

Ausdrill Limited

ABN 95 009 211 474

**Annual report
for the year ended 30 June 2008**

Ausdrill Limited ABN 95 009 211 474
Annual report - 30 June 2008

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Directors	Terence Edward O'Connor AM QC, <i>Chairman</i> Ronald George Sayers, <i>Managing Director</i> James Edward Askew Terrence John Strapp
Secretaries	Domenic Mark Santini Mark Joseph Hughes
Chief Financial Officer	Mark Joseph Hughes
Principal registered office in Australia	6-12 Uppsala Place Canning Vale, Western Australia 6155
Share register	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000
Auditor	PricewaterhouseCoopers QV1 Building 250 St George's Terrace Perth, Western Australia 6000
Solicitors	Cochrane Lishman 216 St George's Terrace Perth, Western Australia 6000 Mallesons Stephen Jaques Level 10, 152 St George's Terrace Perth, Western Australia 6000
Bankers	Westpac Banking Corporation Limited Level 14 109 St George's Terrace Perth, Western Australia 6000 HSBC Australia Ltd 190 St George's Terrace Perth, Western Australia 6000
Stock exchange listings	Ausdrill Limited shares are listed on the Australian Stock Exchange. ASX CODE: ASL
Website address	www.ausdrill.com.au
Ausdrill Limited	ABN 95 009 211 474

Directors' and Managing Director's Review of Operations

Ausdrill is pleased to report another successful year, in which it has achieved some significant operational milestones, and delivered another record net profit after tax result of \$35.3m.

On a comparative basis the Company has achieved the following increases from the year ending June 2007 to June 2008:

- **Revenue increased 6% from \$365.6m to \$387.1m**
- **EBITDA increased 24% from \$71.1m to \$88.5m**
- **Operating Profit after tax increased 28% from \$27.5m to \$35.3m**
- **Dividends for the full year have increased 22% from 9.00 to 11.00 cents per share**

With record earnings, increasing margins and the \$95.7m capital (net of costs) raised in December 2007, Ausdrill is in its best ever financial and operational shape. The Company is well positioned to continue its strong performance, and capitalise on unprecedented growth opportunities in the coming years.

This pleasing result has allowed the Board to increase the final dividend by 22% to 6.0 cents per share, fully franked.

HIGHLIGHTS

Significant highlights during the year have included:

- Improved operating margins with increases in both EBIT (15.2%) & NPAT (9.1%)
- Strong dividend growth
- Successful capital raising of \$95.7m net of costs
- Continued upgrade and expansion of our core operating fleet
- Record level of work in hand approaching \$1 billion
- Development of the 50/50 Joint Venture with Barmenco
- Acquisition of the remaining 50% of Remet Engineering Pty Ltd

FINANCIAL PERFORMANCE

The operating profit after tax of \$35.3m, up 28% on the previous year, is a record result for the Company. EBITDA also improved by 24.5% to \$88.5m. The strong financial performance was the result of positive contributions from all core operating divisions in both Africa and Australia, combined with buoyant economic conditions within the markets in which Ausdrill operates.

The financial position of the company continues to improve with shareholders equity growing by \$129.5m to \$280.7m, net tangible assets per share of \$1.61, cash of \$88.9m and net debt to equity of 16.7%.

AUSTRALIA

Ausdrill's Australian operations continued to provide a solid base for the growth of the Company, with the division experiencing strong revenue growth of 20.5% to \$251m including inter-segment sales.

Drill and Blast

The Drill and Blast business has performed extremely well during the 2008 financial year, with revenue being 132% of budget. This result was underpinned by our strong order book for open pit mining work, and was supplemented by civil construction work in the Pilbara. Ausdrill has established an operating base at Karratha, which will continue to play a key role in servicing the major infrastructure projects, and expanding the Company's presence in that region.

Ausdrill has continued to expand its drill rig fleet, with orders for 46 blast hole and RC grade control drills placed during the year. This will not only ensure that Ausdrill has one of the most modern and efficient fleets of blast hole and RC grade control drills, but also provides a tremendous strategic advantage in being able to react quickly to the requirements of the numerous resource projects currently being planned and constructed in Australia.

Ausdrill has significantly boosted its training programs to cater for the increased numbers of drillers, fitters, shot firers and other associated personnel in our business. Much of the training is undertaken on current contract sites in close association with our clients who appreciate our efforts in combating the severe skills shortage confronting the mining sector.

Gold continues to be the dominant commodity in the Ausdrill portfolio with 55% of revenue generated from gold related work, whilst iron ore and nickel contribute 33% and civil works 12%. It is anticipated that the contribution from iron ore and nickel related work will increase in the coming financial year to greater than 40% of total revenue.

Exploration Drilling

The Exploration Drilling business continued to perform exceptionally well during the year. Its performance has been supported by the stability of long term contracts with blue chip clients such as St Ives Gold, BHP Nickel West, Barrick and smaller stable clients. During the year Ausdrill bolstered the exploration fleet, with the introduction of five new diamond drills, two new RC drills and 10 new M.A.N. and Mercedes trucks. An ongoing challenge for Ausdrill remains the lack of experienced drillers, which is something the Company is aiming to overcome through its training programs.

Directors' and Managing Director's Review of Operations (continued)

The Exploration Drilling division has been successful in securing new and extended contracts, as a result of successful performance on its existing contracts, with highlights including:

- BHP Billiton Iron Ore - contract renewed for a further 4 years
- Rio Tinto Pilbara Iron - recently renewed contract for a further three years
- Hancock Prospecting - recently renewed contract for a further 12 months
- Pilbara Manganese - recently completed variation to contract adding a further 50,000 metres of drilling to the current contract.
- United Minerals - currently contracted for 20,000 metres with further work requested.
- Sundance Resources - commenced two year contract in Cameroon, with two track mounted RC drills and one track mounted Diamond drill.

Supply Direct

Supply Direct has achieved record revenues from the Australian Operations this year with another 28% increase in sales from the previous year.

Supply Direct, which, was started to service our diverse operations, now specialises in the supply of goods and services to major mining operations, continues to expand its customer base and now exports to 27 countries. In order to meet its growth targets, during the year the Company restructured its South African Operation in Johannesburg, including the introduction of a new management team. We have also established an exclusive distribution arrangement for a range of premium rock drilling tools used within large production mines throughout Africa.

To service its growing customer base in West Africa, Supply Direct has plans within the next twelve months to open a new service operation and bonded warehouse in Ghana.

New exclusive product lines and manufacturing are now being put in place which will see our services enhanced, and will maintain our position in the global market as a leading procurement, supply chain and logistics provider.

Diamond Communications

For the 2008 financial year, Diamond Communications delivered a "break even" result. This was influenced by the fact that Telstra has rationalised nationally to three prime contractors in the copper cable field. This resulted in the loss of volume to Diamond Communications in one contract, and the closure of our country depots. Redundancy costs affected the result for the division. Continuing the rationalisation of this area of the business we have assessed our plant needs and disposed of excess and redundant plant, retaining the core equipment that can be utilised in the ongoing work.

Diamond Communications has continued its strong progress with the Western Power contract Suburban Underground Power Program (SUPP's). The current contract work includes the Perth suburbs of Mount Pleasant and Como with crews in both areas. Contracts for two more suburbs are to be let in 2009 with the work continuing into 2010.

The latter part of this year has been spent re-aligning the business to the power industry, and to capture opportunities with new customers in the fibre cable network industry ahead of the national roll out of fibre networks to the home.

Manufacturing - Drilling Tools Australia (DTA) and Remet

Revenue growth for this business climbed 45% this year, as production ramped up to meet the ever-increasing demand for drilling consumables.

We are reaping the production and output benefits from the introduction of new factory equipment. This includes 2 new multi-tasking machines, both with robot loading/unloading capabilities, and more recently a multi-task long bed lathe with milling functionality.

While the bulk of the division's output services internal demand, the level of external sales continues to grow and this year contributed 14% of revenue. External sales are expected to grow substantially in the coming financial year, following the Company's success in securing a three year contract with Newmont's Boddington Gold mine to supply bit sharpening and drilling consumables.

It became apparent early last year that our continued growth would exceed the capacity of the divisions existing premises. Construction has commenced for a new facility at our Canning Vale site, which includes provision for an adjoining workshop for Remet to expand its Kalgoorlie operations to Perth. Construction is expected to be completed in January 2009.

Our new combined DTA and Remet Perth factories will provide room for further growth as well as improved facilities for our hard working teams and considerably more storage space for both finished goods and raw materials.

Directors' and Managing Director's Review of Operations (continued)

We have ordered a further two new multi-tasking, robotically loaded/unloaded machines, plus a large machining centre, for delivery mid financial year. These machines will provide us with a significant increase in production output, enabling us to cover future demand generated by internal growth as well as the potential to grow our external sales even further.

Remet Engineers (previously 50% owned) is now 100% owned by Ausdrill, following the acquisition in March 2008.

Remet Kalgoorlie continues to maintain consistently strong sales within the Ausdrill Group and to a wider client base both in Australia and internationally. The focus remains on retaining revenue and margins, as well as pursuing growth opportunities where they can add value to the business.

AFRICA

Ausdrill's African business continued to grow, and has been a strong contributor to the 2008 result.

African Mining Services (AMS)

AMS provides exploration drilling, grade control, drill and blast, crusher feed and earthmoving services in Ghana and to the African market as a whole. This has been the third full year of Ausdrill's 100% ownership of AMS.

The operations remain predominantly based around Redback Mining's Chirano Gold Mine where we have operated since 2004 and Goldfield's Damang Gold Mine where we have operated since 1996.

In June 2008 AMS received a Letter of Intent from Anglo Gold Ashanti for a surface mining contract award at their Yatela Operation in Mali, West Africa, commencing 1 July 2008. This is an important step for AMS, being the first contract with Anglo Gold Ashanti since Geita Goldmine in Tanzania, and our first mining contract outside of Ghana, since Tanzania.

A number of new opportunities have been identified and are being pursued. We are confident that these opportunities will provide AMS with tangible growth. Since the end of the reporting year, Ausdrill has also secured a number of new or extended contracts for AMS, including a US\$150 million contract extension at Gold Fields' Damang open pit mine in Ghana. These contracts have extended AMS's working relationship with its long-term and blue chip client base.

African Underground Mining Services (AUMS)

In October 2007 Ausdrill entered into a joint venture through AMS with Barmenco Limited, a prominent Australian underground mining contractor, to form African Underground Mining Services Limited (AUMS). AUMS is now fully operational.

Ausdrill, through AMS and AUMS, can now provide African clients with a complete contract mining service from Exploration Drilling to Mining (surface and underground).

The current AUMS operations are based around two primary contracts, both in Ghana and both awarded in 2008. The first of these contracts is with Redback Mining's Chirano Gold Mine for their Akwaaba Deeps Decline Development. The other is with Central African Gold PLC, at their Bibiani Mine developing the Strauss Decline.

As with AMS, further opportunities have been identified for AUMS and these are being pursued. We are confident that these opportunities will provide AUMS with tangible growth within the expanding African resources market.

PERSONNEL AND SAFETY

Personnel

At the close of the 2008 financial year, the number of personnel employed by the group was as follows:

	<u>2008</u>	<u>2007</u>
Ausdrill – Australia	692	572
Supply Direct Group	83	74
Diamond Communications	114	175
Ausdrill Northwest	105	89
Drilling Tools Australia	39	32
Ausdrill Properties	29	-
African Mining Services	981	709
	<u>2,072</u>	<u>1,674</u>

Employees in our jointly owned entities:

Westrans Services	44	42
African Underground Mining Services	73	-

Our ability to recruit and retain quality personnel is one of our biggest management challenges, with a widely acknowledged shortage of skills in the labour market, particularly in WA. However, Ausdrill is focused on helping meet this challenge through expansion of training programs, the ongoing "up-skilling" of its workforce as well as programs for the recruitment and retention of key staff.

Directors' and Managing Director's Review of Operations (continued)

Safety

It is encouraging to report an overall improvement within the Group safety performance for the 2008 financial year.

12 Month to	June 2008	June 2007	June 2006
LTIFR	4.0	6.6	5.6

Improvements with the overall achievement demonstrate that initiatives introduced by the Group during the past couple of years have started to take effect in reducing safety risks. The expectation is to continuously improve our education programs to ensure our team members have the skills to identify and report hazards within the workplace.

Turnover of personnel within the unskilled sector still remains as our main impact on the statistical incident related data. The introduction of standardised company induction and training packages in 2007 has assisted with the reduction of the Lost Time Injury Frequency Rate (LTIFR) for the 2008 financial year.

The Group is targeting improvements in all our safety KPI's during this year.

OUTLOOK

The successful completion of the placement to institutional investors and the share purchase plan in December 2007 raised a total of \$95.6m net of costs and has increased the strength of our balance sheet. The Company has invested heavily in future growth, with \$119m in capital expenditure on new equipment with revenue and earnings flowing in FY2009 and beyond.

The Company's expectations are for another positive year ahead with profit growth guidance of 20 to 30% for FY2009. At an operational level, the Group is well positioned for growth. It has expanded its equipment fleet and service offering across a number of its businesses, and has continued to successfully secure new or extended contracts with large and long term clients both in Australia and in Africa. Ausdrill expects the strong demand for its services to continue for some time yet, but our challenge is to continue to manage our growth by managing increasing costs and recruiting and retaining skilled personnel.

Finally, the Board would like to congratulate Managing Director Ron Sayers, the management team, and the staff for an outstanding result. On behalf of shareholders we thank them for their loyalty and commitment.



T E O'Connor
Chairman



R G Sayers
Managing Director

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Ausdrill Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

DIRECTORS

The following persons were directors of Ausdrill Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

T E O'Connor
R G Sayers
J E Askew
T J Strapp
G P Connell - Resigned 16 November 2007

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

- (a) provision of mining services including:
 - earthmoving;
 - drilling and blasting;
 - exploration drilling; and
 - in - pit grade control;
- (b) provision of mining supplies and logistics services;
- (c) contract services to the telecommunications and utility sectors; and
- (d) manufacture of drilling rods and consumables.

