2018 ANNUAL REPORT

Engenco

2018
ANNUAL FINANCIAL REPORT

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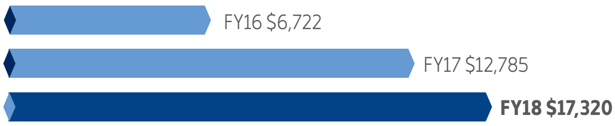
This Annual Report includes the Engenco Limited Directors' Report, the Annual Financial Report and Independent Audit Report for the financial year ended 30 June 2018 lodged with the Australian Securities and Investments Commission and ASX Limited. The Annual Report is available on the Engenco website www.engenco.com.au. A copy of our full Corporate Governance Statement and ASX Appendix 4G outlining compliance with ASX Corporate Governance Principles and Recommendations is available on our website at www.engenco.com.au.

Engenco Limited
ABN 99 120 432 144

COMPANY HIGHLIGHTS

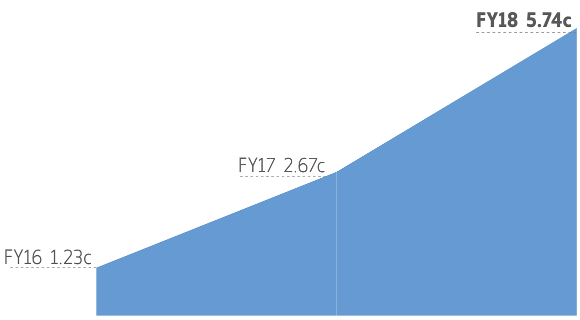
Revenue from continuing operations $000

EBITDA from continuing operations $000



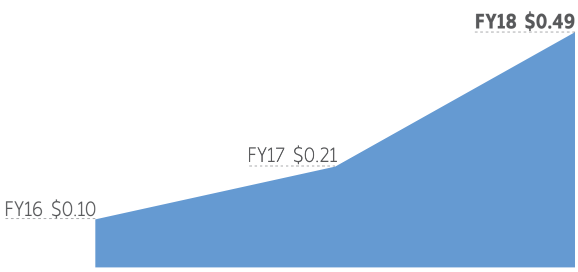
Net Assets $000

Basic Earnings Per Share



Share Price

At 30 June



The past financial year marked another period of significant progress and achievement for Engenco including net profit before tax which increased by 56% on the previous year's result.

CHAIRMAN'S REPORT

HIGHLIGHTS

56 Percent
NPBT Increase

$8.3 Million
Net Cash

1 Cent
Per Share Dividend

"The past financial year marked another period of significant progress and achievement for Engenco including net profit before tax which increased by 56% on the previous year's result."

At the Company's 2010 Annual General Meeting, your Board embarked upon a 3 – 5 year plan in which we were aiming to turn around the Company's fortunes from what had been a tumultuous start to life as an ASX listed business. We said, "We do not promise the future will always be smooth sailing or that we will not face various challenges along the way however what we can assure you (our shareholders) of, is our commitment to your Company."

So what can we now take from those 2010 predictions?

First of all we were correct – the journey has not always been smooth. But our commitment has also been unwavering.

On the matter of timing, the "3 – 5 years" should maybe have been "3 + 5" years! However after a series of significant annual losses as we recalibrated and refocused, FY18 was the third successive year of improving profitability and positive net operating cashflow.

Over the past year each Engenco business unit once again grew its market presence with their high quality products and services, and overall capabilities, resulting in the Group developing even stronger relationships with an array of "tier 1" customers and global suppliers.

Balance sheet & capital management

As the saying goes, it's very difficult to build something which will last without a strong foundation and in the current environment in which business must now operate, this has never been more true. Engenco's balance sheet provides such a foundation from which the Company can sensibly and sustainably continue to grow.

We ended FY18 as we had commenced, in a net cash position, and entered the new financial year with a positive net cash position of $8.3 million. A few weeks ago, we were very pleased to announce an agreement with the National Australia Bank to establish a new A$12.6 million debt facility extending over a three year term. The new facility will coincide with the early extinguishment of Engenco's A$10 million line of credit facility with Elph which is currently undrawn. The establishment of the new NAB facility is another important milestone representing one of the key final steps in the recalibration of the Company's balance sheet.

Dividend

After last year paying the Company's first dividend in almost a decade, we were again able to reward our shareholders with another final dividend of 1 cent per share (fully franked), representing an increase of 100% over the previous year.

Governance

There has been much public commentary in recent times regarding the role of public company boards including considerable debate on the subject of governance which is far from settled with quite divergent points of view being expressed. The Engenco Board is very cognisant of its responsibilities and aims to meet the highest standards of good and appropriate governance. In doing so, the Board will continue doing what it has done since commencing the turnaround in 2010 and that is to act in a common sense manner, with integrity and in the best interests of all relevant stakeholders, including each and every Engenco shareholder.

What's ahead

As another year passes, the Engenco "flywheel" continues to turn just a little bit easier with this being reflected in the Company's performance and financial stability. The sectors in which the Group operates are generally experiencing positive sentiment. However, there are signs emerging in the broader economy (both domestic and international) which would suggest that some caution should also be exercised. Subject to those ever present influences which remain beyond our control, we remain optimistic for the year ahead and expect further improvement in the Company's top and bottom line financial performance through organic growth and ongoing efficiency initiatives.

On behalf of the Board, I wish to extend our sincere thanks and appreciation to our customers for their support and to our shareholders for their patience as we continue to strive to deliver superior value to you both.

Finally, none of this could be achieved without the commitment and collective efforts of our people whom we thank and congratulate on the important roles they all play in serving our customers and shareholders and for delivering another great result which represents the realisation of much hard work over a number of years. We look forward to continued success in the year ahead.

"WE...ENTERED THE NEW FINANCIAL YEAR WITH A POSITIVE NET CASH POSITION OF $8.3 MILLION".

BUSINESS UNIT OVERVIEW

Drivetrain

Contribution to Revenue (%)

Key Operations

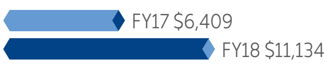
- Mobile powertrain genuine component and spare parts distribution
- Through-life support solutions
- Technical products and provision of engineering services

Achievements

- Refined business structures to focus on growth opportunities in the mining, transport, energy and defence industries
- Investments in strategic inventory and expansion of the product range
- The successful introduction of a range of innovative products

Revenue $000

EBITDA $000



Outlook

Further growth prospects, particularly in the mining sector; new product and service offerings.

GEMCORAIL

Contribution to Revenue (%)

Key Operations

- Locomotive and wagon maintenance and refurbishment service
- Rail sector wheelset, bearing and bogie services
- Engineering , design and manufacturing services

Achievements

- Positive revenue trajectory driven by expansion of heavy maintenance activities
- Increased maintenance and network capacity
- Continued establishment of alliances with globally recognised OEM partners

Revenue $000

EBITDA $000

Outlook

The changing nature of rail operators' maintenance regimes has led to increased service outsourcing, providing greater opportunities for the business. Expansion of activities on the east coast is expected to contribute positively to the business in the future.

Momentum RAIL

Contribution to Revenue (%)

Key Operations

- Highly skilled rail operations personnel
- Track protection services
- Rail infrastructure maintenance services

Achievements

- Continued to build on its reputation as an employer of choice and a prime provider of supplementary rail personnel
- Reduction in operational costs delivering improved profitability to the business

Revenue $000

EBITDA $000

Outlook

With the continued industry growth, Momentum is well positioned to contribute to nation-building projects, working closely with "tier 1" infrastructure customers.

