ABN 23 009 112 725

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current reporting period: Financial Year ended 30 June 2003

Previous corresponding period: Financial Year ended 30 June 2002

Results for Announcement to the Market for the Financial Year ended 30 June 2003

Revenue and Net Profit/(Loss)

		Percentage change %		Amount $'000
Revenue from ordinary activities	up	8.65%	to	327,631
Loss from ordinary activities after tax attributable to members	down	18.71%	to	(198,258)
Net loss for the period attributable to members	down	18.71%	to	(198,258)

	Amount per security	Franked amount per security
Dividends		
Final dividend	- ¢	- ¢
Interim dividend	- ¢	- ¢

Record date for determining entitlements to the dividend:

Final dividend	N/A
Interim dividend	N/A

Brief explanation of revenue, net loss and dividends:
Refer to Attachment A.

Statement of Financial Performance
for the Financial Year ended 30 June 2003

	Note	2003 $'000	2002 $'000
Revenue from ordinary activities	2(a)	327,631	301,552
Expenses from ordinary activities	2(b)	(504,729)	(514,499)
Borrowing costs	2(c)	(21,159)	(29,703)
Share of net (loss)/profit of associates accounted for using the equity method		(2,950)	(3,488)
(Loss)/profit from ordinary activities before income tax expense/(benefit)		(201,207)	(246,138)
Income tax (expense)/benefit relating to ordinary activities		(347)	(3,661)
(Loss)/profit from ordinary activities after related income tax expense/(benefit)		(201,554)	(249,799)
Net loss/(profit) attributable to outside equity interests		3,296	5,920
Net (loss)/profit attributable to members of the parent entity		(198,258)	(243,879)
Net exchange differences on translation of financial reports of foreign controlled entities		(7,345)	(1,183)
Total changes in equity other than those resulting from transactions with owners as owners		(205,603)	(245,062)

Statement of Financial Position
as at 30 June 2003

	Note	2003 $'000	2002 $'000
Current assets			
Cash assets		22,873	38,401
Receivables		81,523	124,650
Inventories		25,053	34,902
Other financial assets		-	15,793
Other		12,705	21,466
Total current assets		142,154	235,212
Non-current assets			
Receivables		90,371	67,633
Investments accounted for using the equity method		2,405	5,355
Other financial assets		724	5,554
Property, plant and equipment		70,226	84,841
Intangible assets		89,926	243,243
Other		13,696	28,298
Total non-current assets		267,348	434,924
Total assets		409,502	670,136
Current liabilities			
Payables		59,846	93,224
Interest-bearing liabilities		32,212	78,217
Current tax liabilities		969	803
Provisions		12,021	11,970
Other		22,069	14,991
Total current liabilities		127,117	199,205
Non-current liabilities			
Payables		42	-
Interest-bearing liabilities		25,435	268,881
Provisions		359	465
Other		57,834	49,838
Total non-current liabilities		83,670	319,184
Total liabilities		210,787	518,389
Net assets		198,715	151,747
Equity			
Contributed equity		617,831	361,964
Reserves		(9,705)	(4,016)
(Accumulated losses)/retained profits	5	(423,228)	(223,314)
Total parent entity interest		184,898	134,634
Outside equity interests		13,817	17,113
Total equity		198,715	151,747

Statement of Cash Flows
for the Financial Year ended 30 June 2003

	Note	2003 $'000	2002 $'000
Cash flows from operating activities			
Receipts from customers		257,729	279,231
Payments to suppliers and employees		(224,279)	(300,609)
Dividends received		-	3
Interest received		950	3,303
Income tax (paid)/refund received		(181)	110
Government grants received		-	1
Interest paid and borrowing costs		(13,671)	(24,215)
Research and development expenditure		(16,956)	(10,594)
Redundancy costs		(664)	(1,943)
Restructure and advisory cost		(6,380)	-
Net cash (outflow)/inflow from operating activities	6(f)	(3,452)	(54,713)
Cash flows from investing activities			
Research and development expenditure		-	(12,583)
Repayments from/(advances to) associated entity		1,046	(2,170)
Payment for investment in associated entity		(4,337)	(13,983)
Payment for purchase of controlled entity, net of cash acquired	6(b)	-	(7,455)
Proceeds from sale of investment in associated entity		5,000	-
Proceeds from sale of controlled entity, net of cash disposed	6(c)	48,956	-
Payments for purchase of technology licence		(8,905)	-
Payments for property, plant and equipment		(4,395)	(14,911)
Payments for investment in associated entity		-	(6,139)
Proceeds from sale of property, plant and equipment		2,379	795
Proceeds from sale of investment		16,125	22,604
Net cash inflow/(outflow) from investing activities		55,869	(33,842)
Cash flows from financing activities			
Proceeds from issue of shares		-	99,954
Dividends paid		(17)	(4,885)
Repayment of other loans		(23,719)	(5,259)
Repayment of convertible notes		(21,322)	-
Share issue expenses		(2,445)	-
Proceeds from other loans		41,827	-
Bond payments		(32,179)	-
Proceeds from commercial bills		-	45,000
Repayment of commercial bills		(20,000)	(35,000)
Repayment of finance lease principal		(942)	(1,321)
Net cash (outflow)/inflow from financing activities		(58,797)	98,489
Net (decrease)/increase in cash held		(6,380)	9,934
Cash at beginning of the financial year		28,984	20,512
Effects of exchange rate changes on the balance of cash held in foreign currencies		269	(1,462)
Cash at the end of the financial year	6(a)	22,873	28,984