DIVIDENDS - AUSDRILL LIMITED

Dividends paid to members during the financial year were as follows:

	2008	2007
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2007 of 5 cents (2006 - 3 cents) per fully paid share paid on 26 October 2007	6,610	3,924
Interim ordinary dividend for the year ended 30 June 2008 of 5 cents (2007 - 4 cents) per fully paid share paid on 4 April 2008	<u>8,561</u>	<u>5,263</u>
	<u>15,171</u>	<u>9,187</u>

In addition to the above dividends, since the end of the financial year the directors have approved the payment of a final ordinary dividend of \$10,329,028 (6 cents per fully paid share) to be paid on 24 October 2008.

REVIEW OF OPERATIONS

A separate detailed review of group operations during the financial year is included in the Directors and Managing Director's Report on Operations and details on the segment results are set out in note 4 to the financial statements.

EARNINGS PER SHARE

	2008	2007
	Cents	Cents
Basic and diluted earnings per share	22.72	20.87

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

	2008 \$'000
(a) A net increase in contributed equity of \$95,702,000 (from \$95,826,000 to \$191,528,000) as a result of:	
Placement of 31,035,834 fully paid ordinary shares @ \$2.50 each	74,809
Issue of 7,500,000 fully paid ordinary shares @ \$2.40 each under a share purchase plan	18,000
Issue of 1,405,816 fully paid ordinary shares @ between \$1.90 and \$2.41 each under the dividend reinvestment plan	2,893
Net increase in share capital	95,702

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulations but is committed to reducing the impact of its operations on the environment. Our clients have obligations under environmental regulations. We comply with our contractual obligations in this regard.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year the directors have declared the payment of a final ordinary dividend of \$10,329,028 (6 cents per fully paid share).

Except for the above, no other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

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

INFORMATION ON DIRECTORS

Terence Edward O'Connor AM QC LLB (WA). *Non-executive Chairman.* Age 70.

Experience and expertise

Mr Terry O'Connor is a Barrister. He is a graduate of the University of Western Australia, and was formerly a partner in the legal firm Stone James Stephen Jaques (now Mallesons Stephen Jaques). Mr O'Connor was formerly the Chairman of the Anti-Corruption Commission, the Chancellor of the University of Notre Dame Australia and a Commissioner of the Australian Football League. Mr O'Connor has held the position of Chairman since 1993.

Other current directorships

Non-executive director of EBM Insurance Brokers Limited from 1990.

Former directorships in last 3 years

None

Special responsibilities

Chairman of the Board.
Chairman of the Remuneration Committee.
Member of the Audit Committee.

Interests in shares

1,000,000 ordinary shares

INFORMATION ON DIRECTORS (continued)

Ronald George Sayers. *Managing Director.* Age 56.

Experience and expertise

Mr Ron Sayers was re-appointed as Managing Director in December 2000. Mr Sayers founded Ausdrill in 1987 and was Managing Director until May 1997. He was formerly the branch manager of a large mining supply group and has been involved with the mining industry for over 30 years.

Other current directorships

Non-executive director of Carbine Resources Limited from March 2007.

Former directorships in last 3 years

Non-executive director of Amcom Telecommunications Limited from August 2003 to December 2005.

Special responsibilities

Managing Director.

Member of the Remuneration Committee.

Interests in shares

34,342,497 ordinary shares.

James Edward Askew **BE (Min) (Melb), M Eng Sci (Melb), F.AusIMM.,M.A.I.M.E.** *Non-Executive director.* Age 60.

Experience and expertise

Mr Jim Askew is a mining engineer, having some 30 years international experience in the mining industry. He has held numerous positions on boards of mining companies in Australia and North America and has been a non-executive director of Ausdrill since 1987.

Other current directorships

Chairman of OceanGold Corporation since 2006.

Chairman of Sino Gold Limited from 2006.

Chairman of Asian Mining Resources Inc from 2004.

Non-executive director of Golden Star Resources Inc from 1999.

Former directorships in last 3 years

Chairman of Climax Mining Limited from 2002 to 2006.

Chairman of AGD Mining Limited from 2003 to 2005.

Non-executive director of Yamana Gold Inc from 2002 to 2006.

Special responsibilities

Member of the Audit Committee.

Member of the Remuneration Committee.

Interests in shares

600,000 ordinary shares.

INFORMATION ON DIRECTORS (continued)

Terrence John Strapp CPA, F Fin., MAICD *Non-executive director. Age 64.*

Experience and expertise

Mr Terry Strapp was appointed as a non-executive director on 21 July 2005.

Mr Strapp has extensive experience in banking, finance and corporate risk management and has been actively involved in the mining industry for 20 years. He is a Certified Practising Accountant (CPA), a Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Other current directorships

Director of The Mac Services Group Limited from 2007.

Former directorships in last 3 years

Chairman of Mercator Gold PLC from 2004 to 2008

Special responsibilities

Chairman of the Audit Committee.

Interests in shares

105,531 ordinary shares.

COMPANY SECRETARIES

The company secretaries of the company are Mark Joseph Hughes and Domenic Mark Santini.

Mr Hughes is a Chartered Accountant who was appointed as company secretary in September 1994. He is the Chief Financial Officer of the Company having been promoted to this position in June 2000. Prior to joining the Company, Mr Hughes was a senior audit manager at a major chartered accounting practice.

Mr Santini is a Certified Practising Accountant who was appointed as company secretary in August 2007. He is also the Group Financial Controller of the Company. During the ten years prior to joining the Company, Mr Santini held various commercial roles with public and private companies.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

	Full meetings of directors	Meetings of committees	
		Audit	Remuneration
Number of Meetings held	10	3	1
T E O'Connor	10	3	1
R G Sayers	10	*	1
J E Askew	10	3	1
T J Strapp	10	3	*
G P Connell	6	2	*

* = Not a member of the relevant committee

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr O'Connor is the director retiring by rotation who, being eligible, offers himself for re-election.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

The information in this report has been audited, as required by *Section 308(3c) of the Corporations Act (2001)*

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate. The framework aligns executive reward with achievement of strategic objectives and conforms with prevailing market conditions. The Board ensures that executive remuneration satisfies the following key criteria for good governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

The Group has structured an executive remuneration framework that attracts and retains high calibre executives, is market competitive and complementary to the goals of the organisation. The structure recognises and rewards contribution to Company growth, rewards capability and experience and provides a clear salary structure.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board ensures non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2005. No additional fees are payable to directors for their membership on board committees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool currently stands at \$400,000 per annum. Australian based resident non-executive directors are also entitled to superannuation in accordance with the Superannuation Guarantee Legislation.

Retirement allowances for directors

Other than compulsory superannuation contributions, non-executive directors do not receive any retirement allowances.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- short term performance incentives, and
- long-term incentives through participation in the Ausdrill Employee Option Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

REMUNERATION REPORT (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive fixed base pay. The remuneration committee obtain relevant comparative information and seek independent advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

Executives can elect to receive a fully maintained motor vehicle as a component of their base pay.

Short Term Incentives

The cash bonus is discretionary based on the groups performance and the amount is agreed by the remuneration committee.

The service bonus to all employees is discretionary subject to the groups performance and is based on years of service.

Superannuation

Retirement benefits are delivered under the Superannuation Guarantee Legislation.

Short-term incentives

Ausdrill Employee Option Plan

Information on the Ausdrill Employee Option Plan is set out in Section D.

REMUNERATION REPORT (continued)

B Details of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Ausdrill Limited Group are set out in the following tables.

The key management personnel of Ausdrill Limited includes the directors as per pages 7 to 9 and the following executive officers, which are also the 5 highest paid executives of the company:

- A G Broad - General Manager Australian Operations (resigned 16 May 2008)
- M C Crocker - Group Engineering Manager
- M J Hughes - Chief Financial Officer
- A J McCulloch - Drill and Blast Manager Kalgoorlie (appointed General Manager Australian Operations 1 September 2008)
- B D Mann - General and Exploration Manager Kalgoorlie

The key management personnel of the Group are the directors of Ausdrill Limited as per pages 7 to 9 and the following executive officers, which are also the highest paid executives of the Group:

- A G Broad - General Manager Australian Operations (resigned 16 May 2008)
- M C Crocker - Group Engineering Manager
- M J Hughes - Chief Financial Officer
- J Kavanagh - General Manager African Operations
- B D Mann - General and Exploration Manager Kalgoorlie
- A J McCulloch - Drill and Blast Manager Kalgoorlie (appointed General Manager Australian Operations 1 September 2008)
- R C Marrell - General Manager - Diamond Communications

Key management personnel of Ausdrill Limited and the Group

2008	Short-term employee benefits				Post-employment benefits		Long-term benefits	Share-based payments	
Name	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Service bonus \$	Super-annuation \$	Retirement benefits \$	Long service leave \$	Options \$	Total \$
<i>Non-executive directors</i>									
T E O'Connor	90,000	-	-	-	8,100	-	-	-	98,100
J E Askew	60,000	-	-	-	5,400	-	-	-	65,400
G P Connell	30,000	-	-	-	2,700	-	-	-	32,700
T J Strapp	60,000	-	-	-	5,400	-	-	-	65,400
Sub-total non-executive directors	240,000	-	-	-	21,600	-	-	-	261,600
<i>Executive director</i>									
R G Sayers	228,115	-	20,000	-	106,061	-	7,665	-	361,841
<i>Other key management personnel</i>									
A G Broad	238,421	50,000	20,000	-	20,684	-	5,356	-	334,461
B D Mann	119,668	50,000	20,000	18,885	99,989	-	5,290	-	313,832
J Kavanagh	251,732	-	-	14,833	19,282	-	4,841	-	290,688
M J Hughes	191,080	50,000	-	13,808	17,197	-	5,016	-	277,101
M C Crocker	172,731	50,000	20,000	15,611	15,545	-	4,534	-	278,421
A J McCulloch	172,731	50,000	20,000	4,737	15,545	-	4,534	-	267,547
R C Marrell	82,731	50,000	20,000	8,668	105,546	-	4,534	-	271,479
Total key management personnel compensation	1,697,209	300,000	120,000	76,542	421,449	-	41,770	-	2,656,970

REMUNERATION REPORT (continued)

B Details of remuneration (continued)

Amounts of remuneration (continued)

2007

Name	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Super-annuation \$	Retirement benefits \$	Long service leave \$	Options \$	
<i>Non-executive directors</i>								
T E O'Connor	90,000	-	-	8,100	-	-	-	98,100
J E Askew	60,000	-	-	450	-	-	-	60,450
G P Connell	60,000	-	-	5,400	-	-	-	65,400
T J Strapp	60,000	-	-	5,400	-	-	-	65,400
Sub-total non-executive directors	270,000	-	-	19,350	-	-	-	289,350
<i>Executive director</i>								
R G Sayers	216,324	-	15,000	105,000	-	7,370	-	343,694
<i>Other key management personnel</i>								
A G Broad	206,000	50,000	15,000	18,540	-	5,150	-	294,690
B D Mann	137,230	50,000	15,000	73,979	-	4,844	-	281,053
M J Hughes	181,088	27,000	-	38,863	-	4,527	-	251,478
M C Crocker	166,088	40,000	15,000	24,948	-	4,152	-	250,188
A J McCulloch	156,725	50,000	15,000	24,311	-	4,152	-	250,188
C M Tuckwell	206,000	27,000	-	42,079	-	3,962	-	279,041
R C Marrell	76,088	50,000	15,000	104,948	-	4,152	-	250,188
Total key management personnel compensation	1,615,543	294,000	90,000	452,018	-	38,309	-	2,489,870

C Service agreements

Remuneration and other terms of employment for the Managing Director, Mr R G Sayers, are formalised in a service agreement. The major provisions of the agreement relating to remuneration are:

- Term of agreement - 4 years commencing 1 July 2005.
- Base salary, inclusive of superannuation, for the year ended 30 June 2008 of \$334,176 to be reviewed annually by the Remuneration Committee.
- Payment of a termination benefit upon completion of the agreement of \$650,000. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, of \$650,000 less \$60,000 per year of the contract period not completed.

All other key management personnel are employed on standard letters of appointment that provide for annual reviews of base salary and between 4 and 12 weeks of termination by either party.

D Share-based compensation

Options

Options are granted under the Ausdrill Employee Option Plan which was last approved by shareholders at the 2005 annual general meeting. All full time staff are eligible to participate in the plan at the discretion of the board.

Options are granted under the plan for no consideration. Options are granted for a five year period and become exercisable as follows:

- 16.67% after the first anniversary
- 33.33% after the second anniversary
- 50.00% after the third anniversary

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Shares provided on exercise of remuneration options

No options were issued or exercised during the year ending 30 June 2008.

Loans to directors and executives

No loans have been made to directors of Ausdrill Limited or the key management personnel of the Group, including their personally-related entities.

Share options granted to directors and the key management personnel

No options over unissued ordinary shares of Ausdrill Limited were granted during the prior or current year or since the end of the financial year to any directors or the key management personnel of the Company or Group as part of their remuneration.

Shares under option

There are no unissued ordinary shares of Ausdrill Limited under option at the date of this report.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium in respect of insuring the directors and officers of the Company and the Group. The insurance contract prohibits disclosure of the premium or the nature of liabilities insured against under the policy.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 32.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES110 Code of Ethics for Professional Accountants*

AUDITORS' INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'R G Sayers', with a stylized flourish at the end.

R G SAYERS
MANAGING DIRECTOR

Perth
30 September 2008

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwc.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Auditor's Independence Declaration

As lead auditor for the audit of Ausdrill Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ausdrill Limited and the entities it controlled during the period.



Justin Carroll
Partner
PricewaterhouseCoopers

Perth
30 September 2008

Corporate governance statement

Ausdrill Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. A periodic review of the Company's corporate governance framework is conducted to ensure compatibility with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council. The Company's framework is largely consistent with the recommendations, with departures from best practice recommendations occurring mainly due to the size of the company and its Board of Directors. The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the Board and senior management is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

THE BOARD OF DIRECTORS

The Board of Directors takes ultimate responsibility for corporate governance and operates in accordance with the following broad principles.

Board composition

- The Board should comprise between 3 and 7 directors
- The Board is to be comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman must be an independent non-executive director, the majority of the Board must be independent of management and all directors are required to bring independent judgement to bear in their Board decision-making
- The Chairman is elected by the full Board and is required to meet regularly with the Managing Director
- The Company is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience
- The Board undertakes an annual Board performance review and considers the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

Responsibilities

The responsibilities of the Board include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
 - ◆ organisational performance and the achievement of the Group's strategic goals and objectives
 - ◆ progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors
- appointment, performance assessment and, if necessary, removal of the Managing Director
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the Group Operation Managers and the Chief Financial Officer

- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

To assist in fulfilling its responsibilities, the Board has Audit and Remuneration Committees.

