richard Noel Lilly	5,498,278	0.64
Citicorp Nominees Pty Limited	5,179,298	0.60
Yong International Investments Pty Ltd	4,400,000	0.51
Mr David Robert Butler	4,144,062	0.48
Mr George Walter Mooratoff	4,000,000	0.46
Utilico International Limited	3,256,348	0.38
Banksys SA	3,101,651	0.36
Mr Yet Kwong Chiang & Mrs Ho Yuk Lin Chiang	3,000,000	0.35
Dr Martin Yuk Chau	2,615,000	0.30
Mr Bin Mohamad Abas	2,500,000	0.29
	396,501,615	**46.06**

Substantial Shareholders

The company has the following substantial shareholders:

The Ingot entities	257,056,459

In relation to the Ingot entities the majority of the beneficial holdings are held through nominee registered holders. The beneficial holdings are detailed as follows:

Name	Address	Holding
Utilico Limited	8th Floor, Exchange House, Primrose Street London EC2A 2NY, England	177,996,960
Custodial Asset Finance Pty Ltd	Level 11, 1 York Street, Sydney NSW 2000, Australia	30,096,728
Ingot Capital Holdings Pty Ltd	Level 11, 1 York Street, Sydney NSW 2000, Australia	14,896,023
Ingot Capital Management Pty Ltd	Level 11, 1 York Street, Sydney NSW 2000, Australia	30,810,400
Utilico International Limited	97 The Terrace, Wellington, New Zealand	3,256,348

Distribution of Listed Ordinary Shareholders

Units Held – Listed Ordinary Shares	Holders	Toal Units	Percentage
1 – 1,000	3,868	1,674,075	0.19
1,001 – 5,000	4,319	12,487,291	1.45
5,001 – 10,000	2,429	18,593,129	2.16
10,001 – 100,000	4,926	154,997,931	18.01
100,000 +	824	672,814,957	78.19
	16,366	**860,567,383**	**100.00**

There were 13,657 holders of less than a marketable parcel of shares. The percentage of the total holding held by the twenty largest shareholders was 46.06%.

Shareholder Enquiries

Shareholders seeking information regarding their shareholdings should contact the Company's share registry:

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000

Telephone 1300 557 010
International +61 3 9415 4000
Facsimile +61 8 9323 2033

Website www.computershare.com
Email web.queries@computershare.com.au

Each enquiry should refer to the Security Holder Reference Number (SRN) or Holder Identification Number (HIN) which is shown on the holding statements and dividend statements.

Alternatively, you can conveniently check your details by visiting our website, www.erggroup.com and clicking on the Investor Relations heading. For security reasons you will then need to key in your SRN or HIN, plus family name and postcode, to enable you to access your personal information.

This service can provide you with:

- current holding balances;
- dividend history;
- tax file number (TFN) quotation status;
- historical price information;
- graphs of the share price against market indices; and
- downloadable forms for making changes to your shareholder details, such as change of address or dividend direct credit instructions.

Your Shareholding in ERG Limited

ERG Limited is a participating company in the Australian Stock Exchange's Clearing House Electronic Subregister System (CHESS) which provides a faster and more efficient settlement of share sales and purchases.

Shareholders with queries concerning the operation of CHESS may contact their stockbroker, the Australian Stock Exchange or the Company's share registry detailed above. Shareholders with specific enquiries about their buy and sell transactions should contact their sponsoring stockbroker.

American Depositary Receipts, sponsored by The Bank of New York, can be purchased through brokers in the US.

Change of Address

If you change your address, please notify the share registry in writing as soon as possible, quoting your SRN and your old address for security purposes. Broker-sponsored shareholders should directly notify their sponsoring stockbroker.

Change of Name

Shareholders who have changed their name should notify the share registry or their sponsoring stockbroker in writing attaching a copy of the relevant marriage certificate or deed poll.

Tax File Number

The Company is obliged to deduct tax from dividend payments to shareholders registered in Australia who have not quoted their tax file number (TFN) to the Company. If you have not already quoted your TFN, you may do so by contacting the share registry.

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