Notes to the Financial Statements
for the Financial Year ended 30 June 2003

Note	Contents

1 Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2002 annual financial report.

The consolidated entity has recorded a loss of $198.3 million, after outside equity interests, for the year ended 30 June 2003. This includes a loss of $56.4 million in relation to the disposal of Proton World International (PWI) and an additional charge for the provision of the deferred liability on the PWI acquisition of $10.9 million.

The consolidated entity generated a positive operating cash flow of $17.3 million before interest and borrowing costs ($13.7 million), restructure and advisory costs ($6.4 million), and redundancy ($0.7 million). Including these costs, operating cash flow was a negative $3.5 million for the year.

During the year, the ERG Group restructured its statement of financial position with the conversion of the $250 million listed convertible notes into equity and the disposal of the PWI investment. The net cash received on disposal amounted to $49.0 million with a further $13.7 million receivable post year-end.

Subsequent to financial year end an agreement has been reached with Azienda Tramvie e Autobus del Comune di Roma (ATAC) to restructure the Rome contract. The assets for the operation in Rome will be sold to ATAC for approximately $46 million in cash with $28 million due on signing of the renegotiated contract.

The Export Finance and Insurance Corporation has provided a facility of approximately $25 million to assist with bonding for some of the major contracts. The facility will be able to be drawn down subject to certain conditions precedent.

The Directors believe that the ERG Group will return to profitability with the successful delivery of major transit projects in Seattle, Stockholm, Sydney and Washington DC. The delivery of these projects involves certain risks and uncertainties some of which are outside the control of the Group.

As a result of the above, the Directors are of the opinion that it is appropriate for the financial statements to be prepared on a going concern basis and that the consolidated entity has the appropriate resources to meet its debts and commitments as and when they fall due.

2 Profit/(Loss) from Ordinary Activities

Profit/(loss) from ordinary activities before income tax includes the following items of revenue and expenses:

(a) Revenue

	2003 $'000	2002 $'000
Revenue from Operating Activities		
Sales revenue	205,625	271,818
Revenue from Outside the Operating Activities		
Other revenue		
Interest received/receivable	950	3,303
Dividends	-	794
Proceeds from sale of current investments	15,866	-
Proceeds from sale of property, plant and equipment	2,379	795
Proceeds from sale of non-current investments	5,259	22,604
Proceeds from sale of investment in former controlled entity	94,598	-
Proceeds from sale of business assets	8	2
Other income	2,946	2,236
Total other revenue	122,006	29,734
Total revenue from ordinary activities	327,631	301,552

2 Profit/(Loss) from Ordinary Activities (continued)

	2003 $'000	2002 $'000
(b) Expenses		
Expenses from Ordinary Activities		
Cost of sales:		
Changes in inventories of raw materials, finished goods and work in progress	(9,848)	(11,453)
Raw materials and consumables used	95,054	171,856
Changes in project costs	9,811	5,235
Total cost of sales	95,017	165,638
Employee benefits expense	58,033	53,983
Other labour and consulting costs	25,684	43,865
Depreciation	13,335	19,686
Amortisation	25,249	56,443
Rental expense relating to operating leases	25,125	24,312
Travel expenses	4,741	9,631
Legal fees	3,098	3,515
Communication costs	2,551	4,579
Cost of sale of investment	15,878	22,678
Cost of sale of investment in former controlled entity	150,992	-
Cost of sale of property, plant and equipment	1,643	1,411
Provision for deferred consideration	10,885	-
Provision for diminution applicable to investments accounted for using the equity method	-	58,876
Provision for doubtful debts	16,101	1,542
Write down to recoverable amount of:		
Investments	4,790	1,057
Intangibles	2,465	-
Other assets	15,587	-
Other ordinary expenses	33,555	47,283
Total expenses from ordinary activities	504,729	514,499