Board members

Details of the members of the Board, their experience, expertise, qualifications and term of office are set out in the directors' report under the heading "Information on directors". There are three non-executive directors of which Messrs O'Connor, Askew and Strapp are deemed independent at the date of signing the directors' report under the principles set out below. The Board has a majority of independent directors in accordance with the ASX Corporate Governance Council's best practice recommendations.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' independence

The Board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided
- not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Non-executive directors

The non-executive directors met twice during the year, without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings were shared with the full Board.

Term of office

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. One third of members of the Board, excluding the Managing Director, retire by rotation at every annual general meeting of the Company.

Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives.

The Managing Director is responsible for implementing Group strategies and policies. The roles of Chairman and Managing Director are separate roles to be undertaken by separate people.

Commitment

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2008, and the number of meetings attended by each director is disclosed on page 9.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2008.

The Board has determined that the Group is not large enough to justify the establishment of a Nomination Committee. This is not in compliance with the ASX Corporate Governance Council's best practice recommendations but considered appropriate for a Company and Board of this size.

Prior to appointment, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflict of interests

Mr R G Sayers and entities connected with Mr R G Sayers had business dealings with the Group during the year, as described in note 31 to the financial statements. The director concerned declared his interest in those dealings to the Company and took no part in decisions relating to them or the preceding discussions.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

The Board undertakes an annual self assessment of its collective performance, the performance of the Chairman and of its committees.

Corporate reporting

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Board committees

The Board has established audit and remuneration committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The Audit Committee is comprised entirely of non-executive directors while the Managing Director is considered a key member of the Remuneration Committee. The committee structure and membership is reviewed on an annual basis.

Each committee has its own role and responsibilities, structure, membership requirements and method of operation. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

Minutes of committee meetings are tabled at the immediately subsequent Board meeting.

REMUNERATION COMMITTEE

The Remuneration Committee consists of the following directors:

T E O'Connor (Chairman)
J E Askew
R G Sayers

Details of the qualifications and attendance at Remuneration Committee meetings are set out in the directors' report on pages 7 to 9. Mr O'Connor and Mr Askew are deemed independent directors in accordance with principles detailed on page 18, while the inclusion of Mr Sayers, the Managing Director, on the committee is considered necessary for the Committee to be effective and discharge its responsibilities.

The main responsibilities of the Remuneration Committee are to advise the Board on remuneration and incentive policies and practices generally, and make specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Committee members obtain relevant comparative information and seek independent advice on recent developments on remuneration and related matters. The Committee ensures compliance with the established remuneration framework of the Company. Further details and information on directors' and executives' remuneration is set out in the directors' report under the heading "Remuneration Report".

The Remuneration Committee's responsibilities include the review of any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction is in compliance with the Corporations Act 2001 and are appropriately disclosed. Further information on related party transactions are set out in notes 31 and 35.

AUDIT COMMITTEE

The Audit Committee consists of the following non-executive directors:

T J Strapp (Chairman)
J E Askew
T E O'Connor

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 7 to 9. Messrs Strapp, Askew and O'Connor are deemed independent directors in accordance with the principles detailed on page 18.

The Audit Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the Company or released to the market
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
 - ◆ effectiveness and efficiency of operations
 - ◆ reliability of financial reporting
 - ◆ compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditors
- meets with the external auditors at least twice a year, or more frequently if necessary
- reviews the processes the Managing Director and CFO have in place to support their certifications to the Board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- meets separately with the external auditors at least twice a year without the presence of management
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

EXTERNAL AUDITORS

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers was appointed as the external auditor in 1989. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2007.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 32 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

RISK ASSESSMENT AND MANAGEMENT

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company website. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

Detailed control procedures cover financial reporting, management accounting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

A corporate strategy workshop attended by senior management is held annually over several days. The purpose of the workshop is to review the Group's strategic direction in detail and includes specific focus on the identification of the key business and financial risks which could prevent the Company from achieving its objectives.

THE ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT SYSTEM (EHSMS)

The Group recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance and compliance where applicable.

The Group aims to:

- comply with all relevant legislation where required
- continually assess and improve the impact of its operations on the environment
- encourage employees to actively participate in the management of environmental and OH&S issues
- work with trade associations representing the Group's businesses to raise standards
- use energy and other resources efficiently, and
- encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

The Group is not subject to any significant environmental regulations but is committed to reducing the impact of its operations on the environment. Our clients have obligations under environmental regulations. We comply with our contractual obligations in this regard.

CODE OF CONDUCT

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

The objective of the Code is to ensure that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies. A copy of the Code is available on the Company's website.

TRADING IN COMPANY SECURITIES

The purchase and sale of Company securities by Directors, the Group Operation Managers, the Chief Financial Officer, the Company Secretary, and other senior executives, are only permitted during the forty two (42) day period following the release of the half-yearly and annual financial results to the market. However, no trading is permitted during this period if the person is aware of any price sensitive information. The details of any transactions must be notified to the Company Secretary.

Other employees are free to trade in Company securities unless they are aware of or in possession of any price sensitive information. Employees are required to obtain confirmation from the Company Secretary if they have any doubt whether they are able to trade in company securities.

The prohibitions extend to the related entities and families of the restricted person.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company occasionally hosts one-on-one briefings for institutional investors and analysts to discuss information previously released to the market and to provide background information to assist analysts and institutions in their understanding of the Company's business. The briefings are generally conducted by the Managing Director and the Chief Financial Officer with the Company Secretary in attendance to consider whether any price sensitive information is inadvertently disclosed.

The Managing Director, the Chief Financial Officer and the Company Secretary will correct factual inaccuracies or historical matters when reviewing analyst's reports. The Company will not provide price sensitive information or earnings guidance unless it has previously been disclosed to the market.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's web site as soon as it is disclosed to the ASX.

All shareholders receive a copy of the Company's annual reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all Company announcements, media briefings, details of Company meetings, press releases for the last three years, and financial reports for the last 10 years available on the Company's website: **www.ausdrill.com.au**.

Ausdrill Limited ABN 95 009 211 474

Annual report - 30 June 2008

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This financial report covers both the separate financial statements of Ausdrill Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Ausdrill Limited and its subsidiaries. The financial report is presented in the Australian currency.

Ausdrill Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ausdrill Limited
6-12 Uppsala Place
CANNING VALE WA 6155

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors and Managing Director's Report on Operations commencing on page 2 and in the Directors' Report on pages 6-15, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2008. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.ausdrill.com.au.

For queries in relation to our reporting please call the Company Secretary on (08) 9311 5666 or e-mail ausdrill@ausdrill.com.au.

Ausdrill Limited
Income statements
For the year ended 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations	5	390,984	368,162	174,944	138,315
Other income	6	3,915	2,833	379	234
Materials		(153,875)	(168,522)	(42,033)	(37,207)
Labour		(116,039)	(96,767)	(67,970)	(52,115)
Rental and hire	7	(4,944)	(4,411)	(2,940)	(2,225)
Depreciation expense	7	(28,890)	(26,996)	(10,718)	(8,121)
Finance costs	7	(9,148)	(7,547)	(3,105)	(1,995)
Internal management fee		-	-	(1,830)	(1,655)
Write-down in carrying value of investment in controlled entity	7	-	-	744	(1,739)
Write-down in carrying value of loan to controlled entity	7	-	-	(761)	(156)
Other expenses from ordinary activities		(32,011)	(30,903)	(10,281)	(7,388)
Takeover defence costs		(379)	-	(379)	-
Share of net profits of associates accounted for using the equity method		861	740	-	-
Profit before income tax expense		50,474	36,589	36,050	25,948
Income tax expense	8	(15,142)	(9,970)	(11,129)	(7,429)
Profit from continuing operations		35,332	26,619	24,921	18,519
Profit from discontinued operations	43	-	925	-	-
Profit for the year		35,332	27,544	24,921	18,519
		Cents	Cents		
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
Basic and diluted earnings per share	42	22.72	20.17		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic and diluted earnings per share	42	22.72	20.87		

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

Ausdrill Limited
Balance sheets
As at 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	88,956	48,555	63,212	30,992
Trade and other receivables	10	72,030	54,501	29,630	19,710
Inventories	11	55,074	33,966	14,573	9,521
Total current assets		<u>216,060</u>	<u>137,022</u>	<u>107,415</u>	<u>60,223</u>
Non-current assets					
Receivables	12	4,574	1,055	121,719	55,244
Investments accounted for using the equity method	13	1,858	2,340	-	-
Available-for-sale financial assets	14	1,061	1,636	940	1,480
Other financial assets	15	-	-	1,289	546
Property, plant and equipment	16	275,599	164,899	86,174	57,894
Deferred tax assets	17	82	133	877	-
Intangible assets	18	3,836	-	-	-
Total non-current assets		<u>287,010</u>	<u>170,063</u>	<u>210,999</u>	<u>115,164</u>
TOTAL ASSETS		<u>503,070</u>	<u>307,085</u>	<u>318,414</u>	<u>175,387</u>
LIABILITIES					
Current liabilities					
Trade and other payables	19	59,964	48,563	26,834	17,117
Borrowings	20	37,131	28,608	13,045	9,622
Current tax liabilities	21	11,840	3,921	11,768	3,465
Provisions	22	2,728	2,527	1,696	1,336
		<u>111,663</u>	<u>83,619</u>	<u>53,343</u>	<u>31,540</u>
Liabilities of a disposal group held for sale		<u>56</u>	<u>63</u>	<u>-</u>	<u>-</u>
Total current liabilities		<u>111,719</u>	<u>83,682</u>	<u>53,343</u>	<u>31,540</u>
Non-current liabilities					
Payables	23	-	-	1,281	718
Borrowings	24	98,777	68,896	38,615	23,003
Deferred tax liabilities	25	10,674	2,470	-	1,362
Provisions	26	1,168	806	689	576
Total non-current liabilities		<u>110,619</u>	<u>72,172</u>	<u>40,585</u>	<u>25,659</u>
TOTAL LIABILITIES		<u>222,338</u>	<u>155,854</u>	<u>93,928</u>	<u>57,199</u>
NET ASSETS		<u>280,732</u>	<u>151,231</u>	<u>224,486</u>	<u>118,188</u>
EQUITY					
Contributed equity	27	191,528	95,826	191,528	95,826
Reserves	28(a)	10,822	(2,816)	1,290	444
Retained profits	28(b)	78,382	58,221	31,668	21,918
TOTAL EQUITY		<u>280,732</u>	<u>151,231</u>	<u>224,486</u>	<u>118,188</u>

The above balance sheets should be read in conjunction with the accompanying notes.

Ausdrill Limited
Statements of changes in equity
For the year ended 30 June 2008

	Notes	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Total equity at the beginning of the financial year		<u>151,231</u>	<u>135,628</u>	<u>118,188</u>	<u>106,184</u>
Gain on revaluation of land and buildings, net of tax	28	18,886	-	1,224	-
Changes in the fair value of available-for-sale financial assets, net of tax	28	(417)	530	(378)	444
Exchange differences on translation of foreign operations	28	(4,831)	(5,512)	-	-
Net income / (expense) recognised directly in equity		13,638	(4,982)	846	444
Profit for the year		<u>35,332</u>	<u>27,544</u>	<u>24,921</u>	<u>18,519</u>
Total recognised income and expense for the year		<u>48,970</u>	<u>22,562</u>	<u>25,767</u>	<u>18,963</u>
Contributions of equity, net of transaction costs	27	95,702	2,228	95,702	2,228
Dividends provided for or paid	29	(15,171)	(9,187)	(15,171)	(9,187)
		<u>80,531</u>	<u>(6,959)</u>	<u>80,531</u>	<u>(6,959)</u>
Total equity at the end of the financial year		<u>280,732</u>	<u>151,231</u>	<u>224,486</u>	<u>118,188</u>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Ausdrill Limited
Cash flow statements
For the year ended 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
Note		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		394,364	377,303	169,723	144,567
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(341,439)</u>	<u>(320,928)</u>	<u>(136,901)</u>	<u>(116,132)</u>
		52,925	56,375	32,822	28,435
Interest received		3,829	2,557	3,147	2,551
Interest and other costs of finance paid		(9,056)	(7,435)	(3,036)	(1,898)
Income taxes paid		(5,297)	(3,881)	(3,955)	(2,071)
Dividend received from associates		621	604	-	-
Dividend received		15	-	15	541
Reimbursements received from tax consolidated entities		-	-	4,268	-
Net cash inflow from operating activities	40	<u>43,037</u>	<u>48,220</u>	<u>33,261</u>	<u>27,558</u>
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired	36	(3,609)	-	-	-
Payments for property, plant and equipment		(83,499)	(37,977)	(6,404)	(8,527)
Proceeds from sale of property, plant and equipment		4,070	14,230	886	4,254
Loans to related parties		(3,840)	(1,055)	(62,503)	(8,140)
Payment for purchase of equity instruments		(1,774)	(100)	-	-
Proceeds from sale of property of discontinued operation		-	1,477	-	-
Payments for available-for-sale financial assets		(21)	(778)	-	(750)
Repayment of other loans		-	3,312	-	3,312
Net cash outflow from investing activities		<u>(88,673)</u>	<u>(20,891)</u>	<u>(68,021)</u>	<u>(9,851)</u>
Cash flows from financing activities					
Proceeds from issues of shares		91,617	-	91,617	-
Proceeds from secured borrowings		40,367	18,968	-	-
Repayment of secured borrowings		(14,056)	(18,525)	-	-
Repayment of unsecured borrowings		(20)	(53)	-	-
Repayment of hire purchase and lease liabilities		(18,656)	(16,506)	(12,351)	(12,075)
Dividends paid to company's shareholders	29(a)	<u>(12,286)</u>	<u>(6,959)</u>	<u>(12,286)</u>	<u>(6,959)</u>
Net cash inflow (outflow) from financing activities		<u>86,966</u>	<u>(23,075)</u>	<u>66,980</u>	<u>(19,034)</u>
Net increase (decrease) in cash and cash equivalents		41,330	4,254	32,220	(1,327)
Cash and cash equivalents at the beginning of the financial year		48,555	45,425	30,992	32,319
Effects of exchange rate changes on cash and cash equivalents		(929)	(1,124)	-	-
Cash and cash equivalents at end of year	9	<u>88,956</u>	<u>48,555</u>	<u>63,212</u>	<u>30,992</u>
Financing arrangements	24				
Non-cash financing and investing activities	41				

The above cash flow statements should be read in conjunction with the accompanying notes.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Ausdrill Limited as an individual entity and the consolidated entity consisting of Ausdrill Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Ausdrill Limited complies with International Financial Reporting Standards (IFRS).