CERT TRAINING

Contribution to Revenue (%)

Key Operations

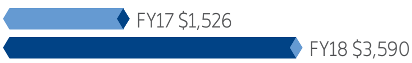
- Registered Training Organisation (RTO)
- Nationally recognised training services
- Development and implementation of training programs

Achievements

- Rail vocational training demand captured and expanded
- Strategically placed to ensure compliant, responsive and cost-effective service to national clients
- Extension of RTO training scope, now offering courses to the logistics industry

Revenue $000

EBITDA $000

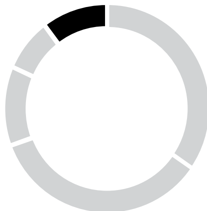


Outlook

Growth opportunities are stimulated by demand for rail operations training and certification.

CONVAIR

Contribution to Revenue (%)



Key Operations

- Manufacture of dry bulk goods tankers for road transportation
- Distribution of imported aluminium dry bulk tankers
- Maintenance, repair and overhaul, parts sales and servicing capability

Achievements

- Cost saving initiatives (including a new tanker design) resulting in improved production efficiency
- Capitalised on strong demand for tankers, particularly from customers engaged in the numerous construction and infrastructure projects around Australia

Revenue $000

EBITDA $000

Outlook

Further focus on maintaining production efficiency improvements and providing a higher quality product.

MANAGING DIRECTOR & CEO'S REPORT

HIGHLIGHTS

22 Percent
Revenue Increase

$17.3 Million
EBITDA

$18 Million
NPAT for period

It is pleasing to report to shareholders that Engenco has had another positive year in many different ways. We entered the 2018 financial year with a good degree of confidence; we planned for further improvements on the encouraging trend and worked hard to maintain the businesses' performance and growth momentum.

The Company delivered strong financial performance, with consolidated revenue of $157m for the year, representing a 22% increase over the previous year. This was particularly satisfying since it was driven by revenue growth in each segment. Revenue growth was mainly organic, and the strategy of expanding the range of products and services offered, whilst remaining true to our core business, is proving to be successful. Equally satisfying was the significant advance in consolidated EBITDA margin from 10% to 11%, delivering EBITDA of $17.3m for the year. This demonstrated our ability to take advantage of operating leverage as fixed costs remained under control whilst there were efficiency gains. As a consequence, the Group's growth in earnings before interest and tax was a healthy 48%.

The net outcome of these very pleasing numbers is that the Group recorded a net profit before tax of $13m and, after recognising a portion of our carried-forward tax losses, a net profit after tax of $18m.

During the year, $4m of residual borrowings were repaid, and the Group remained debt free for most of the year while continuing to generate positive cash flow. There was some modest capital expenditure including growth programmes as we expanded branch networks and capabilities, whilst working capital requirements were commensurate with an expanding business.

We have a motivated and passionate team of staff right across the Group, and ensuring the safety and welfare of more than 800 people, including contractors, is of paramount importance. Further evolving our ethos of personal responsibility regarding safety, we have improved safety performance. Previous coordinated efforts to establish key measurable safety objectives and targets, coupled with early risk identification and surveillance activities, are positively affecting the Group's Total Recordable Injury Frequency Rate (TRIFR).

Thanks to the continued efforts of our combined management and employee safety leadership, the Group's TRIFR decreased by approximately 60% year-on-year. The TRIFR at June 2018 was 13.72 compared to 34.10 at June 2017, which is especially pleasing considering that total Group working hours increased by approximately 19%.

Employee welfare is another cornerstone of the Engenco Group values; and we appreciate the need for the application and education of contemporary workplace policies to ensure a continuing safe work environment. The Group took the opportunity to refresh its Equal Employment Opportunity, Discrimination, Harassment and Bullying Policy and facilitated extensive management and employee briefings in order to convey behavioural expectations. Another important advancement has been the launch of our "MyCentral" on-line portal. This personalised tool supports individual performance and development goals for every employee, driving a high-performance culture and encouraging regular conversations between manager and employee to meet these goals.

Operational performance

As previously mentioned, each of the business units generated higher revenue in the year as a result of our growth strategies.

Drivetrain operates mainly in Australia, and also serves customers in New Zealand and parts of Asia. The Drivetrain business structure matured further in the year as operations focussed on opportunities in the mining, transport, energy and defence industries.

Several new customers were brought on board as Drivetrain delivered value through its technical service and product offerings – leveraging the national branch network which has been developed over a number of years. Investments in strategic inventory and expansion of the product range helped boost new business as demand for mining equipment maintenance returned, and further advances were made into the on-highway market.

Emphasis on developing our specialist product and service offerings for the natural gas compression industry began to bear fruit. The successful introduction of a range of innovative products for compression applications, together with completion of a gas compression package project, helped underpin higher revenue. Our support of both land and marine assets for the Australian defence industry, although complex and with highly variable demand patterns, remains an important revenue stream.

Further operational efficiencies were realised. In particular, the Newcastle facility was consolidated, with the opening of a new purpose-built branch to service the New South Wales coal and industrial markets and housing a warehouse to service the east coast branch network. As a result of the higher revenue, Drivetrain benefitted from greater operating leverage leading to healthy operating profit growth.

Gemco Rail's revenue trajectory continued positively during the year driven by expansion of heavy maintenance activities in our Forrestfield, Western Australia and Dynon, Victoria operations. The changing nature of rail operators' maintenance regimes has led to increased service outsourcing, providing greater opportunities for the business. Investments in the past year increased wheel bearing refurbishment capacity, resulting in greater and more efficient throughput in support of the north-west mining segment. Gemco's product sales strategy, aligning with premium quality, globally recognised OEM partners, continued to gain pace.

Gross profit was lower on reduced volumes and margins in our Forrestfield wheel shop and the expiry of a large wagon rental contract. Expansion of activities on the east coast, with the opening of a new rolling stock and rotables maintenance facility in the Hunter Valley in the second half, contributed to an increase in operating expenses. The ramp-up of output from this new facility is expected to contribute positively to the business in the future. While overall revenue was higher, softer volumes in some traditional revenue streams and increased expansion expenses resulted in the moderation of EBITDA during the year.

The **Total Momentum** business performed well, with a strong rebound in revenue growth. Momentum continues to build on its reputation as an employer of choice and a prime provider of supplementary rail personnel, particularly in the train operations, rail infrastructure skills and track protection segments. The higher revenue resulted in a solid improvement in gross profit and an increase in EBITDA, helped by prudent operating expense control.

"THE GROUP RECORDED A NET PROFIT BEFORE TAX OF $13M"

With significant government and private capital investment programs committed to rail infrastructure, Momentum is well positioned to contribute to these nation-building projects, working closely with "tier 1" infrastructure customers.

Revenue growth in **CERT Training** was again robust as rail vocational training demand expanded nationally. CERT's training centres and trainers are strategically placed in all mainland states to ensure compliant, responsive and cost-effective service to national clients. Strong demand for rail corridor work skills training, particularly in Victoria, was largely driven by the growing number of construction and infrastructure projects that are underway. A general shortage of train drivers helped stimulate demand for rail operations training and certification, and this was further boosted by an improved level of government funding.

Gemco Rail
Locomotive Maintenance Facility,
Melbourne, VIC

Expenditure on courseware updates and modernisation was not as high as in the previous year, but the efficiency benefits gained from previous investments in this area enhanced profitability. Following strong demand in Victoria, a training centre at Ballarat train station was established, and in New South Wales a new, purpose-built facility was opened in Thornton. CERT has succeeded in extending its RTO training scope in keeping with the Group strategy of expanding product offerings that are close to its core business, and now courses are being offered to the logistics industry in areas such as working at heights and operating forklifts and cranes.