	2003 $'000	2002 $'000
(c) Borrowing costs		
Interest paid/payable – other persons and/or corporations	18,688	24,264
Other charges	1,566	222
Amortisation	-	495
Accelerated amortisation	-	3,631
Interest on equity component of convertible notes	870	969
Finance charges relating to finance leases	35	122
Total borrowing costs	21,159	29,703

2 Profit/(Loss) from Ordinary Activities (continued)

	2003 $'000	2002 $'000
(d) Individually Significant Items		
Gains		
Gain on sale of former associate	5,000	-
Technology licence fees	-	3,046
Losses		
Loss on sale of former controlled entity	56,394	-
Expenses		
Write down to recoverable amount of project capitalised costs	15,587	-
Provision for doubtful debts	14,771	-
Provision for deferred consideration	10,885	-
Restructure and advisory fees	6,380	-
Write down to recoverable amount of other financial assets	4,790	1,057
Provision for project losses and delays	4,137	10,170
Provision for diminution in inventory	2,964	-
Write down to recoverable amount of intangibles	2,465	-
Redundancy costs	831	1,943
Provision for diminution applicable to investments accounted for using the equity method (unlisted companies)	-	58,876
Accelerated amortisation of software development costs and technology licence rights	-	37,971
Accelerated amortisation of project costs	-	33,912
Reversal of prior year profit, exchange movement and equity losses applicable to Prepayment Cards Limited	-	13,990
Write-off of project receivable	-	3,750
Accelerated amortisation of borrowing costs	-	3,631

3 Commentary on Results

Refer to Attachment A.

4 Sales of Assets

	2003 $'000	2002 $'000
Sales of assets in the ordinary course of business have given rise to the following profits and losses:		
Net Profits		
Investments	5,247	-
Property, plant and equipment	736	-
	5,983	-
Net Losses		
Investment in former controlled entity	56,394	-
Investments	-	14,064
Property, plant and equipment	-	616
	56,394	14,680

5 Retained Profits

	2003 $'000	2002 $'000
Balance at beginning of financial year	(223,314)	20,565
Net profit/loss	(198,258)	(243,879)
Foreign currency translation transfer due to disposal of former controlled entity	(1,656)	-
Balance at end of financial year	(423,228)	(223,314)

6 Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2003 $'000	2002 $'000
Cash at bank and on hand	12,202	19,019
Deposits at call	10,671	19,382
Cash assets	22,873	38,401
Less: Bank borrowings	-	(9,417)
Balance per Statement of Cash Flows	22,873	28,984

6 Notes to the Statement of Cash Flows (continued)

(b) Businesses Acquired

During the financial year, no businesses were acquired (2002: Proton World International SA). Details of the acquisition are as follows:

	2003 $'000	2002 $'000
Consideration		
Cash and deferred consideration	-	95,204
Cost of original investment	-	25,905
Shares issued	-	21,152
Other acquisition costs	-	59
	-	142,320
Fair Value of Net Assets Acquired		
Current assets:		
Cash	-	13,397
Trade debtors	-	8,838
Prepayments	-	688
Inventories	-	324
Other debtors	-	250
Investments	-	37
Non-current assets:		
Property, plant and equipment	-	961
Product development	-	178
Current liabilities:		
Bank borrowings	-	(2,312)
Deferred income	-	(3,518)
Other creditors and accruals	-	(3,820)
Provisions	-	(6,614)
Trade creditors	-	(4,825)
Non-current liabilities:		
Bank borrowings	-	(11,641)
Net assets/(liabilities) acquired	-	(8,057)
Goodwill on acquisition	-	150,377
	-	142,320
Net Cash Outflow on Acquisition		
Cash consideration	-	18,540
Less cash balances acquired	-	(11,085)
	-	7,455