Early adoption of standards

The Group has decided not to early adopt the standards stated in note 1(ad).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ausdrill Limited ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Ausdrill Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(ab)).

Changes in the parent's ownership of a subsidiary without gain or loss of control of the subsidiary are accounted for using the economic method. Under this method, transactions with minority shareholders in the subsidiary are treated as transactions between owners of the Group. Any gains or losses associated with the sale of an interest in a subsidiary, without loss of control, recognised in the parent entity's financial statements are eliminated on consolidation. Any consideration paid for the purchase of a minority interest is eliminated against the carrying value of the minority interest with any excess treated as a distribution from the parent's ownership group to the minority interest ownership group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Ausdrill Limited.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 38).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in the reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity financial statements and in the consolidated financial statements by reducing the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Ausdrill Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Ausdrill Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Ausdrill Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

In addition to its own current and deferred tax amounts, Ausdrill Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Inventories

(i) Consumables and store items

Consumables and store items are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Contract services

Sales are recognised monthly on the basis of units of production at agreed contract rates.

(ii) Mining supplies and manufactured goods

Sales are recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 90 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (notes 10 and 12).

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair value of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the loss - measured as the difference between the acquisition cost and the current fair value is recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate market price for financial liabilities is the current ask price.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(m) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation.

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings	25 years
- Plant and equipment	2 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Change in Accounting Policy

The policy of accounting for land and buildings at fair value less subsequent depreciation was adopted for the first time in the current financial year. In previous reporting periods, land and buildings were stated at historical cost less accumulated depreciation.

This change in accounting policy provides more relevant information regarding the fair value of land and buildings. The new policy has been applied prospectively.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (note 4).

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit.

(iii) Designs and Drawings

Designs and drawings acquired as part of a business combination are recognised separately from goodwill. The designs and drawings are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the projected technical life of the design and drawings, which is expected to be five years.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 to 60 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

The fair value of options granted under the Ausdrill Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(iv) Employee benefits on-costs

Employee benefits on-costs, including payroll tax, are recognised and included in employee benefits liabilities and expense when the employee benefits to which they relate are recognised as liabilities.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred. Significant costs incurred in overhauling plant and equipment are capitalised and depreciated over the remaining useful life of the asset or the component in accordance with note 1(m).

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(x) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 16). Finance leases are capitalised at the lease's inception at the fair value of the leased property, plant and equipment or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 34). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(z) Financial instrument transaction costs

Transaction costs relating to financial instrument transactions are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) Business combinations

The purchase method of accounting is used to account for business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(n)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(ac) Deferred settlement of cash consideration

Where any part of the cash consideration receivable or payable on the disposal or acquisition of an asset is deferred, the fair value of the consideration is determined by discounting the amount receivable / payable to its present value. The discount rate used is based on the market rate at which borrowings can be made under comparable terms and conditions.

(ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial statements. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) New accounting standards and interpretations (continued)

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iv) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:

- all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income
- all transaction cost will be expensed
- the Group will need to decide whether to continue calculating goodwill based only on the parent's share of net assets or whether to recognise goodwill also in relation to the non-controlling (minority) interest, and
- when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e., not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and other price risks and aging analysis for credit risk.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	88,956	48,555	63,212	30,992
Trade and other receivables	72,030	54,501	29,630	19,710
Non current receivables	4,574	1,055	121,719	55,244
Available-for-sale financial assets	1,061	1,636	940	1,480
Other financial assets	-	-	1,289	546
	<u>166,621</u>	<u>105,747</u>	<u>216,790</u>	<u>107,972</u>
Financial liabilities				
Trade and other payable	60,020	48,626	28,115	17,835
Borrowings	<u>135,908</u>	<u>97,504</u>	<u>51,660</u>	<u>32,625</u>
	<u>195,928</u>	<u>146,130</u>	<u>79,775</u>	<u>50,460</u>

2 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The currencies in which these transactions primarily are denominated are AUD, USD, ZAR, EURO and GBP.

The Group hedges its USD trade receivables that are denominated in a currency that is foreign to its functional currency. The Group uses forward exchange contracts to hedge its foreign currency risk. All of the forward exchange contracts have maturities of less than 6 months.

The Group hedges large capital expenditure items acquired in US dollars that are to be delivered over a long period of time.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group ensures that the net exposure is kept to an acceptable level by matching foreign denominated financial assets with matching financial liabilities and vice versa.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2008	30 June 2007
	USD	USD
	\$'000	\$'000
Cash	8439	1,534
Trade receivables	1,445	1,941

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars.

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
AUD				
USD	0.8972	0.7703	0.9588	0.8503

2 FINANCIAL RISK MANAGEMENT (continued)

Sensitivity Analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated	
	Equity	Profit or Loss
	A\$'000	A\$'000
30 June 2008		
USD	(937)	(937)
30 June 2007		
USD	(372)	(372)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Price risk

The Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale. Neither the Group nor the parent entity are exposed to commodity price risk.

If the quoted prices had increased / decreased by 10%, with all other variables held constant, the Group's equity would have increased / decreased by \$75,804. The parent entity's equity would have increased / decreased by \$65,800.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risks arise from cash, cash equivalents and long-term borrowings. Cash, cash equivalents and borrowings issued at variable rates expose the Company and the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2008 and 2007, the Group's borrowings at variable rate were denominated in Australian Dollars.

Refer to note 24(d) for the impact of fair value risk on borrowings.

Refer to note 2(c) Liquidity Risk for cash, cash equivalents and variable interest rate exposure.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash and Cash Equivalents	88,956	48,555	63,212	30,992
Variable Rate Borrowings	1,743	1,476	-	-

Group sensitivity

At 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$841,614 higher/lower (2007 – change of 100 bps: \$438,713 higher/lower), mainly as a result of higher/lower interest income from these variable interest rate financial assets.

Parent sensitivity

At 30 June 2008, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$632,120 higher/lower (2007 – change of 100 bps: \$309,920 higher/lower), mainly as a result of higher/lower interest income from these variable interest rate financial assets.

2 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 2(a)(i).

The parent entity's financial assets include intercompany loans and receivables that do not represent a significant credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties. Financial guarantees are generally only provided to wholly-owned subsidiaries or for purposes of entering into equipment lease and hire purchase arrangements, and premise rental agreements. Details of outstanding guarantees are provided in note 33(a).

The Group's credit policy requires each new customer to be individually analysed for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings when available and credit references from previous customers. Purchase limits are established for each customer. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis.

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(AUD)				
Australia	47,015	31,866	29,525	19,663
Africa	25,205	19,948	-	-
Asia	616	273	-	-
Europe	313	652	-	-
	<u>73,150</u>	<u>52,739</u>	<u>29,525</u>	<u>19,663</u>

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(AUD)				
Blue Chip (including subsidiaries)*	33,846	23,813	18,442	9,879
Government	5,904	4,883	264	-
Other	33,400	24,043	10,819	9,784
	<u>73,150</u>	<u>52,739</u>	<u>29,525</u>	<u>19,663</u>

* Blue Chip meaning international mining companies or Australian companies with significant domestic operations.

2 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. The group policy is to maintain a net debt to equity ratio of no greater than 70%.

Financing arrangements

The Group and the parent entity had access to undrawn borrowing facilities at the reporting date. See note 24(c) for details.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group - At 30 June 2008	Carrying Amount liabilities \$'000	Total contractual cash flows \$'000	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
Non-derivatives							
Non-interest bearing	60,020	60,020	60,020	-	-	-	-
Variable rate	1,743	2,305	210	210	419	1,257	209
Fixed rate	<u>134,165</u>	<u>155,683</u>	<u>23,771</u>	<u>21,932</u>	<u>42,154</u>	<u>67,189</u>	<u>637</u>
Total non-derivatives	<u>195,928</u>	<u>218,008</u>	<u>84,001</u>	<u>22,142</u>	<u>42,573</u>	<u>68,446</u>	<u>846</u>
Group - At 30 June 2007	Carrying Amount liabilities \$'000	Total contractual cash flows \$'000	Less than 6 months. \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	
Non-derivatives							
Non-interest bearing	48,626	48,626	48,626	-	-	-	-
Variable rate	1,476	1,887	73	145	290	871	508
Fixed rate	<u>96,028</u>	<u>111,448</u>	<u>17,583</u>	<u>16,903</u>	<u>28,292</u>	<u>47,655</u>	<u>1,015</u>
Total non-derivatives	<u>146,130</u>	<u>161,961</u>	<u>66,282</u>	<u>17,048</u>	<u>28,582</u>	<u>48,526</u>	<u>1,523</u>
Parent - At 30 June 2008	Carrying Amount liabilities \$'000	Total contractual cash flows \$'000	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
Non-derivatives							
Non-interest bearing	26,834	26,834	26,834	-	-	-	-
Variable rate	1,281	1,406	-	-	1,406	-	-
Fixed rate	<u>51,660</u>	<u>60,445</u>	<u>8,626</u>	<u>8,055</u>	<u>15,708</u>	<u>28,056</u>	-
Total non-derivatives	<u>79,775</u>	<u>88,685</u>	<u>35,460</u>	<u>8,055</u>	<u>17,114</u>	<u>28,056</u>	-

2 FINANCIAL RISK MANAGEMENT (continued)

Parent - At 30 June 2007	Carrying Amount liabilities \$'000	Total contractual cash flows \$'000	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
Non-derivatives							
Non-interest bearing	17,117	17,117	17,117	-	-	-	-
Variable rate	718	772	-	-	772	-	-
Fixed rate	<u>32,625</u>	<u>37,560</u>	<u>6,219</u>	<u>5,440</u>	<u>8,738</u>	<u>17,163</u>	-
Total non-derivatives	<u>50,460</u>	<u>55,449</u>	<u>23,336</u>	<u>5,440</u>	<u>9,510</u>	<u>17,163</u>	-

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its plant and equipment. This estimate is based on historical assessments of the useful life obtained from similar equipment. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down assets where the useful life of the asset is considered to have expired.

Were the actual useful lives of the plant and equipment to differ by 10% from management's estimates, the carrying amount of the plant and equipment would be an estimated \$2,889,000 higher or \$2,889,000 lower.

(b) Critical judgements in applying the entity's accounting policies

There have been no critical judgements used in preparing the Company's financial statements for the year ended 30 June 2008.

4 SEGMENT INFORMATION

(a) Description of segments

Geographical segments

Although the consolidated entity's divisions are managed on a global basis they operate in four main geographical areas:

Australia

The home country of the parent entity which is also the main operating entity. The areas of operation are principally contract mining services, procurement and logistic services and other contracting services.

Africa

The areas of operation are contract mining services and procurement and logistics services.

The Americas

Comprises the discontinued operations in Chile.

The United Kingdom

The area of operation is procurement and logistics services.

Business segments

The company and consolidated entity operates predominantly in one industry being the supply of services to the mining industry. These services consist of :

Contract Mining

Open pit mining services including load and haul, drill and blast and exploration drilling services.

Procurement and Logistics

Contract services for procurement, packaging, freight forwarding and custom clearance.

Other Contracting Services

Includes contract services to utility infrastructure organisations.

4 SEGMENT INFORMATION (continued)

(b) Primary reporting- Geographical segments

2008	Australia \$'000	Africa \$'000	The United Kingdom \$'000	Total continuing operations \$'000	Discontinued operation The Americas (note 43) \$'000	Consolidated \$'000
Segment revenue						
Sales to external customers	241,805	139,623	5,713	387,141	-	387,141
Intersegment sales	8,773	12	398	9,183	-	9,183
Total sales revenue	250,578	139,635	6,111	396,324	-	396,324
Other revenue	4,339	207	22	4,568	-	4,568
Total segment revenue	254,917	139,842	6,133	400,892	-	400,892
Intersegment elimination				(9,908)	-	(9,908)
Consolidated revenue				390,984	-	390,984
Segment result	35,222	15,060	34	50,316	-	50,316
Intersegment elimination				158	-	158
Profit before income tax				50,474	-	50,474
Income tax expense				(15,142)	-	(15,142)
Profit for the year				35,332	-	35,332
Segment assets and liabilities						
Segment assets	394,229	150,154	1,443	545,826	800	546,626
Intersegment elimination				(43,638)	-	(43,638)
Unallocated assets				82	-	82
Total assets				502,270	800	503,070
Segment liabilities	124,374	101,178	1,940	227,492	56	227,548
Intersegment elimination				(27,724)	-	(27,724)
Unallocated liabilities				22,514	-	22,514
Total liabilities				222,282	56	222,338
Other segment information						
Investments in associates	1,858	-	-	1,858	-	1,858
Share of net profits of associates	861	-	-	861	-	861
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	71,042	48,173	10	119,225	-	119,225
Depreciation and amortisation expense	17,240	11,644	6	28,890	-	28,890