Hedemora Turbo & Diesel in Sweden continues to support legacy Hedemora diesel engines still in operation, including in Australia, and this remains an important but declining revenue stream. Market development of the HS Turbocharger range is accelerating and we began to penetrate the retrofit market in various parts of the world, replacing original OEM turbochargers with these modern, high-efficiency units.

Convair Engineering improved its revenue and profit, recovering from a period of relatively low demand and compressed margins. There was reasonably strong demand for tankers, particularly from customers engaged in the numerous construction and infrastructure projects currently underway around Australia, especially along the east coast. Imported tankers compete strongly and we are focusing on maintaining production efficiency improvements and providing a higher quality product.

Looking ahead

We entered the new financial year with good momentum on a number of fronts. We continue to work on internal improvements and regard the quest to provide our customers with greater value service as never-ending. Not surprisingly, our status as a leading supplier in various fields has been elevated further. Our businesses are well prepared to address markets that previously were difficult to penetrate, and business conditions in Australia remain healthy in most of our market segments. We have normalised our bank funding arrangements and have established a far more stable capital base, allowing us to work hard to convert the significant growth opportunities that we have before us.

I wish personally to thank the Group's entire team of management and staff who have, through their dedication and passion, contributed greatly to our successful performance. The Company has improved to its current state from what was a difficult period a few years ago, and working with a very supportive board of directors to lead this business transition has been a great honour. We look forward to the next chapter as we take the business forward.

Gemco Rail
Rolling Stock Overhaul and Maintenance Facility, Perth WA

DIRECTORS' REPORT

The directors present their report, together with the consolidated financial statements of the Group, comprising of Engenco Limited ("the Company") and its controlled entities, for the financial year ended 30 June 2018 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Vincent De Santis
BCom, LLB (Hons)

Chairman since 24 March 2016,
Non-Executive Director since 19 July 2010,
Member of Audit and Risk Committee since 31 July 2013.

Vince is the Managing Director of the Elphinstone Group, which he joined in 2000, initially as the Group's Legal Counsel and Finance & Investment Manager. In addition to his Chairmanship of the Engenco Limited Board, he is also a director of various other Elphinstone Group companies. Prior to commencing with the Elphinstone Group, Vince was a Senior Associate in the Energy Resources & Projects team at national law firm Corrs Chambers Westgarth in Melbourne. Vince is a member of the University of Tasmania's North West Advisory Board and the Tasmanian Rhodes Scholarship Selection Committee.

Kevin Pallas
BCom, MAICD

Member of the Board since 17 December 2014, Managing Director & CEO since 1 February 2015.

Kevin possesses senior management and leadership experience through a 26 year career in engineering, mining supplies, metals and manufacturing industries. Holding a Bachelor of Commerce degree, Kevin specialised in the areas of financial and cost accounting systems' design and development, and operational and commercial management for a number of multinationals in South Africa, New Zealand, Singapore and Australia prior to joining the Group in 2007. He served in the position of Chief Financial Officer from 1 March 2013 to 31 January 2015. In February 2015, Kevin was appointed Managing Director and Chief Executive Officer.

Dale Elphinstone
FAICD

Non-Executive Director since 19 July 2010.

Dale is the Executive Chairman of the Elphinstone Group which he founded in 1975. Dale has considerable experience in the engineering, manufacturing and heavy machinery industries and among other things is one of the longest serving Caterpillar dealers' principal in Australia, having acquired the Caterpillar dealership in Victoria and Tasmania in 1987. Dale is the Co-Chair of the Joint Commonwealth and Tasmanian Economic Council and was a director of the Tasmanian Health Organisation North-West until 30 June 2015. He was a director of Caterpillar subsidiary, Caterpillar Underground Mining Pty Ltd until December 2008 and of the formerly publicly listed Queensland Gas Company Limited from October 2002 to November 2008. Dale was also a director of ASX listed National Hire Group Limited until December 2011.

Alison von Bibra
BSc, MBA

Independent Non-Executive Director and Member of the Audit and Risk Committee since 17 January 2017.

Alison has held key positions at a number of organisations including almost 10 years at ASX listed multi-national, CSL Limited. During her time at CSL, Alison's roles included Senior Director, Human Resources based in the USA and General Manager, Human Resources located at the company's Melbourne head office. Alison also has experience in a range of board roles including among others, the CSL Superannuation Fund and Westernport Regional Water Corporation. Alison was a Director of the Ballarat General Cemetaries Trust until September 2017. She is currently a Member of the Dental Board of Australia.

Ross Dunning AC
BE (Hons), BCom, FIE Aust, FIRSE, REPQ

Independent Non-Executive Director and Member of Audit and Risk Committee since 8 November 2010, Chairman of Audit and Risk Committee since 21 February 2017.

Ross has extensive exposure to the rail industry having served as the Commissioner for Railways in Queensland, President of the Australian Railways Association and Managing Director of Evans Deakin Industries Limited (the predecessor to the ASX listed company, Downer EDI Limited). Ross has been awarded the Companion of the Order of Australia and has held non-executive positions with a number of ASX listed companies including Toll Holdings Limited and Downer EDI Limited, Government owned corporations in Queensland and New South Wales and on unlisted public companies. He is also the Chairman of the Board of Indec Pty Ltd.

Meetings of Directors

The number of directors' meetings (including meeting of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Board Member	Directors' Meetings	Audit and Risk Committee Meetings
Number of Meetings	12	4
Vincent De Santis	12/12	4/4
Kevin Pallas	12/12	-
Dale Elphinstone	12/12	-
Alison von Bibra	12/12	4/4
Ross Dunning	11/12	4/4

Directors' Shareholdings

	Ordinary Shares
Vincent De Santis	378,951
Kevin Pallas	72,632
Dale Elphinstone	202,406,914
Alison von Bibra	34,793
Ross Dunning	182,948

Changes in Directors and Executives Subsequent to Year End

Linda Dillon resigned from the position of Company Secretary and Chief Financial Officer on 1 August 2018. Andrew Nightingale was appointed Company Secretary on the same day.

Company Secretary

Andrew Nightingale
BCom, LLB

Company Secretary since 1 August 2018.

Andrew is a lawyer with over 10 years' experience, including working for a corporate regulator, an ombudsman and a variety of in-house teams. Andrew holds a Bachelor of Laws and a Bachelor of Commerce from the University of Otago, and has also practiced law in the United Kingdom and New Zealand.

Linda Dillon
CA, CS, BCom, GDipAppFin, DipInvestRel

Company Secretary and Chief Financial Officer from 6 April 2018 to 1 August 2018.

Linda has previously gained deep experience as a CFO and Company Secretary of a number of ASX Listed entities and multinational groups in a wide range of industries. Linda holds a Bachelor of Commerce degree, a Graduate Diploma in Applied Finance, a Diploma in Investor Relations, and is a Chartered Accountant and Chartered Secretary.

Graeme Campbell
FCA, BSc

Resigned from Positions of Company Secretary and Chief Financial Officer on 6 April 2018.

Graeme started his career in audit with PricewaterhouseCoopers in the United Kingdom and has over 20 years' of finance experience in different industry sectors. He has held a number of senior finance roles with blue chip companies in the UK including Shepherd Group, Premier Farnell and R&R Ice Cream. Graeme holds a Bachelor of Science in Mathematics from the Imperial College of Science, Technology and Medicine in London. He is a fellow of the Institute of Chartered Accountants in England and Wales.