6 Notes to the Statement of Cash Flows (continued)

	2003 $'000	2002 $'000
(c) Business Disposed		
During the financial year, the company disposed of Proton World International SA. Details of the disposal are as follows:		
Consideration		
Cash	80,865	-
Receivables – current	6,616	-
Receivables – non-current	7,117	-
	94,598	-
Costs of disposal	(1,041)	-
	93,557	-
Book Value of Net Assets Sold		
Current assets:		
Cash	33,072	-
Receivables	5,691	-
Inventories	609	-
Other	328	-
Non-current assets:		
Other financial assets	41	-
Property, plant and equipment	359	-
Intangible assets	53	-
Goodwill on consolidation	135,105	-
Additional goodwill (contingent consideration)	1,704	-
Current liabilities:		
Payables	(8,939)	-
Borrowings	(2,204)	-
Provisions	(1,562)	-
Other	(4,718)	-
Non-current liabilities:		
Interest-bearing liability	(7,053)	-
Other	(2,535)	-
Net assets disposed	149,951	-
(Loss)/profit on disposal	(56,394)	-
	93,557	-
Net Cash Inflow on Disposal		
Cash consideration	80,865	-
Costs of disposal	(1,041)	
Less cash balances disposed		
Cash	(33,072)	
Borrowings	2,204	-
	48,956	-

6 Notes to the Statement of Cash Flows (continued)

	2003 $'000	2002 $'000

(d) Non-Cash Financing and Investing Activities

Shares in the parent entity were issued upon conversion of the listed convertible notes into ordinary shares to the value of $250,000,000.

The parent entity also issued ordinary shares to the value of $9,374,223 in satisfaction of an interest payment due on the listed convertible notes.

The parent entity also issued ordinary shares with a face value of $1,495,940 upon the conversion of unlisted convertible notes to equity.

(e) Financing Facilities

	2003 $'000	2002 $'000
Stand-by credit lines:		
Amount used	25,435	36,459
Amount unused	-	2,177
	25,435	38,636
Leasing:		
Amount used	-	940
Amount unused	-	-
	-	940

6 Notes to the Statement of Cash Flows (continued)

	2003 $'000	2002 $'000
(f) Reconciliation of Profit From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities		
(Loss)/profit from ordinary activities after income tax before outside equity interests	(201,554)	(249,799)
Depreciation and amortisation	38,584	76,129
Amortisation of borrowing costs	-	4,126
Equity accounted losses	2,950	3,488
Unrealised profit on sales to equity associate	-	2,006
Interest on equity component of convertible note	870	969
(Profit)/loss on sale of property, plant and equipment	(735)	616
Provision for employee entitlements	345	387
Provision for warranty	589	(2,185)
Provision for inventories	328	(4,567)
Write down to recoverable amount of investment	4,791	-
Write down to recoverable amount of intangibles	2,465	-
Provision for doubtful debts	14,665	(5,678)
Foreign exchange – net	112	1,257
Write down of investments	-	59,933
Net (profit)/loss on sale of investments	(5,248)	14,064
Reinvestment of dividends received	-	(791)
Loss on sale of former controlled entity	56,394	-
Changes in assets and liabilities		
Change in assets:		
(Increase)/decrease in prepayments	1,317	(4,986)
(Increase)/decrease in trade debtors	33,370	5,150
(Increase)/decrease in inventory	25,878	20,152
(Increase)/decrease in future income tax benefits	-	23,593
(Increase)/decrease in other debtors	1,811	(3,968)
Change in liabilities:		
Increase/(decrease) in trade creditors	(316)	(14,745)
Increase/(decrease) in accrued expenses	(9,245)	16,590
Increase/(decrease) in deposits held and deferred income	17,533	6,820
Increase/(decrease) in provisions	929	5,722
Increase/(decrease) in deferred income tax liability	-	(19,625)
Increase/(decrease) in other non-current liabilities	10,715	10,629
Net cash (outflow)/inflow from operating activities	(3,452)	(54,713)

7 Details Relating to Dividends

		Date dividend payable	Amount per security ¢	Amount per security of foreign sourced dividend ¢
Final dividend	2003	N/A	- ¢	- ¢
	2002	N/A	- ¢	- ¢
Interim dividend	2003	N/A	- ¢	- ¢
	2002	N/A	- ¢	- ¢
Total	2003	N/A	- ¢	- ¢
	2002	N/A	- ¢	- ¢

Total dividend per security (interim plus final)

	2003 ¢	2002 ¢
Ordinary securities	- ¢	- ¢
Preference securities	- ¢	- ¢
Other equity instruments	- ¢	- ¢

Interim and final dividend on all securities

	2003 $'000	2002 $'000
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
Total	-	-