4 SEGMENT INFORMATION (continued)

2007	Australia \$'000	Africa \$'000	The United Kingdom \$'000	Total continuing operations \$'000	Discontinued operation The Americas (note 43) \$'000	Consolidated \$'000
Segment revenue						
Sales to external customers	202,779	156,730	6,096	365,605	-	365,605
Intersegment sales	<u>5,180</u>	<u>96</u>	<u>370</u>	<u>5,646</u>	-	<u>5,646</u>
Total sales revenue	207,959	156,826	6,466	371,251	-	371,251
Other revenue	<u>2,665</u>	<u>238</u>	<u>6</u>	<u>2,909</u>	<u>1,327</u>	<u>4,236</u>
Total segment revenue	<u>210,624</u>	<u>157,064</u>	<u>6,472</u>	<u>374,160</u>	<u>1,327</u>	<u>375,487</u>
Intersegment elimination				<u>(5,998)</u>	-	<u>(5,998)</u>
Consolidated revenue				<u>368,162</u>	<u>1,327</u>	<u>369,489</u>
Segment result	<u>23,390</u>	<u>13,401</u>	<u>87</u>	<u>36,878</u>	<u>925</u>	<u>37,803</u>
Intersegment elimination				<u>(289)</u>	-	<u>(289)</u>
Profit before income tax				36,589	925	37,514
Income tax expense				<u>(9,970)</u>	-	<u>(9,970)</u>
Profit for the year				<u>26,619</u>	<u>925</u>	<u>27,544</u>
Segment assets and liabilities						
Segment assets	<u>219,610</u>	<u>106,520</u>	<u>1,353</u>	327,483	934	328,417
Intersegment elimination				<u>(21,332)</u>	-	<u>(21,332)</u>
Total assets				<u>306,151</u>	<u>934</u>	<u>307,085</u>
Segment liabilities	<u>88,342</u>	<u>64,571</u>	<u>1,838</u>	154,751	63	154,814
Intersegment elimination				<u>(5,352)</u>	-	<u>(5,352)</u>
Unallocated liabilities				<u>6,392</u>	-	<u>6,392</u>
Total liabilities				<u>155,791</u>	<u>63</u>	<u>155,854</u>
Other segment information						
Investments in associates	<u>2,340</u>	-	-	<u>2,340</u>	-	<u>2,340</u>
Share of net profits of associates	<u>740</u>	-	-	<u>740</u>	-	<u>740</u>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	<u>48,622</u>	<u>25,495</u>	<u>3</u>	<u>74,120</u>	-	<u>74,120</u>
Depreciation and amortisation expense	<u>13,881</u>	<u>13,105</u>	<u>10</u>	<u>26,996</u>	<u>21</u>	<u>27,017</u>

(c) Secondary reporting - Business segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Contract mining services	313,235	277,268	477,422	278,668	118,215	71,473
Procurement and logistics services to the mining industry	48,841	57,932	14,523	13,572	307	1,312
Other contracting services	25,065	30,405	10,243	13,911	703	1,335
Discontinuing operations	-	-	800	934	-	-
Unallocated assets	-	-	82	-	-	-
Total assets	<u>387,141</u>	<u>365,605</u>	<u>503,070</u>	<u>307,085</u>	<u>119,225</u>	<u>74,120</u>

4 SEGMENT INFORMATION (continued)

(d) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and borrowings. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

(iii) Equity-accounted investments

The Group owns 50% of African Underground Mining Services Ltd, a company that provides underground mining services in Ghana, and Westrans Services WA Pty Ltd, a company that provides services to the transport industry in W.A., which are accounted for using the equity method and allocated to the Australia segment.

5 REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
From continuing operations				
Sales Revenue	<u>387,141</u>	<u>365,605</u>	<u>162,989</u>	<u>132,253</u>
<i>Other revenue</i>				
Dividends	15	-	15	541
Interest - Related parties	82	63	9,605	3,589
Interest - Others	<u>3,746</u>	<u>2,494</u>	<u>2,335</u>	<u>1,932</u>
	<u>3,843</u>	<u>2,557</u>	<u>11,955</u>	<u>6,062</u>
	<u>390,984</u>	<u>368,162</u>	<u>174,944</u>	<u>138,315</u>
From discontinued operations (note 43)				
Other revenue	<u>-</u>	<u>1,327</u>	<u>-</u>	<u>-</u>

6 OTHER INCOME

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net gain on disposal of property, plant and equipment	2,003	1,651	345	137
Other	<u>1,912</u>	<u>1,182</u>	<u>34</u>	<u>97</u>
	<u>3,915</u>	<u>2,833</u>	<u>379</u>	<u>234</u>

7 EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation

Buildings	497	1,404	65	73
Plant and equipment	<u>28,393</u>	<u>25,592</u>	<u>10,653</u>	<u>8,048</u>
Total depreciation	<u>28,890</u>	<u>26,996</u>	<u>10,718</u>	<u>8,121</u>

Finance costs

Hire purchase interest	4,257	2,837	2,994	1,898
Interest paid/payable- other	<u>4,891</u>	<u>4,710</u>	<u>111</u>	<u>97</u>
Finance costs expensed	<u>9,148</u>	<u>7,547</u>	<u>3,105</u>	<u>1,995</u>

Rental expense relating to operating leases

Minimum lease payments	4,944	4,411	2,940	2,225
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Net foreign exchange losses	1,606	541	-	-
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Impairment losses - financial assets

Trade receivables	726	540	120	143
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Cost of goods sold	49,150	53,623	-	-
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Write-down of:

Loan to controlled entity	-	-	761	156
Investment in controlled entity	-	-	(744)	1,739

8 INCOME TAX EXPENSE

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense				
Current tax	12,996	6,708	12,240	7,256
Deferred tax	2,068	3,572	(1,408)	387
Adjustments for current tax of prior periods	78	(310)	297	(214)
	<u>15,142</u>	<u>9,970</u>	<u>11,129</u>	<u>7,429</u>
Deferred income tax expense (revenue) included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 17)	51	1,448	(46)	-
Increase (decrease) in deferred tax liabilities (note 25)	2,068	2,124	(1,362)	387
	<u>2,119</u>	<u>3,572</u>	<u>(1,408)</u>	<u>387</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	50,474	36,589	36,050	25,948
Tax at the Australian tax rate of 30% (2007 - 30%)	15,142	10,977	10,815	7,784
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share of net profits of associates	(258)	(222)	-	-
Difference in tax rates	216	175	-	-
Other non (assessable) / deductible items	(36)	(650)	17	(141)
	<u>15,064</u>	<u>10,280</u>	<u>10,832</u>	<u>7,643</u>
Under (over) provision in prior years	78	(310)	297	(214)
Income tax expense	<u>15,142</u>	<u>9,970</u>	<u>11,129</u>	<u>7,429</u>

(c) Tax consolidation legislation

Ausdrill Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Ausdrill Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ausdrill Limited for any current tax payable assumed and are compensated by Ausdrill Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ausdrill Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	<u>88,956</u>	<u>48,555</u>	<u>63,212</u>	<u>30,992</u>
	<u>88,956</u>	<u>48,555</u>	<u>63,212</u>	<u>30,992</u>

(a) Cash at bank

The bank accounts are bearing floating interest rates of between 1.25% and 7.02% (2007 - 1.25% and 6.20%).

10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net trade receivables				
Trade receivables	62,151	46,546	28,540	18,776
Provision for impairment of receivables	<u>(1,532)</u>	<u>(972)</u>	<u>(240)</u>	<u>(120)</u>
	<u>60,619</u>	<u>45,574</u>	<u>28,300</u>	<u>18,656</u>
Other debtors				
Other debtors	7,957	6,110	1,225	1,007
Prepayments	<u>3,454</u>	<u>2,817</u>	<u>105</u>	<u>47</u>
	<u>72,030</u>	<u>54,501</u>	<u>29,630</u>	<u>19,710</u>

(a) Impaired trade receivables

As at 30 June 2008 current trade receivables of the Group with a nominal value of \$3,941,868 (2007: \$1,698,022) were impaired. The amount of the provision was \$1,531,861 (2007: \$971,694). As at 30 June 2008 current trade receivables of the Parent with a nominal value of \$2,857,881 (2007: \$208,685) were impaired. The amount of the provision was \$240,000 (2007: \$120,000).

The ageing of these receivables is as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
3 to 6 months	459	846	-	209
Over 6 months	<u>3,483</u>	<u>852</u>	<u>2,858</u>	<u>-</u>
	<u>3,942</u>	<u>1,698</u>	<u>2,858</u>	<u>209</u>

10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

(b) Past due but not impaired receivables

As at 30 June 2008, current trade receivables of the Group with nominal value of \$13,008,278 (2007: \$14,903,353) were past due but not impaired. As at 30 June 2008, current trade receivables of the Parent with a nominal value of \$2,401,996 (2007: \$4,894,398) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these trade receivables is as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Up to 2 months	11,362	14,903	2,402	3,568
Over 2 months	<u>1,646</u>	<u>-</u>	<u>-</u>	<u>1,326</u>
	<u>13,008</u>	<u>14,903</u>	<u>2,402</u>	<u>4,894</u>

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At 1 July 2007	972	763	120	-
Provision for impairment recognised during the year	726	635	120	120
Receivables written off during the year as uncollectable	-	(95)	-	-
Unused amount reversed	<u>(166)</u>	<u>(331)</u>	<u>-</u>	<u>-</u>
	<u>1,532</u>	<u>972</u>	<u>240</u>	<u>120</u>

The creation and release of the provision for impaired receivables has been included in other expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(c) Other Debtors

This amount includes operating expense rebates and an amount recoverable from an insurance claim.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group.

11 CURRENT ASSETS - INVENTORIES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Consumables and store items				
- at cost	<u>55,074</u>	<u>33,966</u>	<u>14,573</u>	<u>9,521</u>

12 NON-CURRENT ASSETS - RECEIVABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Related party receivables				
Loans to controlled entities (note 35)	-	-	123,035	55,800
Less: Provision for doubtful receivable	-	-	(1,316)	(556)
	<u>-</u>	<u>-</u>	<u>121,719</u>	<u>55,244</u>
Loans to associated entities	4,574	1,055	-	-
	<u>4,574</u>	<u>1,055</u>	<u>121,719</u>	<u>55,244</u>

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired and equate to their fair value.

These receivables equate to their fair value as they bear interest at current market rates.

13 NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Shares in associates (note 38)	<u>1,858</u>	<u>2,340</u>	<u>-</u>	<u>-</u>

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

14 NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At beginning of year	1,636	99	1,480	-
Additions	21	780	-	846
Revaluation adjustment	(596)	757	(540)	634
At end of year	<u>1,061</u>	<u>1,636</u>	<u>940</u>	<u>1,480</u>
Listed equity securities	<u>1,061</u>	<u>1,636</u>	<u>940</u>	<u>1,480</u>
Total equity securities	<u>1,061</u>	<u>1,636</u>	<u>940</u>	<u>1,480</u>

(a) Non-current assets pledged as security

Refer to note 24(b) for information on non-current assets pledged as security by the parent entity or its controlled entities.

15 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Other (non-traded) investments				
Shares in controlled entities - at cost (note 37)	-	-	1,289	546
	-	-	1,289	546

These financial assets are carried at cost.

16 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land and buildings \$'000	Plant and equipment - at cost \$'000	Plant and equipment under finance - at cost \$'000	Total \$'000
At 1 July 2006				
Cost	15,202	132,070	115,277	262,549
Accumulated depreciation	(1,735)	(93,112)	(30,795)	(125,642)
Net book amount	13,467	38,958	84,482	136,907
Year ended 30 June 2007				
Opening net book amount	13,467	38,958	84,482	136,907
Exchange differences	(174)	(1,782)	(4,954)	(6,910)
Additions	1,866	22,120	50,134	74,120
Disposals	(27)	(12,195)	-	(12,222)
Transfers between classes	(263)	15,346	(15,083)	-
Depreciation charge	(1,404)	(9,300)	(16,292)	(26,996)
Closing net book amount	13,465	53,147	98,287	164,899
At 30 June 2007				
Cost	17,548	119,404	140,239	277,191
Accumulated depreciation	(4,083)	(66,257)	(41,952)	(112,292)
Net book amount	13,465	53,147	98,287	164,899
Consolidated				
Year ended 30 June 2008				
Opening net book amount	13,465	53,147	98,287	164,899
Exchange differences	(195)	(1,078)	(4,495)	(5,768)
Revaluation surplus	26,992	-	-	26,992
Acquisition of subsidiary	-	602	606	1,208
Additions	2,086	37,740	79,399	119,225
Disposals	(114)	(1,296)	(657)	(2,067)
Transfers between classes	(671)	2,119	(1,448)	-
Depreciation charge	(497)	(9,387)	(19,006)	(28,890)
Closing net book amount	41,066	81,847	152,686	275,599
At 30 June 2008				
Cost or fair value	41,066	167,289	204,736	413,091
Accumulated depreciation	-	(85,442)	(52,050)	(137,492)
Net book amount	41,066	81,847	152,686	275,599

16 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Land and buildings \$'000	Plant and equipment - at cost \$'000	Plant and equipment under finance - at cost \$'000	Total \$'000
At 1 July 2006				
Cost	2,369	49,852	41,410	93,631
Accumulated depreciation	(769)	(37,713)	(17,540)	(56,022)
Net book amount	<u>1,600</u>	<u>12,139</u>	<u>23,870</u>	<u>37,609</u>
Year ended 30 June 2007				
Opening net book amount	1,600	12,139	23,870	37,609
Additions	51	8,428	23,900	32,379
Disposals	-	(2,708)	-	(2,708)
Transfer between classes	-	6,577	(6,577)	-
Transfer between group members	-	(1,339)	74	(1,265)
Depreciation charge	(73)	(3,000)	(5,048)	(8,121)
Closing net book amount	<u>1,578</u>	<u>20,097</u>	<u>36,219</u>	<u>57,894</u>
Cost	2,420	60,026	54,775	117,221
Accumulated depreciation	(842)	(39,929)	(18,556)	(59,327)
Net book amount	<u>1,578</u>	<u>20,097</u>	<u>36,219</u>	<u>57,894</u>
Parent				
Year ended 30 June 2008				
Opening net book amount	1,578	20,097	36,219	57,894
Revaluation surplus	1,749	-	-	1,749
Additions	74	652	37,064	37,790
Disposals	(114)	(131)	-	(245)
Transfer between group members	-	(344)	48	(296)
Transfer between classes	(77)	3,995	(3,918)	-
Depreciation charge	(65)	(3,014)	(7,639)	(10,718)
Closing net book amount	<u>3,145</u>	<u>21,255</u>	<u>61,774</u>	<u>86,174</u>
At 30 June 2008				
Cost or fair value	3,145	68,147	82,033	153,325
Accumulated depreciation	-	(46,892)	(20,259)	(67,151)
Net book amount	<u>3,145</u>	<u>21,255</u>	<u>61,774</u>	<u>86,174</u>

(a) Valuations of land and buildings

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2008 revaluations were made by the directors as at 30 June 2008 and were based on independent assessments by members of the Australian Property Institute. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in shareholders' equity (note 28).

(b) Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the parent entity and its controlled entities.