Principal Activities

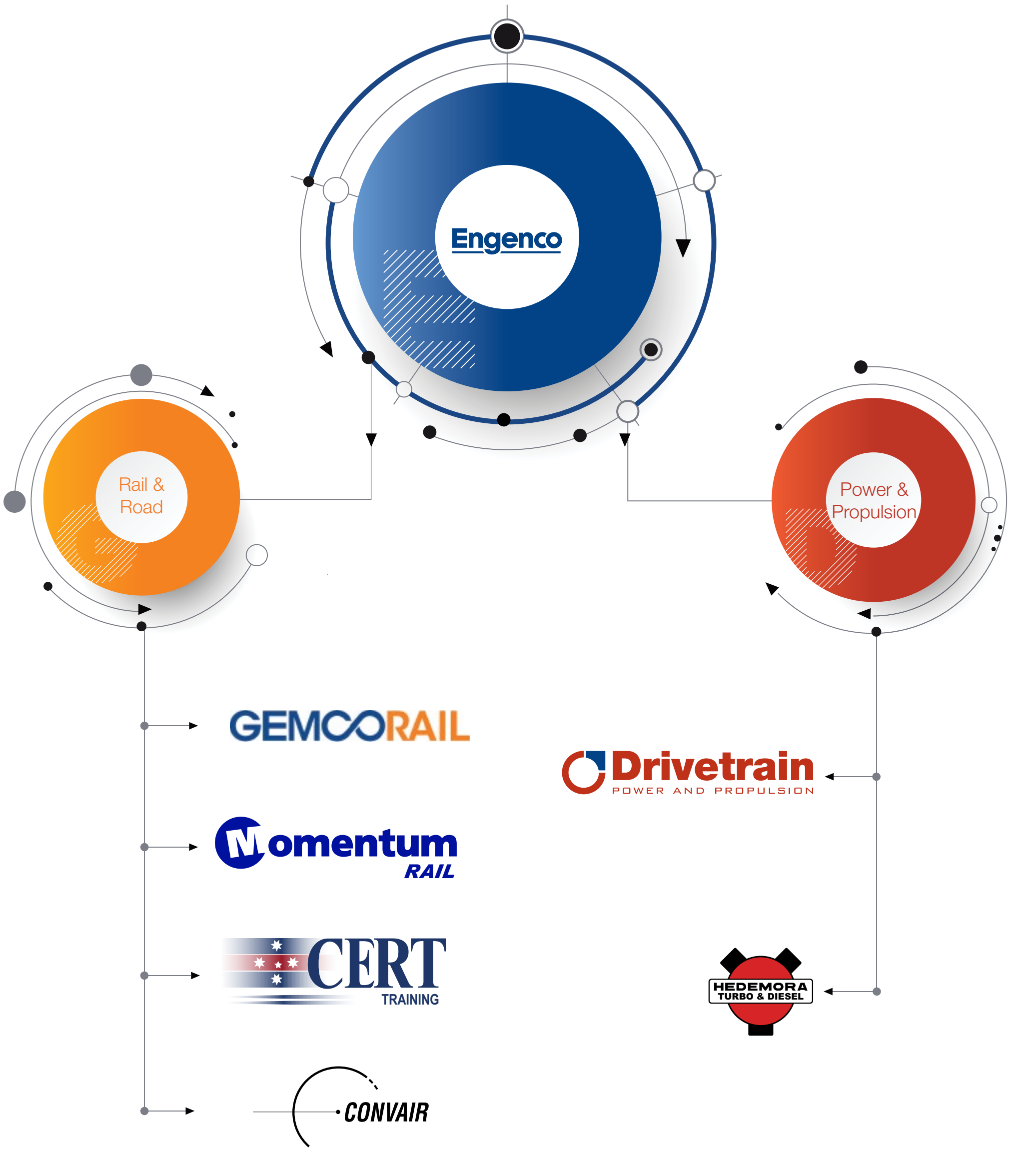
The Group provides a diverse range of engineering services and products through two business streams: Power & Propulsion and Rail & Road. Engenco businesses specialise in:

- Maintenance, repair and overhaul of heavy duty engines, powertrain, propulsion and gas compression systems;
- Maintenance, repair and overhaul of locomotives;
- Manufacture and maintenance of wagons, carriages and associated rail equipment;
- Project management, training and workforce provisioning; and
- Manufacture and supply of road transport and storage tankers for dry bulk products.

The Group services a diverse client base across the defence, resources, marine, power generation, rail, heavy industrial and infrastructure sectors

The Group operates globally and employs nearly 500 people (full-time equivalent) in over twenty locations in three countries.

Group Overview



Drivetrain

GEMCORAIL

Drivetrain

Drivetrain's services span the complete engineering product life-cycle for heavy mobile powertrain systems, large-frame turbochargers, heavy diesel and gas power generation and gas compression equipment.

Drivetrain is organised around the following business streams:

- Mobile Powertrain
- Turbocharger, Power and Compression
- Hedemora Turbo & Diesel (Sweden)

Services include:

- Maintenance, repair, and overhaul
- Design, installation and commissioning
- Genuine component and spare parts distribution
- Field service
- Technical and engineering services in remote locations
- Equipment life extension

Drivetrain has facilities and service centres in eight locations in the ANZ region. Hedemora Turbo & Diesel is based in Sweden.

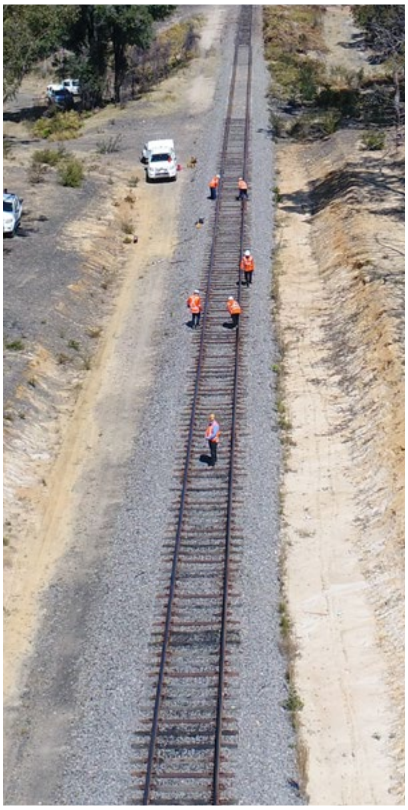
Gemco Rail

Gemco Rail has been a well-known supplier of quality services and products to the rail sector for many years. Building on this solid reputation and experience, the business specialises in providing fleet-management services to national rail operators and in the manufacture, refurbishment and overhaul of rail equipment. Gemco Rail provides wagon and locomotive scheduled and ad-hoc maintenance services and manufactures custom designed and engineered new and refurbished wagons, bogie component parts and associated rail equipment. Gemco Rail also supplies a broad range of rail track maintenance equipment and parts.

Services include:

- Manufacture and maintenance of freight wagons, other rollingstock and rail equipment
- Locomotive and wagon maintenance, repair and overhaul
- Fleet asset management
- Custom maintenance, modification, retrofit and upgrades
- Bogie, wagon and wheel refurbishment
- Field service crews
- Train inspections
- RailBAM acoustic analysis

The flagship facility in Forrestfield WA is complemented by other facilities strategically located on main lines in Victoria, South Australia and New South Wales.



Total Momentum

Total Momentum offers a range of workforce provisioning services from providing skilled individuals to fully-supervised and equipped crews to carry out rail track construction, maintenance and upgrades. Total Momentum plan, implement and manage safe working solutions for rail clients, from hand-signallers and lookouts to highly experienced Principal Protection Officers and Locomotive Drivers. Operating out of branches in Forrestfield WA, Norwood SA, Thornton NSW and Port Melbourne VIC, Total Momentum's strategic presence is well placed to service the rail and resource sectors.

Centre for Excellence in Rail Training (CERT)

CERT is a registered training organisation (RTO) that provides responsive, flexible and innovative training, assessment and recertification services to the Australian rail industry. CERT delivers nationally accredited and industry-based training programs on a regular basis, and provides customised courses to suit individual business needs. The business has training centres in Perth, Port Hedland, Sydney, Newcastle, Ipswich, Norwood, Melbourne and Ballarat with the flexibility to train on-site Australia wide.