Any other disclosures in relation to dividends:
N/A

Dividend Reinvestment Plans
The dividend plans shown below are in operation:
N/A

The last date(s) for receipt of election notices for the dividend plans:
N/A

8 Earnings Per Share

	2003 ¢ per share	2002 ¢ per share
Basic EPS	(188.8 ¢)	(316.6 ¢)
Diluted EPS	(188.8 ¢)	(316.6 ¢)

Basic Earnings Per Share
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2003 $'000	2002 $'000
Earnings	(198,258)	(243,879)

	2003 No. '000	2002 No. '000
Weighted average number of ordinary shares (a)	105,010	77,033

(a) In accordance with the 2003 recapitalisation proposal the company implemented a ten-for-one share consolidation. The comparative has been adjusted to reflect this consolidation.

Diluted Earnings Per Share
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

	2003 No. '000	2002 No. '000
Convertible notes	7,265	10,190
Options	1,815	1,063
	9,080	11,253

9 Net Tangible Assets Per Security

	2003 $	2002 $
Net tangible assets per security (a)	0.36	(1.16)

(a) In accordance with the 2003 recapitalisation proposal the company implemented a ten-for-one share consolidation. The comparative has been adjusted to reflect this consolidation.

10 Details of Entities Over Which Control Has Been Gained or Lost

Control gained over entities
Name of entity (or group of entities)
Proton World International SA
Date control gained: 15/03/02

	2003 $'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of gaining control.	-

	2002 $'000
Net profit/(loss) of the controlled entity (or group of entities) for the whole of the previous corresponding period.	(2,416)

Loss of control of entities
Name of entity (or group of entities)
Proton World International SA
Date control lost: 24/04/03

	2003 $'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, to the date of losing control.	(2,011)

	2002 $'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities for the whole of the previous corresponding period.	(158)

11 Details of Associates

Name of entity	Ownership interest 2003 %	Ownership interest 2002 %	Contribution to net profit 2003 $'000	Contribution to net profit 2002 $'000
AFC Equipment Co Pty Ltd	33.3%	33.3%	-	-
Prepayment Cards Limited	47.1%	47.1%	(2,950)	(876)
Triumphant Launch Sdn Bhd (a)	-	-	-	34
ECard Pty Ltd (b)	-	39.0%	-	(2,646)
Aggregate share of (losses)/profits			(2,950)	(3,488)

(a) Triumphant Launch Sdn Bhd is now a controlled entity.

(b) ECard Pty Ltd ceased to be an associate on the disposal of our shareholding on 14 November 2002.

12 Contingent Assets and Liabilities

	2003 $'000	2002 $'000
Contingent Assets		
Details and estimates of maximum amounts of contingent assets are as follows:		
Other Persons		
The consideration on the sale of Proton World International SA includes an earn-out receivable from the purchaser, which is based on certain milestones being achieved. ERG could earn up to €22.5m (approximately AUD$38m) based on these milestones over a ten year period. It is intended that this amount will be recorded as it is progressively received.	38,000	-

12 Contingent Assets and Liabilities (continued)

	2003 $'000	2002 $'000
Contingent Liabilities		
Details and estimates of maximum amounts of contingent liabilities are as follows:		
Controlled Entities		
Secured guarantees given by ERG Limited and controlled entities in support of other leasing facilities.	863	272
ERG Limited has granted a guarantee and indemnity to 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.	-	-
ERG Property Pty Ltd, as trustee for The Energy Research Group Unit Trust (ERG Trust), is the owner of land and buildings at Balcatta, Western Australia. ERG Trust has given a first mortgage over the land to the State Government of Western Australia. In addition, ERG Property Pty Ltd and ERG Trust are jointly and severally liable for repayment of the loan.	-	-
Other Persons		
Bank guarantees and performance bonds held by contracting parties in the normal course of business.	154,449	157,108
ERG Limited has granted a guarantee to the Australia and New Zealand Banking Group Limited in connection with refinancing of AFC Equipment Co Pty Ltd (AFC) assets. Under this guarantee, ERG Limited has provided an irrevocable guarantee for the performance obligations of AFC and has guaranteed the secured monies which are supported by interest rate swap agreements.	52,963	60,605

13 Segment Information

Refer to Attachment B.

14 Subsequent Events

The consolidated entity announced that it has reached agreement with Azienda Tramvie e Autobus del Comune di Roma (ATAC), the organisation administering the public transport in Rome, to restructure the contract.