16 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Land and Buildings				
Cost	17,582	17,548	2,201	2,420
Accumulated depreciation	(3,508)	(4,083)	(805)	(842)
Net book amount	<u>14,074</u>	<u>13,465</u>	<u>1,396</u>	<u>1,578</u>

17 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Doubtful debts	460	261	72	36
Employee benefits	3,267	3,050	1,546	1,236
Provision for stock obsolescence	289	352	-	-
Borrowing and business expenses	1,445	57	1,357	15
Tax payments	7,765	9,207	-	-
Other provisions	2,211	996	1,009	571
Depreciation	-	-	1,174	-
Trading Stock	787	-	-	-
	<u>16,224</u>	<u>13,923</u>	<u>5,158</u>	<u>1,858</u>
Set-off of deferred tax liabilities (note 25)	<u>(16,142)</u>	<u>(13,790)</u>	<u>(4,281)</u>	<u>(1,858)</u>
Net deferred tax assets	<u>82</u>	<u>133</u>	<u>877</u>	<u>-</u>

Movements:

Opening balance at 1 July	133	1,581	-	-
(Charged)/credited to the income statement (note 8)	(51)	(1,448)	46	-
Credited to equity	-	-	831	-
Closing balance at 30 June	<u>82</u>	<u>133</u>	<u>877</u>	<u>-</u>
Deferred tax assets to be recovered within 12 months	82	118	964	-
Deferred tax assets to be recovered after more than 12 months	-	15	(87)	-
	<u>82</u>	<u>133</u>	<u>877</u>	<u>-</u>

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Goodwill \$'000	Designs and drawings \$'000	Total \$'000
Year ended 30 June 2008			
Opening net book amount	-	-	-
Acquisition of subsidiary	<u>2,208</u>	<u>1,628</u>	<u>3,836</u>
Closing net book amount	<u>2,208</u>	<u>1,628</u>	<u>3,836</u>
Cost	2,208	1,628	3,836
Accumulated amortisation and impairment	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount	<u>2,208</u>	<u>1,628</u>	<u>3,836</u>

19 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables	34,854	23,244	16,881	9,678
Other creditors and accruals	23,761	23,797	8,764	5,088
Other payables	<u>1,349</u>	<u>1,522</u>	<u>1,189</u>	<u>2,351</u>
	<u>59,964</u>	<u>48,563</u>	<u>26,834</u>	<u>17,117</u>

20 CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Secured				
Bank loans	18,589	13,778	-	-
Hire purchase liabilities (note 34)	<u>18,542</u>	<u>14,830</u>	<u>13,045</u>	<u>9,622</u>
Total secured current borrowings	<u>37,131</u>	<u>28,608</u>	<u>13,045</u>	<u>9,622</u>

(a) Risk exposures

Details of the Group's exposure to risks arising from current and non current borrowings are set out in note 2.

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 24(d).

(c) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 24(b).

21 CURRENT LIABILITIES - CURRENT TAX LIABILITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Income tax	<u>11,840</u>	<u>3,921</u>	<u>11,768</u>	<u>3,465</u>

22 CURRENT LIABILITIES – PROVISIONS

Employee benefits - long service leave	<u>2,728</u>	<u>2,527</u>	<u>1,696</u>	<u>1,336</u>
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23 NON-CURRENT LIABILITIES – PAYABLES

Loans from controlled entities	<u>-</u>	<u>-</u>	<u>1,281</u>	<u>718</u>
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24 NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Secured				
Bank loans	50,561	33,958	-	-
Hire purchase liabilities (note 34)	48,216	34,918	38,615	23,003
	<u>98,777</u>	<u>68,876</u>	<u>38,615</u>	<u>23,003</u>
Unsecured				
Loans from associated entities	-	20	-	-
Total non-current borrowings	<u>98,777</u>	<u>68,896</u>	<u>38,615</u>	<u>23,003</u>

(a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

Bank overdrafts and bank loans	69,150	47,736	-	-
Hire purchase liabilities	66,758	49,748	51,660	32,625
Total secured liabilities	<u>135,908</u>	<u>97,484</u>	<u>51,660</u>	<u>32,625</u>

(b) Assets pledged as security

The bank loans are secured by:

- (i) Registered mortgage debenture over all the assets and undertakings of the parent entity;
- (ii) First ranking mortgage over land and buildings;
- (iii) Assignment of vehicles financed;
- (iv) A negative pledge over a controlled entity's existing fixed assets;
- (v) A lien over the specific asset financed.

The hire purchase liabilities are secured by the lessor having the right to the asset under hire purchase in the event of default.

24 NON-CURRENT LIABILITIES - BORROWINGS (continued)

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Floating charge				
Cash and cash equivalents	63,212	30,992	63,212	30,992
Receivables	28,334	19,212	29,630	19,702
Inventory	14,571	9,521	14,571	9,521
Total current assets pledged as security	<u>106,117</u>	<u>59,725</u>	<u>107,413</u>	<u>60,215</u>
Non-current				
First mortgage				
Freehold land and buildings	<u>39,090</u>	<u>11,578</u>	<u>3,145</u>	<u>1,578</u>
Finance lease				
Plant and equipment	<u>84,402</u>	<u>56,442</u>	<u>61,774</u>	<u>36,219</u>
Secured bank loans				
Plant and equipment	<u>68,284</u>	<u>46,832</u>	<u>-</u>	<u>-</u>
Floating charge				
Receivables	4,574	1,055	121,719	55,244
Investments accounted for using the equity method	46	39	-	-
Available-for-sale financial assets	1,060	1,636	940	1,480
Other financial assets	-	-	1,289	546
Plant and equipment	<u>21,255</u>	<u>20,097</u>	<u>21,255</u>	<u>20,097</u>
	<u>26,935</u>	<u>22,827</u>	<u>145,203</u>	<u>77,367</u>
Total non-current assets pledged as security	<u>218,711</u>	<u>137,679</u>	<u>210,122</u>	<u>115,164</u>
Total assets pledged as security	<u>324,828</u>	<u>197,404</u>	<u>317,535</u>	<u>175,379</u>

24 NON-CURRENT LIABILITIES - BORROWINGS (continued)

(c) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Credit standby arrangements				
<i>Total facilities</i>				
Bank overdrafts	1,564	1,764	-	-
Secured term loans	92,630	75,227	8,000	8,000
Revolving leasing/hire purchase limit	90,496	59,264	90,496	59,264
Bank guarantees	1,500	1,500	1,500	1,500
	<u>186,190</u>	<u>137,755</u>	<u>99,996</u>	<u>68,764</u>
<i>Used at balance date</i>				
Bank overdrafts	-	-	-	-
Secured term loans	69,151	47,774	-	-
Revolving leasing/hire purchase limit	66,758	49,729	51,660	32,625
Bank guarantees	796	771	-	-
	<u>136,705</u>	<u>98,274</u>	<u>51,660</u>	<u>32,625</u>
<i>Unused at balance date</i>				
Bank overdrafts	1,564	1,764	-	-
Secured term loans	23,479	27,453	8,000	8,000
Revolving leasing/hire purchase limit	23,738	9,535	38,836	26,639
Bank guarantees	704	729	1,500	1,500
	<u>49,485</u>	<u>39,481</u>	<u>48,336</u>	<u>36,139</u>

The bank overdraft facilities may be drawn at any time and are subject to an annual review.

The revolving leasing/hire purchase facilities can be drawn down on application for the purchase of equipment for a term up to five years. Interest is set at the time of drawdown and fixed for the term.

The secured term loans can be drawn down for the purchase of property, plant and equipment for periods up to 7 years. Property secured loans are at a fixed or variable rate. Plant and equipment interest is set at the time of drawdown and fixed for the term.

The facilities for controlled entities are secured by company guarantee from the parent and cross guarantees from other controlled entities within the consolidated entity.

Foreign currency contract facilities

The company has access to foreign currency contract facilities to allow for programmes to cover the Group's foreign exchange exposures. The foreign currency contract facilities are secured by a registered mortgage debenture over all the assets and undertakings of the parent entity.

24 NON-CURRENT LIABILITIES - BORROWINGS (continued)

(d) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2008		2007	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
On-balance sheet				
<i>Non-traded financial liabilities</i>				
Bank loans	69,150	69,207	47,736	44,171
Other loans	-	-	20	20
Hire purchase liabilities	<u>66,758</u>	<u>76,708</u>	<u>49,748</u>	<u>49,748</u>
	<u>135,908</u>	<u>145,915</u>	<u>97,504</u>	<u>93,939</u>

25 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The balance comprises temporary differences attributable to:				
Prepayments	45	15	10	15
Inventories	4,878	3,252	3,353	2,627
Receivables - diesel fuel rebate	1,708	1,189	365	88
Available-for-sale financial assets	48	227	28	190
Foreign branch distributable profit	3,829	3,914	-	-
Depreciation	8,202	7,663	-	300
Revaluation of land & buildings	<u>8,106</u>	<u>-</u>	<u>525</u>	<u>-</u>
Total deferred tax liabilities	<u>26,816</u>	<u>16,260</u>	<u>4,281</u>	<u>3,220</u>
Set-off of deferred tax assets (note 17)	<u>(16,142)</u>	<u>(13,790)</u>	<u>(4,281)</u>	<u>(1,858)</u>
Net deferred tax liabilities	<u>10,674</u>	<u>2,470</u>	<u>-</u>	<u>1,362</u>

Movements:

Opening balance at 1 July	2,470	119	1,362	785
Charged / (credited) to the income statement (note 8)	2,068	2,124	(1,362)	387
Charged to equity (notes 27 and 28)	<u>6,136</u>	<u>227</u>	<u>-</u>	<u>190</u>
Closing balance at 30 June	<u>10,674</u>	<u>2,470</u>	<u>-</u>	<u>1,362</u>
Deferred tax liabilities to be settled within 12 months	295	(807)	-	1,316
Deferred tax liabilities to be settled after more than 12 months	<u>10,379</u>	<u>3,277</u>	<u>-</u>	<u>46</u>
	<u>10,674</u>	<u>2,470</u>	<u>-</u>	<u>1,362</u>

26 NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated 2008 \$'000	2007 \$'000	Parent 2008 \$'000	2007 \$'000
Employee benefits - long service leave	<u>1,168</u>	806	<u>689</u>	576

27 CONTRIBUTED EQUITY

	Consolidated 2008 Shares	2007 Shares	Parent 2008 \$'000	2007 \$'000
(a) Share capital				
Fully paid ordinary shares	<u>172,150,470</u>	132,208,820	<u>191,528</u>	95,826

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue Price \$	\$'000
1 July 2006	Opening balance	130,803,263		93,598
26 October 2006	Dividend reinvestment plan issue	773,234	\$1.34	1,036
5 April 2007	Dividend reinvestment plan issue	632,323	\$1.89	1,192
30 June 2007	Balance	132,208,820		95,826
1 July 2007	Opening balance	132,208,820		95,826
26 October 2007	Dividend reinvestment plan issue	473,611	\$2.41	1,143
12 November 2007	Shares issued pursuant to Capital Raising	19,800,000	\$2.50	49,500
11 December 2007	Additional shares issued pursuant to Capital Raising	8,770,000	\$2.50	21,925
21 December 2007	Shares issued pursuant to Share Purchase Plan	7,500,000	\$2.40	18,000
21 December 2007	Shares issued to Managing Director	2,465,834	\$2.50	6,165
4 April 2008	Dividend reinvestment plan issues	932,205	\$1.90	1,767
				<u>194,326</u>
	Less: Transaction costs arising on share issues			<u>(2,798)</u>
30 June 2008	Balance	<u>172,150,470</u>		<u>191,528</u>

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Dividend reinvestment plan

The company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at no discount to the weighted average market price for the 5 days up to and including the record date.

27 CONTRIBUTED EQUITY (continued)

(e) Options

Options to take up ordinary shares in the capital of Ausdrill Limited outstanding and granted during the year are detailed as follows:

(i) Ausdrill Limited Employee Option Plan

The number of options granted during the year under the Ausdrill Limited Employee Option Plan was nil (2007 - nil). Outstanding unlisted options under the Ausdrill Limited Employee Option Plan to acquire fully paid ordinary shares in the company as at the date of this report are nil (2007 - nil).

(f) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio up to 70%. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Total borrowings (note 24(a))	135,908	97,484	51,660	32,625
Less: cash and cash equivalents (note 9)	<u>(88,956)</u>	<u>(48,555)</u>	<u>(63,212)</u>	<u>(30,992)</u>
Net debt (cash)	46,952	48,929	(11,552)	1,633
Total equity	<u>280,732</u>	<u>151,231</u>	<u>224,486</u>	<u>118,188</u>
Gearing ratio	17%	32%	-%	1%

The decrease in the gearing ratio during 2008 resulted primarily from the capital raising during the year.

28 RESERVES AND RETAINED PROFITS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Land and buildings revaluation reserve	18,886	-	1,224	-
Foreign currency translation reserve	(8,177)	(3,346)	-	-
Available-for-sale investments revaluation reserve	<u>113</u>	<u>530</u>	<u>66</u>	<u>444</u>
	<u>10,822</u>	<u>(2,816)</u>	<u>1,290</u>	<u>444</u>

(a) Reserves

28 RESERVES AND RETAINED PROFITS (continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Movements:				
<i>Land and buildings revaluation reserve</i>				
Balance 1 July	-	-	-	-
Revaluation - gross (note 16)	26,992	-	1,749	-
Deferred tax (note 25)	(8,106)	-	(525)	-
Balance 30 June	<u>18,886</u>	<u>-</u>	<u>1,224</u>	<u>-</u>

Movements:

<i>Available-for-sale investments revaluation reserve</i>				
Balance 1 July	530	-	444	-
Revaluation - gross (note 14)	(596)	757	(540)	634
Deferred tax (note 25)	179	(227)	162	(190)
Balance 30 June	<u>113</u>	<u>530</u>	<u>66</u>	<u>444</u>

Movements:

<i>Foreign currency translation reserve</i>				
Balance 1 July	(3,346)	2,166	-	-
Currency translation differences arising during the year :	(4,831)	(5,512)	-	-
Balance 30 June	<u>(8,177)</u>	<u>(3,346)</u>	<u>-</u>	<u>-</u>

(b) Retained profits

Movements in retained profits were as follows:

Opening retained earnings	58,221	39,864	21,918	12,586
Net profit for the year	35,332	27,544	24,921	18,519
Dividends	(15,171)	(9,187)	(15,171)	(9,187)
Balance 30 June	<u>78,382</u>	<u>58,221</u>	<u>31,668</u>	<u>21,918</u>

(c) Nature and purpose of reserves

(i) Land and buildings revaluation reserve

The land and buildings revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(m). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

28 RESERVES AND RETAINED PROFITS (continued)

(ii) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(k). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as discussed in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed.