Convair Engineering (Convair)

Convair designs and manufactures tankers for the transportation of dry bulk products by road. The business provides repairs, maintains and supplies spare parts for all makes of dry bulk tankers and offers distribution, service and repair of compressors and ancillary equipment used in the support of dry bulk materials handling. Convair is an agent for Feldbinder Spezialfahrzeugwerke GmbH of Germany, supplementing the company's range of products with aluminium dry bulk tankers and stainless steel liquid tankers. With its manufacturing facility based in Melbourne, Convair services customers throughout Australia and New Zealand.

Operating and Financial Review

Operating Results

The Group reported a net profit after tax, including non-controlling interests, of $18,003,000 for the year ended 30 June 2018. The consolidated result for the year is summarised as follows:

	2018 $000	2017 $000
Revenue from continuing operations	**157,336**	129,319
EBITDA from continuing operations[2]	**17,320**	12,785
EBIT from continuing operations[1]	**13,490**	9,137
Profit / (loss) after tax from continuing operations	**18,003**	8,478
Profit / (loss) from discontinued operations, net of tax	**-**	(209)
Net operating cash flow	**8,292**	6,400
Net assets	**73,218**	57,011
Net cash / (debt)	**8,318**	4,697

[1] EBIT is earnings before finance costs and income tax expense.
[2] EBITDA is EBIT before depreciation and amortisation.
Note – EBIT and EBITDA are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to assist understanding of the underlying performance of the Group.

Review of Principal Businesses

Disclosure of information regarding principal business performance and likely developlments has been made in the Chairman's and Managing Director's sections in this report.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Dividends

Since the end of the previous financial year, the Board declared a final dividend of 0.5 cents per ordinary share (fully franked) on 23 August 2017 and subsequently paid the dividend on 28 September 2017.

On 29 August 2018, the Board resolved to declare a final dividend of 1 cent per share (fully franked). Payment of the dividend to shareholders will take place on 27 September 2018.

Events Subsequent to Reporting Date

Linda Dillon resigned from the positions of Company Secretary and Chief Financial Officer on 1 August 2018. Andrew Nightingale was appointed Company Secretary on the same day.

On 3 August 2018, the Group agreed terms with the National Australia Bank for a $10.0m Revolving Credit Facility and $2.6m interchangeable facility to be used between the issuance of bank guarantees, letters of credit and business card facility with a term of three years. The facilities are subject to final documentation and the satisfaction of certain conditions precedent, which are usual for a facility of this nature. The new facility is expected to be finalised no later than 5 October 2018. The new financing arrangements, when completed, will replace the existing funding facility of $10.0m with Elph Pty Ltd and Bank Guarantee Facility of $2.0m with the Commonwealth Bank.

On 29 August 2018, the Board resolved to declare a final dividend of 1 cent per share (fully franked). Payment of the dividend to shareholders will take place on 27 September 2018.

Other than the above, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which would have a material effect on the financial statements of the Group at 30 June 2018.

Environmental Regulation

Group operations are subject to significant environmental regulation under Commonwealth, State and international law, including noise, air emissions and the use, handling, haulage and disposal of dangerous goods and wastes.

The Group follows practices that minimise adverse environmental impacts and comply with environmental requirements.

The Board is not aware of any significant breaches during the periods covered by this report nor does it consider the Group is subject to any material environmental liabilities.

National Greenhouse and Energy Reporting Guidelines

The Group's environmental obligations are regulated under both Federal and State law. The Group is not subject to the conditions imposed by the registration and reporting requirements of the *National Greenhouse and Energy Reporting Act 2007.*

Indemnification and Insurance of Officers

The Company has indemnified and paid premiums to insure each of the Company's directors and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity, other than conduct involving a wilful breach of duty in relation to the Company.

Non-Audit Services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG Australia, and its network firms for audit and non-audit services provided during the year are set out below:

	2018 **$000**
SERVICES OTHER THAN AUDIT AND REVIEW OF FINANCIAL STATEMENTS:	
Other Services	
Taxation compliance services	**13,834**
	13,834
AUDIT AND REVIEW OF FINANCIAL STATEMENTS	**310,980**
TOTAL PAID TO KPMG	**324,814**

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 25 and forms part of the Directors' Report for the financial year ended 30 June 2018.

Rounding Off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Gemco Rail
Rolling Stock and Rotables Maintenance Facility, Telarah NSW

Remuneration Report - Audited

Remuneration Policy

This report details the nature and amount of remuneration for all directors and key executives of the Group who have a strategic commercial impact upon the Group's activities.

The Board's policy for determining the nature and amount of remuneration for board members and key executives of the Group is as follows:

- All executive directors and key executives receive a salary package comprised of a base salary, superannuation and other long-term benefits.
- The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable market information.
- The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's NPAT, which are aligned with shareholder value.
- The directors and key executives receive a superannuation guarantee contribution required by the government (which was 9.5% during the year) and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase superannuation contributions.
- All remuneration paid to directors and executives is valued at cost to the Group and expensed.
- The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders.
- To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance Conditions Linked to Remuneration

The remuneration level for key management personnel is based on a number of factors, including skills and qualifications, achievements of performance metrics and demonstrated management capability. The contracts for service between the Group and key management personnel are on a continuing basis.

Consequences of Performance on Shareholder Wealth

There are currently no non-discretionary short-term incentives available to key management personnel.

The following table shows the gross revenue, profits and dividends for the last 5 years for Engenco Limited, as well as the share prices at the end of the respective financial years.

Remuneration Report - Audited (cont'd)

	2014 $	2015 $	2016 $	2017 $	**2018 $**
Revenue	140,273,000	133,834,000	135,318,000	129,399,000	**157,336,000**
NPAT attributable to members	(11,257,000)	(27,593,000)	3,828,000	8,309,000	**18,003,000**
EBITDA	1,692,000	(20,668,000)	11,078,000	12,765,000	**17,320,000**
EBIT	(8,836,000)	(30,128,000)	5,503,000	9,117,000	**13,490,000**
Operating income growth [1]	89%	(241%)	n/a	66%	**48%**
Share price at year-end	$0.12	$0.10	$0.10	$0.21	**$0.49**
% Change in share price	(18%)	(17%)	0%	121%	**133%**
Capital employed [2]	80,348,000	46,448,000	49,988,000	57,565,000	**74,400,000**
Return on capital employed [3]	(11%)	(65%)	11%	16%	**18%**
Dividends paid	-	-	-	-	**1,567,000**

[1] Operating income growth is the movement in EBIT year-on-year
[2] Capital employed is total assets less current liabilities
[3] Return on capital employed is EBIT over capital employed

Non-Executive Directors

Total compensation for all non-executive directors was last voted upon by shareholders at the 2017 Annual General Meeting. The base fee for the Chairperson is $160,000 per annum. Base fees for other non-executive directors do not exceed $80,000 per annum.

Directors' base fees cover all main board activities. Non-executive director members who sit on a committee receive an additional fee of $6,000 per annum. Non-executive director members who hold the position of Chairperson on a committee receive an additional fee of $6,000 per annum.

Non-executive directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation (paid in addition to the base fees noted above).