The restructure will result in the return of approximately $46 million in cash to ERG in the short term, the elimination of approximately $7 million in annual depreciation charges and the continued involvement in the operation of the system for eight years. The contract documents are currently being finalised and are expected to be completed imminently. The terms of the new relationship are as follows:

ATAC will purchase the public transport ticketing hardware, with the exception of the central clearing house, from ERG for a consideration of $36.2 million. On signing of the contracts $28.5 million is due, with the remainder due in two instalments within six months. ATAC has pre-arranged external bank financing for this purchase.

ERG and ATAC will establish a new company ("Newco") that will operate the ticketing system. ERG will own 30% of Newco and will contribute approximately $3.1 million in cash to the new entity.

Newco will purchase the rights to use ERG's software for $10.1 million payable in cash on signing of the contracts. ERG will also receive an annual software maintenance fee of $1.9 million for a period of eight years.

In return for operating the system, Newco will receive an annual fee from ATAC of 7.85% of all transit fares processed by the system. This operating contract has an initial term of eight years, with the annual fee estimated to be in the range of $35–40 million.

ERG will be paid an additional $5.1 million for software engineering services to be supplied over the next 12 months.

The above event did not have a financial impact in the year ended 30 June 2003.

15 Information on Audit or Review

This preliminary final report is based on accounts that are in the process of being audited.

Peter John Fogarty
Director
12 September 2003

Attachment A
Schedule 3: Comments by Directors

(Comments on the following matters are required by ASX or, in relation to the preliminary final report, by AASB 1029: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the Director's report and statement. For both half-yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

1 Full-Year Results

For the year ended 30 June 2003, operating revenue was lower at $205.6 million, compared to $271.8 million in the previous year due to continued delays in the commencement of new projects, such as Sydney and Seattle, and the delay in expansion of the Rome project into the surrounding Lazio region. ERG incurred an overall operating loss totalling $198.3 million, compared to $243.9 million in the previous year, and an EBITDA loss of $26.5 million (compared to a loss of $14.7 million in the previous year), before individually significant items.

The Directors of ERG Limited ("the Group") resolved, following a comprehensive review of the financial statements of the Group for the year ended 30 June 2003, to write down various assets and make provisions for diminution in value against the carrying value of a number of the Group's current and non-current assets.

The results for the year include the sale of its 39% shareholding in ECard Pty Ltd, which realised a profit of $5.0 million, and various charges on individually significant items of $119.2 million. The individually significant items are as follows:

	$m
• Loss on the disposal of PWI	56.4
• Write-off of project cost capitalised	15.6
• Provision for doubtful debts	14.8
• Provision for the deferred consideration on the acquisition of PWI	10.9
• Restructure and advisory fees	6.4
• Write down in recoverable amount of financial assets	4.8
• Provision for project losses and delays	4.1
• Others	6.2

Depreciation and amortisation charges before significant items for the period were $38.6 million (2002: $38.2 million) and interest expense and borrowing costs were $21.2 million compared to $29.7 million for the previous year. The listed convertible notes and some accrued interest were successfully converted into equity in April 2003.

An amount of around $38 million (€22.5 million), representing payments due to ERG on a milestone earn-out basis, has not been accounted for in determining the loss on disposal of PWI. This will be brought to account as it is earned. ERG will retain access to the Proton technology by taking a 20 year global licence of the Proton technology.

Attachment A
Schedule 3: Comments by Directors

2 Business Strategy

The ERG Group is engaged in the business of developing and commercialising its smart card and electronic ticketing solutions. The Group has achieved a recognised dominance globally in the development and implementation of integrated smart card systems in the transit business.

The ERG Group has successfully delivered systems in Hong Kong, Rome and Singapore that support more than 20 million smart cards in circulation. ERG's systems globally handle approximately 5 billion transactions per annum.

During the year, the Group has been successful in winning various major transit contracts, as follows:

- The integrated transit system in the Washington DC area, Maryland and Northern Virginia with Northrop Grumman Information Technology. The revenue for the contract is approximately $30 million (US$20 million). A card base of more than one million will be issued over a five-year period. ERG and Northrop Grumman, a major defence contractor and a recognised leader in government related smart card initiatives in the United States, have signed a teaming agreement to pursue transit opportunities throughout the United States.