29 DIVIDENDS

	Parent	
	2008	2007
	\$'000	\$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2007 of 5 cents (2006 - 3 cents) per fully paid share paid on 26 October 2007 (2006 - 26 October 2006)		
Fully franked (2006 - fully franked)	6,610	3,924
Interim dividend for the year ended 30 June 2008 of 5 cents (2007 - 4 cents) per fully paid share paid 4 April 2008 (2007 - 5 April 2007)		
Fully franked (2007 - fully franked)	8,561	5,263
Total dividends provided for or paid	<u>15,171</u>	<u>9,187</u>

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2008 and 2007 were as follows:

Paid in cash	12,286	6,959
Satisfied by issue of shares	2,885	2,228
	<u>15,171</u>	<u>9,187</u>

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the directors have declared the payment of a final dividend of 6 cents per fully paid ordinary share, (2007 - 5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 24 October 2008, but not recognised as a liability at year end, is

10,329	<u>6,610</u>
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(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2008.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007 - 30%)	<u>10,825</u>	<u>5,799</u>	<u>10,825</u>	<u>5,799</u>

29 DIVIDENDS (continued)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax,
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$4,426,726 (2007: \$2,833,046).

30 DERIVATIVE FINANCIAL INSTRUMENTS

(a) Instruments used by the Group

(i) Forward exchange contracts

These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are taken to the income statement immediately. At balance date the net unrealised gain on these contracts amounted to \$214,500 (2007 - nil).

The procurement and logistics business records some sales in US dollars. The Group had entered forward exchange contracts to sell US dollars based on the expected date of payment of the foreign currency by the client.

Refer to note 2 for foreign exchange risk exposures.

31 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	2,193,751	1,999,543	1,765,787	1,625,455
Post-employment benefits	421,449	452,018	296,621	304,991
	<u>2,615,200</u>	<u>2,451,561</u>	<u>2,062,408</u>	<u>1,930,446</u>

Detailed remuneration disclosures are provided in sections A-D of the remuneration report on pages 6 to 9.

(i) Share holdings

The numbers of shares in the company held during the financial year by each director of Ausdrill Limited and each of the other key management personnel of the group, including their personally-related entities, are set out below:

2008		Received	Other	
	Balance at	during the	Changes	Balance at
Name	the start of	year on the	during the	the end of
	the year	exercise of	year	the year
		options		
Directors of Ausdrill Limited				
Ordinary shares				
T E O'Connor	953,448	-	46,552	953,448
R G Sayers	18,936,449	-	6,830,426	25,766,875
J E Askew	600,000	-	-	600,000
T J Strapp	103,448	-	2,083	105,531

31 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2007	Balance at the start of the year	Received during the year on the exercise of options	Other Changes during the year	Balance at the end of the year
Name				
Directors of Ausdrill Limited				
Ordinary shares				
T E O'Connor	953,448	-	-	953,448
R G Sayers	18,936,449	-	-	18,936,449
J E Askew	600,000	-	-	600,000
G P Connell - Resigned 16 November 2007	8,650,000	-	-	8,650,000
TJ Strapp	103,448	-	-	103,448
Other key management personnel of the Group				
Ordinary shares				
A G Broad – Resigned 16 May 2008	-	-	5,000	5,000

(b) Loans to key management personnel

No loans were made to directors of Ausdrill Limited and other key management personnel of the Group, including their personally related parties.

(c) Other transactions with key management personnel

(i) Directors of Ausdrill Limited

Ausdrill Limited has rented an office building from Mr R G Sayers for the past 8 years with a further term of 2 years remaining. The rental agreement is based on normal commercial terms and conditions.

	2008 \$	2007 \$
Amounts recognised as expense		
Rent of office building	<u>209,613</u>	<u>206,375</u>

32 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2008 \$	2007 \$	Parent 2008 \$	2007 \$
(a) Assurance services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	199,234	168,686	73,265	62,000
Related practices of PricewaterhouseCoopers Australian firm	40,238	42,993	-	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	<u>14,263</u>	<u>14,244</u>	<u>-</u>	<u>-</u>
Total remuneration for audit services	<u>253,735</u>	<u>225,923</u>	<u>73,265</u>	<u>62,000</u>

32 REMUNERATION OF AUDITORS (continued)

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
(b) Other assurance services				
<i>Taxation services</i>				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	93,082	112,414	93,082	65,000
Related practices of PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of company income tax returns	86,745	122,885	-	-
Other auditors of subsidiaries				
Tax compliance services, including review of company income tax returns	4,846	2,765	-	-
Total remuneration for taxation services	<u>184,673</u>	<u>238,064</u>	<u>93,082</u>	<u>65,000</u>
<i>Other services</i>				
PricewaterhouseCoopers Australian firm				
Accounting consulting services	89,240	-	89,240	-
Total remuneration for other services	<u>89,240</u>	<u>-</u>	<u>89,240</u>	<u>-</u>
Total remuneration for other assurance services	<u>273,913</u>	<u>238,064</u>	<u>182,322</u>	<u>65,000</u>

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

33 CONTINGENCIES

(a) Contingent liabilities

Guarantees

The controlled entities have provided an unlimited Guarantee and Indemnity for the performance of a mining contract by a controlled entity.

Guarantees provided by the parent entity in respect of leased and hire purchase plant and equipment of controlled entities amount to \$15,098,023 (2007 - \$17,049,792)

The company has provided a Guarantee and Indemnity to financiers of a controlled entity for funding for acquisition of plant and equipment amounting to \$63,623,043 (2007 - \$43,269,893)

Guarantees provided by the parent entity in respect of leased and hire purchase plant and equipment of associated entities amounting to \$23,014 (2007 - \$317,000)

The Group has provided a several Guarantee and Indemnity to the landlord of an associated entity for leasing premises amounting to nil (2007 - \$242,000)

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

34 COMMITMENTS

(a) Capital commitments

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>Property, plant and equipment</i>				
Payable:				
Within one year	<u>52,269</u>	<u>18,516</u>	<u>31,328</u>	<u>12,125</u>

The capital commitments are to be funded from cash and available finance facilities (refer to note 24(c)).

(b) Lease commitments

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>(i) Hire purchase liabilities</i>				
Within one year	23,123	18,151	16,681	11,659
Later than one year but not later than two years	20,918	14,174	15,708	8,738
Later than two years but no later than five years	<u>33,350</u>	<u>24,698</u>	<u>28,056</u>	<u>17,163</u>
Total minimum hire purchase commitments	77,391	57,023	60,445	37,560
Future finance charges	<u>(10,633)</u>	<u>(7,275)</u>	<u>(8,785)</u>	<u>(4,935)</u>
	<u>66,758</u>	<u>49,748</u>	<u>51,660</u>	<u>32,625</u>
<i>Hire purchase liabilities:</i>				
Current	18,542	14,830	13,045	9,622
Non-current	<u>48,216</u>	<u>34,918</u>	<u>38,615</u>	<u>23,003</u>
	<u>66,758</u>	<u>49,748</u>	<u>51,660</u>	<u>32,625</u>
<i>(ii) Operating leases</i>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	962	429	458	270
Later than one year but not later than five years	905	533	644	503
Later than five years	<u>395</u>	<u>-</u>	<u>395</u>	<u>-</u>
	<u>2,262</u>	<u>962</u>	<u>1,497</u>	<u>773</u>

35 RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The wholly-owned group consists of Ausdrill Limited and its wholly-owned controlled entities as detailed in note 37.

Transactions between Ausdrill Limited and related parties in the wholly-owned group during the years ended 30 June 2008 and 2007 consisted of:

- (i) Loans made by Ausdrill Limited
- (ii) Loans repaid to Ausdrill Limited
- (iii) Interest charged by Ausdrill Limited
- (iv) Sales and provision of services by Ausdrill Limited
- (v) Management fees charged by Ausdrill Limited
- (vi) Management fees charged to Ausdrill Limited
- (vii) Transfer of tax credits and losses to and by Ausdrill Limited
- (viii) Transfer of certain financial assets and liabilities from Ausdrill Limited
- (ix) Acquisition of plant and equipment and inventory by Ausdrill Limited
- (x) Sale of plant and equipment and inventory by Ausdrill Limited
- (xi) Purchase of drill rods and consumables by Ausdrill Limited

The above transactions were made on normal commercial terms and conditions and at market rates, except that tax credits and losses which were transferred for full consideration. The average interest rate charged on the loans during the year was 9.77% (2007 - 7.50%).

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 31.

35 RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Sales of goods and services</i>				
Associates	1,269,420	527,384	-	-
<i>Proceeds from sale of assets</i>				
Subsidiaries	-	-	296,768	1,435,644
<i>Interest received / receivable</i>				
Subsidiaries	-	-	9,605,035	3,589,301
Associates	82,343	62,762	-	-
<i>Dividend received</i>				
Subsidiaries	-	-	-	540,786
Associates	620,172	603,058	-	-
<i>Purchases of goods</i>				
Subsidiaries	-	-	7,187,892	3,800,328
Associates	2,160,641	3,085,105	1,729,686	3,067,200
<i>Interest paid / payable</i>				
Subsidiaries	-	-	70,167	97,437
Associates	-	20,172	-	-
<i>Management fee paid / payable</i>				
Subsidiaries	-	-	1,830,252	1,654,928

(d) Outstanding balances arising from sales / purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Current receivables (sales of goods and services)</i>				
Subsidiaries	-	-	1,190,678	490,201
<i>Non-current receivables (loans)</i>				
Subsidiaries	-	-	121,719,144	55,244,014
Associates	4,574,448	1,055,063	-	-
<i>Current payables (purchases of goods)</i>				
Subsidiaries	-	-	1,178,143	954,927
Associates	28,341	392,299	10,199	254,271
<i>Non-current payables (loans)</i>				
Subsidiaries	-	-	1,281,230	718,189
Associates	-	20,172	-	-

35 RELATED PARTY TRANSACTIONS (continued)

(e) Loans to / from related parties

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Loans to subsidiaries</i>				
Beginning of the year	-	-	55,244,014	46,291,177
Loans advanced	-	-	62,490,998	8,052,971
Interest charged	-	-	9,605,035	3,554,399
Interest received	-	-	(812,167)	(583,922)
Tax allocation	-	-	(4,048,140)	(1,915,058)
Provision for impairment	-	-	(760,596)	(155,553)
End of year	-	-	121,719,144	55,244,014
<i>Loans to other related parties</i>				
Beginning of the year	-	-	718,189	2,781,272
Loan repayments	-	-	-	(8,432)
Interest charged	-	-	70,167	97,437
Tax allocation	-	-	492,874	(28,830)
Loan Forgiven	-	-	-	(2,123,258)
End of year	-	-	1,281,230	718,189
<i>Loans from associates</i>				
Beginning of the year	20,172	53,058	-	-
Loans advanced	600,000	550,000	-	-
Loan repayments	(620,172)	(603,058)	-	-
Interest charged	-	20,172	-	-
End of year	-	20,172	-	-
<i>Loans to associates</i>				
Beginning of Year	1,055,063	-	-	-
Loans advanced	9,254,214	1,108,063	-	-
Loans repaid	(5,734,829)	(53,000)	-	-
Interest charged	-	62,762	-	-
Interest received	-	(62,762)	-	-
End of year	4,574,448	1,055,063	-	-

A provision for impairment of \$760,596 has been raised in relation to outstanding balances from subsidiaries, and an expense of the same amount has been recognised in respect of bad or doubtful debts due from related parties.

35 RELATED PARTY TRANSACTIONS (continued)

(f) Guarantees

The following guarantees have been given:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Guarantees by the parent entity in respect of leased and hire purchased plant and equipment of controlled entities.	-	-	15,098,023	17,049,792
This company has provided a Guarantee and Indemnity to financiers of a controlled entity for funding for acquisition of plant and equipment.	-	-	63,623,043	43,269,893
	<u>-</u>	<u>-</u>	<u>78,721,066</u>	<u>60,319,685</u>

36 BUSINESS COMBINATIONS

(a) Summary of acquisition

On 1 April 2008 the Consolidated Entity acquired the remaining 50% of Remet Engineers Pty Ltd.

Details of fair value of the assets and liabilities acquired and the gain on acquisition are as follows:

	2008 \$'000
Purchase consideration (refer to (b) below):	
Cash paid	7,508
Fair value of net identifiable assets acquired (refer to (c) below)	(5,301)
Goodwill (refer to (c) below)	<u>2,207</u>

(b) Purchase consideration

	2008 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	<u>7,508</u>
Less: balances acquired	
Cash	891
Initial 50% consideration paid	2,047
Deferred consideration payable	<u>961</u>
Outflow of cash	<u>3,609</u>

36 BUSINESS COMBINATIONS (continued)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	891	891
Trade and other receivables	2,237	2,237
Inventories	2,841	2,841
Deferred tax assets	143	143
Property plant and equipment	1,208	1,208
Intangible assets	-	1,628
Trade and other payables	(2,247)	(2,247)
Finance liabilities	(411)	(411)
Tax liability	(502)	(502)
Deferred tax liability	-	(488)
Net identifiable assets and liabilities	<u>4,160</u>	<u>5,300</u>
Goodwill on acquisition		<u>2,208</u>
Consideration paid, including initial 50% cash consideration (\$2.047 million) and deferred consideration (\$0.961 million)		7,508
Cash acquired		<u>(891)</u>
Net cash outflow		<u>6,617</u>

37 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2008 %	2007 %
Ausdrill (Ghana) Pty Ltd	Australia	Ordinary	100	100
Perforaciones Ausdrill Chile Ltda	Chile	Ordinary	100	100
Golden Plains Pty Ltd	Australia	Ordinary	100	100
Ausminco Mining & Equipment Suppliers Pty Ltd	Australia	Ordinary	100	100
Supply Direct Pty Ltd	Australia	Ordinary	100	100
West African Mining Services Ltd	Ghana	Ordinary	100	100
Mining Technology and Supplies Ltd	Ghana	Ordinary	100	100
Ausdrill International & Management Services Pty Ltd	Australia	Ordinary	100	100
Ausdrill International Pty Ltd	Australia	Ordinary	100	100
Australian Communications Engineering Pty Ltd	Australia	Ordinary	100	100
Logistics Direct Ltd	Ghana	Ordinary	100	100
Diamond Communications Pty Ltd	Australia	Ordinary	100	100
Supply Direct South Africa Pty Ltd	Australia	Ordinary	100	100
Ausdrill Northwest Pty Ltd	Australia	Ordinary	100	100
Logistics Direct Australia Pty Ltd	Australia	Ordinary	100	100
Ausdrill Properties Pty Ltd	Australia	Ordinary	100	100
Ausdrill Utilities Pty Ltd	Australia	Ordinary	100	100
Drilling Tools Australia Pty Ltd (formerly Ausdrill Enterprises Pty Ltd)	Australia	Ordinary	100	100
African Mining Services (Ghana) Pty Ltd	Australia	Ordinary	100	100
Independent Components WA Pty Ltd	Australia	Ordinary	100	100
Drill Rigs Australia Pty Ltd	Australia	Ordinary	100	-
Ausdrill Mining Services Pty Ltd	Australia	Ordinary	100	-
Remet Engineers Pty Ltd	Australia	Ordinary	100	50

** All controlled entities are directly controlled by Ausdrill Limited with the exception of:

Perforaciones Ausdrill Chile Ltda is 99% owned by Ausdrill Limited and 1% owned by Ausdrill International Pty Ltd.