Remuneration Report - Audited (cont'd)

Directors' and Key Executive Officers' Remuneration Details for Year Ended 30 June 2018

Details of the nature and amount of each major element of remuneration for each director of the Company, and other key management personnel of the Group, are:

				Short-Term			**Post-Employment**	**Other Long-Term**			
		Salary & Fees $	Non-Monetary Benefits $	Other Benefits $	Discretionary Performance Benefit $	Sub-Total $	Superannuation Benefit $	Long Service Leave $	Termination Benefits $	Total $	Remuneration Performance Related %
Directors											
Non-Executive Directors											
V De Santis [1]	**2018**	**166,000**	**-**	**-**	**-**	**166,000**	**15,770**	**-**	**-**	**181,770**	**-**
Chairman	2017	167,200	-	-	-	167,200	7,885	-	-	175,085	-
D Elphinstone [1]	**2018**	**80,000**	**-**	**-**	**-**	**80,000**	**7,600**	**-**	**-**	**87,600**	**-**
	2017	80,000	-	-	-	80,000	3,800	-	-	83,800	-
R Dunning	**2018**	**92,000**	**-**	**-**	**-**	**92,000**	**8,740**	**-**	**-**	**100,740**	**-**
	2017	62,076	-	-	-	62,076	34,872	-	-	96,948	-
A von Bibra:	**2018**	**86,000**	**-**	**-**	**-**	**86,000**	**8,170**	**-**	**-**	**94,170**	**-**
appointed 17 Jan 2017	2017	37,707	-	-	-	37,707	3,582	-	-	41,289	-
D Hector:	**2018**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
retired 23 Nov 2016 [2]	2017	36,570	-	-	-	36,570	3,474	-	-	40,044	-
Sub-Total Non-Executive Directors' Remuneration	**2018**	**424,000**	**-**	**-**	**-**	**424,000**	**40,280**	**-**	**-**	**464,280**	**-**
	2017	383,553	-	-	-	383,553	53,613	-	-	437,166	-
Executive Directors											
K Pallas	**2018**	**387,752**	**-**	**-**	**91,324**	**479,076**	**45,512**	**11,702**	**-**	**536,290**	**17.0%**
Managing Director & CEO	2017	368,629	-	-	54,795	423,424	40,224	9,621	-	473,269	11.6%
Sub-Total Executive Directors' Remuneration	**2018**	**387,752**	**-**	**-**	**91,324**	**479,076**	**45,512**	**11,702**	**-**	**536,290**	**17.0%**
	2017	368,629	-	-	54,795	423,424	40,224	9,621	-	473,269	11.6%
Total Directors' Remuneration	**2018**	**811,752**	**-**	**-**	**91,324**	**903,076**	**85,792**	**11,702**	**-**	**1,000,570**	**9.1%**
	2017	752,182	-	-	54,795	806,977	93,837	9,621	-	910,435	6.0%

Remuneration Report - Audited (cont'd)

Directors' and Key Executive Officers' Remuneration Details for Year Ended 30 June 2018 (cont'd)

		Short-Term					Post-Employment	Other Long-Term			
		Salary & Fees $	Non-Monetary Benefits $	Other Benefits $	Discretionary Performance Benefit $	Sub-Total $	Superannuation Benefit $	Long Service Leave $	Termination Benefits $	Total $	Remuneration Performance Related %
Executives											
L Dillon: appointed 6 April 2018	**2018**	**69,230**	**-**	**-**	**-**	**69,230**	**6,577**	**-**	**-**	**75,807**	**-**
Chief Financial Officer & Company Secretary[3]	2017	-	-	-	-	-	-	-	-	-	-
Former											
G Campbell: resigned 6 April 2018	**2018**	**222,930**	**-**	**-**	**-**	**222,930**	**14,462**	**-**	**-**	**237,392**	**-**
Chief Financial Officer/Company Secretary	2017	249,634	-	-	18,265	267,899	20,519	12,911	-	301,329	6.1%
S Bott: resigned 22 Dec 2016	**2018**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Legal Counsel/Company Secretary	2017	71,264	-	-	-	71,264	17,300	-	-	88,564	-
Total Executive Officers' Remuneration	**2018**	**292,160**	**-**	**-**	**-**	**292,160**	**21,039**	**-**	**-**	**313,199**	**-**
	2017	320,898	-	-	18,265	339,163	37,819	12,911	-	389,893	4.7%
Total Directors' and Executive Officers' Remuneration	**2018**	**1,103,912**	**-**	**-**	**91,324**	**1,195,236**	**106,831**	**11,702**	**-**	**1,313,769**	**7.0%**
	2017	1,073,080	-	-	73,060	1,146,140	131,656	22,532	-	1,300,328	5.6%

[1] Fees for the services of V De Santis and D Elphinstone are paid via agreements with Elphinstone Group (Aust) Pty Ltd which is a related party of the Company.
[2] Fees to D Hector were paid via an agreement with Grassick SSG Pty Ltd which was a related party of the Company.
[3] L Dillon resigned 1 August 2018.

During the year, the Group reassessed the roles that were deemed to be key management personnel. As a result of this reassessment the 2017 comparatives have been restated.

Remuneration Report - Audited (cont'd)

Loans to Key Management Personnel and their Related Parties

The balance of loans to key management personnel and their related parties outstanding as at 30 June 2018 is $NIL (2017: $NIL).

Service Contracts

The employment conditions of most key management personnel are formalised in contracts of employment. The employment contract does not stipulate a term of employment period but does stipulate a notice period for resignation and periods of remuneration and conditions under termination. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

	Terms of Agreement	Termination Benefit
V De Santis	Ongoing director agreement	N/A - Non-Executive Director
K Pallas	Permanent employment contract	8 weeks' pay
D Elphinstone	Ongoing director agreement	N/A - Non-Executive Director
A von Bibra	Ongoing director agreement	N/A - Non-Executive Director
R Dunning	Ongoing director agreement	N/A - Non-Executive Director
D Hector	Ongoing director agreement	N/A - Non-Executive Director
L Dillon	Permanent employment contract	3 months' pay
G Campbell	Permanent employment contract	8 weeks' pay
S Bott	Permanent employment contract	4 weeks' pay

Options and Rights Over Equity Instruments Granted

In the 2017 and 2018 financial years no executive directors, non-executive directors or key management personnel had any options or rights.

Other Transactions with Key Management Personnel

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's-length basis.

From time to time, directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial in nature.

Remuneration Report - Audited (cont'd)

Movements in Shares

The movement during the reporting period in the number of ordinary shares in Engenco Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2018	Balance 1 July 2017	Received as compensation	Other changes*	**Balance 30 June 2018**
V De Santis	378,951	-	-	**378,951**
K Pallas	72,632	-	-	**72,632**
D Elphinstone	202,406,914	-	-	**202,406,914**
A von Bibra	-	-	34,793	**34,793**
R Dunning	182,948	-	-	**182,948**
D Hector	113,163	-	-	**113,163**
L Dillon	-	-	-	**-**
G Campbell	-	-	-	**-**
S Bott	-	-	-	**-**

*Other changes represent shares that were purchased or sold during the year.

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

Vincent De Santis
Chairman

Dated 29 August 2018

DIRECTORS' DECLARATION

1. In the opinion of the directors of Engenco Limited (the Company):

   a. the consolidated financial statements and notes that are set out on pages 32 to 77 and the Remuneration Report on pages 18 to 23 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

      ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   b. there are reasonable grounds to believe that the Company will be asble to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2018.