- The finalisation and execution of contracts for the integrated smart card based ticketing system for the entire Greater Sydney commuter transport network. The total value of the contract is approximately $320 million, of which approximately $100 million is for the supply of the system and $220 million for the operation of the system for ten years. The system is expected to be fully operational in 2006 with a card base of more than two million.

- A regional fare collection system for Seattle and the Central Puget Sound of Washington State. The contract is worth approximately $95 million (US$63 million) for the system implementation and management of the operations for a ten year period. A card base of around 400,000 is expected at the commencement of operation of the system.

- The contract for the upgrade of the current magnetic ticketing system to a smart card based automated transit fare collection system throughout the city and county of Stockholm. The contract value is in excess of $50 million (SEK$250 million). A card base of one million will be issued within the next 2 ½ years.

- An agreement in principle with ATAC, (the operator of the Rome Metropolitan transit system), and Cotral, (the regional transport operator in the Lazio region surrounding the Rome metropolitan area) to proceed with the Phase 2 expansion of the Rome ticketing contract. This expansion will provide revenue of approximately $45 million (€25 million) over eighteen months. ERG and ATAC will establish a new company that will operate the ticketing system for a period of eight years (refer note 14).

  The Group has also received sign off on the Phase 1 for the San Francisco Translink® Smart Card Project which will allow Phase 2 of the project to proceed.

The Group's Board, management structure and business processes have been reorganised to ensure that the Group is able to successfully deliver these major projects in accordance with the contracts. The return to profitability for the Group is dependent upon the successful delivery of these major contracts to the customers.

Attachment A
Schedule 3: Comments by Directors

3 Restructure of Statement of Financial Position

ERG Group's Statement of Financial Position has been strengthened during the year with the disposal of a major asset Proton World International (PWI) and the conversion of the $250 million listed convertible notes to equity.

- During the year, the Group sold its 100% interest in PWI for a consideration of approximately $110 million (€60 million). Net cash received on disposal amounted to $49.0 million, with a further $13.7 million receivable post year-end.
- The conversion of the listed convertible notes of $250 million (with an interest rate of 7.5%) to equity.
- On 3 September 2003, the Group announced it has reached an agreement with ATAC to restructure the Rome contract. This will result in the return of approximately $46 million in cash to the Group in the short term. ERG will continue to be involved in the operations of the system for eight years.
- The Export Finance and Insurance Corporation has also provided performance bonds for projects contracted in Seattle, Stockholm and Washington DC with a facility of approximately $25 million. The facility will be able to be drawn down subject to certain conditions precedent.

During the year, the Group also paid out $29.4 million in bank debts and $21.3 million in unlisted convertible note debt. At 30 June 2003, the Group had an interest-bearing loan of $25.4 million and deferred consideration payable of $32.2 million in relation to the acquisition of PWI.

The restructure of the Statement of Financial Position has resulted in the removal of approximately $40 million in annual depreciation, amortisation and interest charges.

The Group will continue to explore alternative financing facilities including project financing for the current contracts to assist with working capital requirements and to obtain an optimal debt to equity ratio to maximise return to shareholders.

With the restructure of its Statement of Financial Position, the ERG Group is in a strong position to pursue opportunities in the transit business and with alliance partners, such as Northrop Grumman in the United States, where appropriate.

4 Financial Reporting Basis

The Directors believe that the ERG Group will return to profitability with the successful delivery of major transit projects in Seattle, Stockholm, Sydney and Washington DC. The successful delivery of these projects involves certain risks and uncertainties, some of which are outside the control of the Group.

As a result of the above, the Directors are of the opinion that it is appropriate for the financial statements to be prepared on a going concern basis and that the consolidated entity has the appropriate resources to meet its debts and commitments as and when they fall due.

Attachment B
Schedule 13: Segment Information

Primary Reporting – Business Segments as at 30 June 2003

	Projects Supply and Installation	Infrastructure and Maintenance	Corporate and Financing	Intersegment Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Sales to customers outside the consolidated entity	87,404	118,221	-	-	205,625
Intersegment sales	-	-	-	-	-
Share of net losses of associates	-	(2,950)	-	-	(2,950)
Other revenue	1,633	100,058	19,365	-	121,056
Unallocated revenue					950
Total segment revenue	89,037	215,329	19,365	-	324,681
Operating result before individually significant items	(6,200)	(14,626)	(45,968)	-	(66,794)
Borrowing costs	-	-	(21,159)	-	(21,159)
Individually significant items	(22,665)	(84,506)	(7,033)	-	(114,204)
Unallocated revenue					950
Segment result	(28,865)	(99,132)	(74,160)	-	(201,207)
Unallocated expenses					-
(Loss)/profit from ordinary activities before income tax					(201,207)
Income tax expense					(347)
(Loss)/profit from ordinary activities after income tax					(201,554)