African Mining Services (Ghana) Pty Ltd, West African Mining Services Limited which are 100% owned by Ausdrill International Pty Ltd.

Mining Technology and Supplies Limited which is 100% owned by West African Mining Services Limited.

Australian Communications Engineering Pty Ltd which is 100% owned by Diamond Communications Pty Ltd.

Supply Direct Pty Ltd which is 100% owned by Golden Plains Pty Ltd.

Supply Direct South Africa Pty Ltd, Logistics Direct Australia Pty Ltd and Logistics Direct Limited are 100% owned by Supply Direct Pty Ltd.

Remet Engineers which is 100% owned by Drilling Tools Australia Pty Ltd.

Ausdrill Limited carries on business in Australia. African Mining Services (Ghana) Pty Ltd, Ausdrill (Ghana) Pty Ltd, West African Mining Services Limited, Mining Technology and Supplies Limited and Logistics Direct Limited carry or carried on business in Ghana. Perforaciones Ausdrill Chile Ltda carried on business in Chile, and Supply Direct South Africa Pty Ltd carries on business in South Africa. Supply Direct Pty Ltd has a branch which carries on business in the United Kingdom.

Steps have been taken for the voluntary liquidation of West African Mining Services Limited, Mining Technology and Supplies Ltd and Perforaciones Ausdrill Chile Ltda.

38 INVESTMENTS IN ASSOCIATES

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest		Consolidated		Parent	
		2008 %	2007 %	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Unlisted</i>							
African Underground Mining Services Ltd	Contract Mining	50	-	-	-	-	-
Westrans Services WA Pty Ltd	Transport	50	50	-	-	-	-
Remet Engineers Pty Ltd *	Manufacturing	100	50	-	-	-	-
				1,858	2,340	-	-

The above associates are incorporated in Australia and Ghana.

* Refer to note 36 regarding the acquisition of the remaining 50% of Remet Engineers Pty Ltd during the year.

Consolidated	
2008 \$'000	2007 \$'000

(b) Movements in carrying amounts

Carrying amount at the beginning of the financial year	2,340	2,104
Share of profits after income tax	861	740
Acquisition of interests in associates	1,774	100
Transfer of carrying value of investment in associate on becoming a controlled entity	(2,496)	-
Dividends received	(621)	(604)
Carrying amount at the end of the financial year	<u>1,858</u>	<u>2,340</u>

(c) Share of associates' profits or losses

Profit before income tax	1,266	1,057
Income tax expense	(405)	(317)
Profit after income tax	<u>861</u>	<u>740</u>

(d) Summarised financial information of associates

	Assets \$'000	Liabilities \$'000	Group's share of: Revenues \$'000	Profit \$'000
2008				
Remet Engineers Pty Ltd	-	-	4,659	816
African Underground Mining Services Ltd	6,241	6,093	1,842	84
Westrans Services WA Pty Ltd	931	994	3,086	(39)
	<u>7,172</u>	<u>7,087</u>	<u>8,587</u>	<u>861</u>
2007				
Remet Engineers Pty Ltd	3,237	549	4,855	800
Westrans Services WA Pty Ltd	886	925	2,562	(60)
	<u>4,123</u>	<u>1,474</u>	<u>7,417</u>	<u>740</u>

38 INVESTMENTS IN ASSOCIATES (continued)

	Consolidated	
	2008	2007
	\$'000	\$'000
(e) Share of associates' expenditure commitments, other than for the supply of inventories		
Lease commitments	-	242
	-	242

(f) Contingent liabilities of associates

The Group has provided a several Guarantee and Indemnity to the landlord of an associated entity for leasing premises.

-	242
-	242

39 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 22 August 2008, the directors declared the payment of an final ordinary dividend of \$10,329,028 (6 cents per fully paid share) to be paid on 24 October 2008. The financial effect of this transaction has not been brought to account at 30 June 2008.

40 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Profit for the year	35,332	27,544	24,921	18,519
Depreciation and amortisation	28,890	27,017	10,718	8,121
Net gain on sale of non-current assets	(2,003)	(3,042)	(345)	(137)
Bad debts and provision for doubtful debts	726	635	120	276
Net exchange differences	790	722	-	-
Interest receivable from controlled entities	-	-	(8,723)	(2,970)
Share of profits of associates not received as dividends	(241)	(136)	-	-
Write-down of loan to controlled entity	-	-	761	156
Write-down of investments	-	-	(744)	1,739
Change in operating assets and liabilities				
(Increase) in trade debtors	(15,388)	(11,035)	(9,982)	(3,171)
(Increase) in inventories	(18,263)	(6,161)	(5,050)	(737)
(Increase) in other operating assets	(636)	(198)	(58)	(27)
Decrease / (increase) in future income tax benefit	194	1,448	(877)	-
Increase in trade creditors	3,851	6,664	9,543	3,041
Increase / (Decrease) in other provisions	389	(124)	660	(103)
Increase in provision for income taxes payable	6,096	2,535	12,843	2,465
Increase / (decrease) in provision for deferred income tax	3,300	2,351	(526)	387
Net cash inflow from operating activities	43,037	48,220	33,261	27,558

41 NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Acquisition of plant and equipment by means of finance leases or hire purchase	35,726	36,143	31,386	23,996
Issue of shares under company dividend reinvestment plan	2,885	2,228	2,885	2,228
	<u>38,611</u>	<u>38,371</u>	<u>34,271</u>	<u>26,224</u>

42 EARNINGS PER SHARE

	Consolidated	
	2008	2007
	Cents	Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	22.72	20.17
Profit from discontinued operation	-	0.70
Profit attributable to the ordinary equity holders of the company	<u>22.72</u>	<u>20.87</u>

(b) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2008	2007
	\$'000	\$'000
<i>Basic earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	35,332	26,619
Profit from discontinued operation	-	925
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>35,332</u>	<u>27,544</u>

(c) Weighted average number of shares used as the denominator

	Consolidated	
	2008	2007
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	<u>155,489,037</u>	<u>131,996,166</u>

43 DISCONTINUED OPERATIONS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Revenue (note 5)	-	1,327	-	-
Expenses	-	(402)	-	-
Profit before income tax	-	925	-	-
Profit from discontinued operations	-	925	-	-
Net cash outflow from operating activities	-	(443)	-	-
Net cash inflow from investing activities (2007 includes an inflow of \$1,477,000 from the sale of the property of the discontinuing operation)	-	765	-	-
Net cash outflow from financing activities	-	(132)	-	-
Net increase in cash generated by the division	-	190	-	-

(a) Carrying amounts of assets and liabilities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade creditors	(56)	(63)	-	-
Total liabilities	(56)	(63)	-	-
Net assets	(56)	(63)	-	-

(b) Details of the sale of the division

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Consideration received or receivable:				
Cash	-	1,477	-	-
Carrying amount of net assets sold	-	(85)	-	-
Gain on sale before income tax	-	1,392	-	-

In the directors' opinion:

- (a) the financial statements and notes set out on pages 23 to 80 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) 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 financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



R G SAYERS
MANAGING DIRECTOR

Perth
30 September 2008

Independent auditor's report to the members of Ausdrill Limited

Report on the financial report

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

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 controls 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(a), 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

**Independent auditor's report to the members of
Ausdrill Limited (continued)**

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

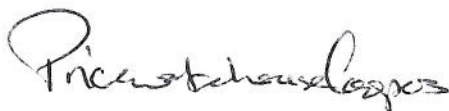
- (a) the financial report of Ausdrill Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying 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(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 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 Ausdrill Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.


PricewaterhouseCoopers


Justin Carroll
Partner

Perth
30 September 2008

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding as at 29 August 2008:

			Ordinary shares	
			Number of	Shares
			Holders	
1	-	1000	766	273,820
1,001	-	5,000	1,177	3,301,901
5,001	-	10,000	617	4,759,201
10,001	-	100,000	834	20,705,533
100,001	-	and over	<u>102</u>	<u>143,110,015</u>
			<u>3,496</u>	<u>172,150,470</u>

There were 151 holders of less than a marketable parcel of 209 ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders as at 12 September 2008.

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

	Ordinary Shares	
	Number Held	Percentage of Issued Shares
1. Cherry Garden Nominees	33,801,664	19.63
2. J P Morgan Nominees Aust Ltd	20,286,030	11.78
3. National Nominees Pty Ltd	12,216,959	7.10
4. Citicorp Nominees Ltd	7,468,954	4.34
5. Bremerton Pty Ltd	5,610,118	3.26
6. HSBC Custody Nominees (Aust) Ltd	4,480,621	2.60
7. HSBC Custody Nominees (Aust) Ltd - Acc No 2	4,009,918	2.33
8. ANZ Nominees Limited Cash Income	3,634,920	2.11
9. Cogent Nominees Pty Limited	3,463,946	2.01
10. HSBC Custody Nominees (Aust) Ltd (Various GSI & GSCO Accounts)	2,883,057	1.67
11. CTS Funds Pty Ltd	2,847,898	1.65
12. Connell Contractors Super Fund	2,693,650	1.56
13. Gary Patrick Connell	2,500,000	1.45
14. UBS Nominees Pty Ltd	2,108,912	1.23
15. Gary Patrick Connell	2,066,750	1.20
16. Gerald Harvey	1,796,223	1.04
19. AMP Life Limited	1,777,737	1.03
18. Pan Australian Nominees Pty Ltd	1,646,684	0.96
19. Kingarth Pty Ltd	1,425,000	0.83
20. Patricia Gladys Wright	<u>1,312,030</u>	<u>0.76</u>
Total held by the twenty largest shareholders	<u>118,031,071</u>	<u>68.54</u>

C. Substantial holders

Substantial holders in the company are set out below as at 12 September 2008:

1. Cherry Garden Nominees Pty Ltd / Ronald George Sayers	34,342,497	19.95%
2. Invesco Australia Ltd	10,198,588	5.92%
3. Paradise Investment Management Pty Ltd	9,663,404	5.61%
4. Garry Patrick Connell	8,650,000	5.02%

D. Voting rights

Every member present at a meeting of the company in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Financial Table

Revenue		2004	2005	2006	2007	2008
Sales	\$'000	151,259	202,843	317,134	365,605	387,141
Other (including equity accounted profits)	\$'000	13,189	12,012	4,382	7,457	8,619
Total	\$'000	164,448	214,855	321,516	373,062	395,760
Profit						
Earnings before interest, tax, depreciation, amortisation, foreign exchange & significant items	\$'000	21,537	27,966	54,299	71,673	90,119
Depreciation & amortisation	\$'000	9,594	13,588	21,100	26,996	28,890
Earnings before interest, tax, foreign exchange & significant items	\$'000	11,943	14,378	33,199	44,677	61,229
Borrowing costs	\$'000	1,719	2,442	5,307	7,547	9,148
Profit before foreign exchange & significant items	\$'000	10,224	11,936	27,892	37,130	52,081
Foreign exchange gains/(losses)	\$'000	(172)	22	602	(541)	(1,607)
Profit before significant items	\$'000	10,052	11,958	28,494	36,589	50,474
Significant items	\$'000	(3,058)	9,426	(344)	925	-
Profit before tax as per accounts	\$'000	6,994	21,384	28,150	37,514	50,474
Taxation						
Significant items	\$'000	-	(4,215)	-	-	-
Normal	\$'000	2,984	4,001	9,114	9,970	15,142
Total tax	\$'000	2,984	(214)	9,114	9,970	15,142
Profit after tax	\$'000	4,010	21,598	19,036	27,544	35,332
Statements of Financial Position						
Total Assets	\$'000	129,772	169,837	266,263	307,085	503,070
Total Liabilities	\$'000	61,373	80,474	130,635	155,854	222,338
Shareholders' Equity	\$'000	68,399	89,363	135,628	151,231	280,732
Dividends per Ordinary Share						
Dividends paid	cents	2.0	2.00	3.00	4.00	5.0
Dividends declared but not paid	cents	2.0	2.25	3.00	5.00	6.0
Total Dividends per share	cents	4.0	4.25	6.00	9.00	11.0
Total Dividends	\$'000	3,858	4,217	5,664	9,187	15,171
Number of Ordinary Shares	#	103,890,316	107,488,713	130,803,263	132,208,820	172,150,470
Depreciation and Amortisation						
Property, Plant & Equipment	\$'000	9,471	13,588	21,100	26,996	28,890
Net Interest Expense						
	\$'000	522	1,232	3,797	4,991	5,320
Net External Debt						
	\$'000	16,751	33,294	39,934	48,949	46,952
Net Debt/Net Tangible Assets (including FITB)						
	%	24.5	37.3	29.4	32.4	17.0
EBIT to Sales Revenue						
	%	7.9	7.6	10.4	12.2	15.8
Employees at Year End						
	#	698	1,351	1,660	1,651	2,072