3. The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Vincent De Santis
Chairman

Dated 29 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Engenco Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Engenco Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

S E Bell

Suzanne Bell

Partner

Melbourne

29 August 2018

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the shareholders of Engenco Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Engenco Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Engenco Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- *Valuation of the wagon fleet*
- *Revenue recognition*

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of wagon fleet ($7,319K)

Refer to Note 13 to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's impairment assessment of its wagon fleet, given the size of the balance (approximately 8% of total assets) as at 30 June 2018 and the market conditions. In particular, the wagon rental market in which the Group operates has been depressed in recent years. This resulted in a majority of the Group's wagon lease tenure towards short to medium term. We focused on the significant forward-looking and other assumptions the Group applied in the impairment assessment for the wagon fleet.	Our procedures included: • We considered the appropriateness of the impairment review methodology applied by the Group against the requirements of the accounting standards. • We used our knowledge of the Group, its current year performance, business and customers, and our industry experience along with reviewing published studies of industry trends and expectations to inform our understanding of the wagon rental market. • We involved our senior audit team members to evaluate the external independent valuation obtained by the Group regarding the carrying value of the wagon fleet at reporting date by assessing the valuation methodology adopted and competence of the external expert. • We assessed the disclosures in the financial report using our understanding of this key audit matter obtained from our testing and against the requirements of the accounting standards.

KPMG

Revenue recognition ($157,336K)	
Refer to Note 5 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Revenue recognition was a key audit matter for us due to multiple revenue streams and the financial significance of the amount. The Group's revenue consists of various revenue streams comprising maintenance, repair and overhaul of powertrain systems, manufacture and maintenance of wagons and associated rail equipment, leasing of wagons, manufacture and supply of road and storage tankers and training and workforce provisioning services within the rail industry. This necessitated greater involvement by the audit team to determine appropriate revenue recognition including timing and measurement. In addition, the Group disclosed the expected impact of AASB 15 *Revenue from Contracts with Customers,* when it will be adopted at 1 July 2018. Given the significance of changes to accounting standards for Revenue, additional audit effort was applied to these disclosures.	Our procedures included: • evaluating the appropriateness of the Group's revenue recognition policies against the requirements of AASB 118 *Revenue* and/or AASB 117 *Leases*; • for a sample of revenue transactions, we checked to underlying records and inspected the terms and conditions of the revenue contract for consistency to the Group's policy for timing and measurement of revenue recognition; • comparing cash receipts to revenue recognised during the period; • testing a sample of revenue transactions from immediately before and immediately after year end, across different revenue streams, comparing the year in which the revenue was recognised to terms of the underlying contract; • testing a sample credit notes issued post year-end to identify any significant reversals of revenue recognised pre year-end; • reading a sample of customer contracts to evaluate the change, if any, in revenue recognition in accordance with the transition impact of AASB 15 and comparing to the Group's disclosure.

Other Information

Other Information is financial and non-financial information in Engenco Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Engenco Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 18 to 23 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Suzanne Bell

Partner

Melbourne

29 August 2018

CONTENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Note	**Consolidated Group 2018 $000**	Consolidated Group 2017 $000
Revenue	5	**157,336**	129,319
Other income	5	**1,335**	1,052
Changes in inventories of finished goods and work in progress		**5,004**	2,745
Raw materials and consumables used		**(74,413)**	(58,662)
Employee benefits expense	6	**(54,918)**	(43,818)
Depreciation and amortisation expense		**(3,830)**	(3,648)
Impairment of inventory		**(90)**	(208)
Finance costs	6	**(476)**	(783)
Subcontract freight		**(913)**	(1,079)
Repairs and maintenance		**(1,178)**	(1,329)
Insurances		**(1,063)**	(1,214)
Rent and outgoings		**(5,983)**	(6,218)
Foreign exchange movements		**28**	46
Other expenses		**(7,825)**	(7,734)
Share of profit / (loss) of equity-accounted investee, net of tax		**-**	(115)
PROFIT / (LOSS) BEFORE INCOME TAX		**13,014**	8,354
Income tax benefit / (expense)	7	**4,989**	124
PROFIT / (LOSS) FROM CONTINUING OPERATIONS		**18,003**	8,478
DISCONTINUED OPERATION			
Profit / (loss) from discontinued operation, net of tax	4	**-**	(209)
TOTAL PROFIT / (LOSS) FOR THE PERIOD		**18,003**	8,269
Profit / (loss) attributable to:			
Owners of the Company		**18,003**	8,309
Non-controlling interest		**-**	(40)
		18,003	8,269
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas subsidiaries		**(229)**	(811)
Other comprehensive income for the period, net of tax		**(229)**	(811)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**17,774**	7,458
Total comprehensive income attributable to:			
Owners of the Company		**17,774**	7,498
Non-controlling interest		**-**	(40)
		17,774	7,458
EARNINGS PER SHARE		**Cents**	Cents
Basic & Diluted earnings per share (cents per share)	8	**5.74**	2.67
From continuing operations:			
Basic & Diluted earnings per share (cents per share)	8	**5.74**	2.72

The notes on pages 36 to 77 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

as at 30 June 2018

	Note	Consolidated Group 2018 $000	Consolidated Group 2017 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**8,656**	8,960
Trade and other receivables	10	**28,275**	26,009
Inventories	11	**33,944**	28,940
Other current assets	12	**3,315**	3,020
Assets held for sale		**-**	100
TOTAL CURRENT ASSETS		**74,190**	67,029
NON-CURRENT ASSETS			
Financial assets		**-**	7
Property, plant and equipment	13	**16,839**	17,376
Deferred tax assets	7	**5,575**	295
Intangible assets	15	**248**	398
TOTAL NON-CURRENT ASSETS		**22,662**	18,076
TOTAL ASSETS		**96,852**	85,105
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**15,453**	15,919
Financial liabilities	17	**338**	4,263
Current tax liabilities	7	**132**	750
Provisions	18	**6,529**	6,609
TOTAL CURRENT LIABILITIES		**22,452**	27,541
NON-CURRENT LIABILITIES			
Provisions	18	**488**	481
Deferred tax liabilities	7	**694**	72
TOTAL NON-CURRENT LIABILITIES		**1,182**	553
TOTAL LIABILITIES		**23,634**	28,094
NET ASSETS		**73,218**	57,011
EQUITY			
Issued capital	21	**302,719**	302,719
Reserves		**(351)**	(122)
Profit reserve		**271**	-
Accumulated losses		**(223,592)**	(239,757)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**79,047**	62,840
Non-controlling interest		**(5,829)**	(5,829)
TOTAL EQUITY		**73,218**	57,011

The notes on pages 36 to 77 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2018

Consolidated Group	**Share Capital $000**	**Accumulated Losses $000**	**Profit Reserve $000**	**Foreign Currency Translation Reserve $000**	**Sub-Total $000**	**Non-controlling Interest $000**	**Total Equity $000**
BALANCE AT 1 JULY 2016	302,260	(248,066)	-	689	54,883	(5,789)	49,094
Profit / (loss)	-	8,309	-	-	8,309	(40)	8,269
Other comprehensive income, net of tax	-	-	-	(811)	(811)	-	(811)
TOTAL COMPREHENSIVE INCOME	-	8,309	-	(811)	7,498	(40)	7,458
TRANSACTIONS WITH OWNERS OF THE COMPANY							
Contributions and Distributions:							
Shares issued during the year	473	-	-	-	473	-	473
Transaction costs	(14)	-	-	-	(14)	-	(14)
TOTAL CONTRIBUTIONS AND DISTRIBUTIONS	459	-	-	-	459	-	459
BALANCE AT 30 JUNE 2017	302,719	(239,757)	-	(122)	62,840	(5,829)	57,011
BALANCE AT 1 JULY 2017	**302,719**	**(239,757)**	**-**	**(122)**	**62,840**	**(5,829)**	**57,011**
Profit / (loss)	**-**	**18,003**	**-**	**-**	**18,003**	**-**	**18,003**
Transfer to profit reserve	**-**	**(1,838)**	**1,838**	**-**	**-**	**-**	**-**
Other comprehensive income, net of tax	**-**	**-**	**-**	**(229)**	**(229)**	**-**	**(229)**
TOTAL COMPREHENSIVE INCOME	**-**	**16,165**	**1,838**	**(229)**	**17,774**	**-**	**17,774**
TRANSACTIONS WITH OWNERS OF THE COMPANY							
Contributions and Distributions:							
Dividends Paid	**-**	**-**	**(1,567)**	**-**	**(1,567)**	**-**	**(1,567)**
TOTAL CONTRIBUTIONS AND DISTRIBUTIONS	**-**	**-**	**(1,567)**	**-**	**(1,567)**	**-**	**(1,567)**
BALANCE AT 30 JUNE 2018	**302,719**	**(223,592)**	**271**	**(351)**	**79,047**	**(5,829)**	**73,218**