Attachment B
Schedule 13: Segment Information

Primary Reporting – Business Segments
as at 30 June 2003

	Projects Supply and Installation	Infrastructure and Maintenance	Corporate and Financing	Intersegment Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Segment assets	100,309	171,102	138,091		409,502
Unallocated assets					-
Total assets	100,309	171,102	138,091	-	409,502
Segment liabilities	41,154	144,412	24,252		209,818
Unallocated liabilites					969
Total liabilities	41,154	144,412	24,252	-	210,787
Investments in associates		2,405			2,405
Acquistions of property, plant and equipment, intangibles and other non-current segment assets	6,816	9,564	44,947		61,327
Depreciation and amortisation expense	2,004	23,840	12,740		38,584
Other non-cash expenses	22,665	34,421	6,470		63,556

Attachment B
Schedule 13: Segment Information

Primary Reporting – Business Segments
as at 30 June 2002

	Projects Supply and Installation	Infrastructure and Maintenance	Corporate and Financing	Intersegment Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Sales to customers outside the consolidated entity	136,554	139,325	(4,061)	-	271,818
Intersegment sales	14,914	-	2,165	(17,079)	-
Share of net losses of associates	-	(3,488)	-	-	(3,488)
Other revenue	3,844	616	25,274	-	29,734
Unallocated revenue					-
Total segment revenue	155,312	136,453	23,378	(17,079)	298,064
Operating result before individually significant items	1,603	(37,031)	(22,385)	-	(57,813)
Borrowing costs	-	-	(29,703)	-	(29,703)
Individually significant items	(12,283)	(139,187)	(7,152)	-	(158,622)
Unallocated revenue					-
Segment result	(10,680)	(176,218)	(59,240)	-	(246,138)
Unallocated expenses					-
(Loss)/profit from ordinary activities before income tax					(246,138)
Income tax expense					(3,661)
(Loss)/profit from ordinary activities after income tax					(249,799)

Attachment B
Schedule 13: Segment Information

Primary Reporting – Business Segments
as at 30 June 2002

	Projects Supply and Installation	Infrastructure and Maintenance	Corporate and Financing	Intersegment Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Segment assets	174,789	368,327	127,020		670,136
Unallocated assets					-
Total assets	174,789	368,327	127,020	-	670,136
Segment liabilities	56,302	66,305	394,979		517,586
Unallocated liabilites					803
Total liabilities	56,302	66,305	394,979	-	518,389
Investments in associates		5,355			5,355
Acquistions of property, plant and equipment, intangibles and other non-current segment assets	29,529	36,515	173,689		239,733
Depreciation and amortisation expense	4,216	51,684	20,229		76,129
Other non-cash expenses	21,832	24,915	-		46,747

Attachment B
Schedule 13: Segment Information

Secondary Reporting – Geographical Segments as at 30 June 2003

	Asia-Pacific	Europe, Middle-East & Africa	North America	Consolidated
	$'000	$'000	$'000	$'000
Sales to customers outside the consolidated entity	84,847	98,237	22,541	205,625
Segment assets	276,332	119,859	13,311	409,502
Acquistions of property, plant and equipment, intangibles and other non-current segment assets	50,512	10,702	113	61,327

Secondary Reporting – Geographical Segments as at 30 June 2002

	Asia-Pacific	Europe, Middle-East & Africa	North America	Consolidated
	$'000	$'000	$'000	$'000
Sales to customers outside the consolidated entity	144,870	23,044	103,904	271,818
Segment assets	490,747	11,948	167,441	670,136
Acquistions of property, plant and equipment, intangibles and other non-current segment assets	214,123	11,282	14,328	239,733

Attachment B
Schedule 13: Segment Information

Segment Information

Business Segments

The consolidated entity is organised on a global basis into the following business segments:

Projects Supply and Installation
The supply and installation of automated fare collection (AFC) systems throughout the world.

Infrastructure and Maintenance
The infrastructure segment of the business represents the source of long-term recurring revenue for the Group derived primarily from the outsourced operation and/or long-term maintenance of AFC systems once installed.

Corporate and Financing
This segment of the business provides the technology, financing and administrative support to the two operational segments outlined above.

Geographical Segments

The consolidated entity's divisions 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, 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.