The notes on pages 36 to 77 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 30 June 2018

	Note	Consolidated Group 2018 $000	Consolidated Group 2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**172,013**	137,326
Payments to suppliers and employees		**(162,987)**	(129,766)
Interest received		**30**	46
Finance costs		**(476)**	(972)
Income tax paid		**(288)**	(234)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	23(b)	**8,292**	6,400
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**801**	5,635
Purchase of non-current assets		**(3,905)**	(2,429)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		**(3,104)**	3,206
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	473
Payment of transaction costs related to issue of share capital		**-**	(14)
Dividends paid		**(1,567)**	-
Repayment of borrowings		**(4,000)**	(12,674)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		**(5,567)**	(12,215)
Net increase / (decrease) in cash and cash equivalents		**(379)**	(2,609)
Cash (net of bank overdrafts) at beginning of financial year		**8,697**	11,306
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR	23(a)	**8,318**	8,697

The notes on pages 36 to 77 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

Note 1 - Significant Accounting Policies

Except for the changes explained here within, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Reporting Entity

Engenco Limited (the 'Company') is domiciled in Australia. The Company's registered office is at Level 22, 535 Bourke Street, Melbourne, VIC 3000. These consolidated financial statements comprise the Company and its subsidiaries (collectively 'the Group' and individually 'Group companies'). The Group is a for-profit entity and is involved in the delivery of a diverse range of engineering services and products.

Basis of Accounting

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 29 August 2018.

Functional and Presentation Currency

These consolidated financial statements are presented in AUD, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that may have a risk of resulting in a material adjustment in the year ended 30 June 2018 is included in the following notes:

- Note 7 – Tax. Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by taxable authorities in relevant jurisdictions.
- Note 10 – Trade and Other Receivables. Trade receivables are reviewed and impaired where significant uncertainty is identified as to the recoverability of amounts due, and where the amounts to which the uncertainty relates can be quantified.
- Note 11 – Inventories. Inventory and WIP values are determined using the net realisable value, where the cost is in excess of this value.
- Note 13 – Property, Plant and Equipment. The recoverable amount of certain wagons (part of 'property, plant and equipment') is determined using an external valuation report which utilises multiple valuation techniques with a primary focus on depreciated replacement cost approach. Impairment is recognised when the carrying amount exceeds the recoverable amount. Where rollingstock is held by the Group, but the leasing opportunities are limited due to market conditions, the assets are held at salvage value.

Note 1 - Significant Accounting Policies (cont'd)

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for non-derivative financial instruments at fair value through profit or loss, which are measured at fair value.

Going Concern

The consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity, and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The directors are satisfied that the Group will have sufficient cash and undrawn facilities to continue to operate and pay its debts as and when they fall due (for at least the 12 month period from the date of signing this financial report).

Significant Accounting Policies

a. Basis of Consolidation

Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise of interest in a joint venture.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in the joint venture is accounted for using the equity method. It is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of equity-accounted investees, until the date on which joint control ceases.

Note 1 - Significant Accounting Policies (cont'd)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Construction Contracts in Progress

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date (see Note 5) less progress billings and recognised losses.

In the Statement of Financial Position, construction contracts in progress are presented as work in progress. Advances received from customers are presented as deferred income/revenue.

c. Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtors or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers and issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

The Group considers evidence of impairment for financial assets measured at amortised cost at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Note 1 - Significant Accounting Policies (cont'd)

d. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

e. Finance Income and Finance Costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities; and
- Impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

f. Government Grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

g. Goods and Services Tax (GST)

Revenues, expenses and non-financial assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

h. Comparative Figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a Statement of Financial Position as at the beginning of the earliest comparative period will be disclosed.

i. Rounding of Amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars (unless otherwise indicated).

Note 1 - Significant Accounting Policies (cont'd)

j. New Accounting Standards and Interpretations

New accounting standards adopted

The Group has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for the current reporting period.

A number of new standards, amendments to standards and interpretations were available for early adoption but have not been applied by the Group in these financial statements:

i. AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

ii. AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 *Revenue*, AASB 11 *Construction Contracts*, and IFRIC 13 *Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

iii. AASB 16 Leases

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. It replaces existing lessee accounting guidance in AASB 117 *Leases*.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *Disclosure Initiative (Amendments to IAS 7)*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*
- *Annual Improvements to IFRS 2014-2016 Cycle-various standards (Amendments to IFRS 12).*

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier adoption is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial adoption.

IFRS 9: FINANCIAL INSTRUMENTS (EFFECTIVE 1 JULY 2018)

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

The Group has assessed the impact of the adoption of IFRS 9 on the Group's consolidated financial statements. The new standard requires the Group to revise its accounting processes and internal controls related to reporting financial instruments, which are in the process of being finalised.

As the Group currently does not apply hedge accounting for its foreign currency transactions, this component of IFRS 9 will not impact the consolidated financial statements unless the Group decides to implement hedge accounting in future reporting periods.

Note 1 - Significant Accounting Policies (cont'd)

i. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortised cost;
- Measured at fair value through other comprehensive income (FVOCI); and
- Measured at fair value through profit or loss (FVTPL).

The existing categories of held to maturity, loans and receivables, and available-for-sale are removed. The existing requirements for financial liabilities is largely retained.

A financial asset is classified as being subsequently measured at amortised cost if the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI).

The Group currently classifies its non-derivative financial assets into the categories of FVTPL, loans and receivables, and available-for-sale. With the removal of loans and receivables and available-for-sale categories under IFRS 9, loans and receivables will become measured at amortised cost and be subject to the business model and SPPI criterion assessments. Available-for-sale assets will become measured at FVTPL. There are no impacts to the current carrying values of non-derivative financial assets as a result of these measurement changes.

ii. Impairment

IFRS 9 replaces the 'incurred cost' model with an 'expected credit loss' model. The new model uses a dual measurement approach, under which the loss allowance is measured as either:

- 12-month expected credit losses (result from possible default events within the 12 months after the reporting date); or
- Lifetime expected credit losses (result from all possible default events over the expected life of a financial instrument).

A simplified approach is available for trade receivables, contract assets and lease receivables, allowing or requiring the recognition of lifetime expected credit losses at all times.

The Group currently only recognises a credit loss when there is objective evidence that impairment has occurred. The new expected credit loss model requires estimates of 12-month or lifetime expected credit losses to be recognised upon initial recognition of the financial asset, and when there is a significant change in credit risk. Based on the Group's assessment of historical provision rates and forward-looking analysis the impact on adoption will be an increase in the impairment provision in the order of $700,000 recognised through opening retained earnings. An additional specifically identified expected credit loss provision of $200,000 will be recognised through opening retained earnings, as a result of the transition impacts from IFRS 15 *Revenue from Contracts with Customers* (see page 42, ii. Rendering of Services).

iii. Presentation and disclosure

IFRS 9 requires extensive new disclosures, particularly surrounding credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes to enable the capturing of the required data. The revised accounting processes are in the process of being finalised.

iv. Transition

The general principle in IFRS 9 is for retrospective application of the standard upon initial application. Retrospective application means that the new requirements are applied to transactions, other events and conditions as if those requirements had always been applied.

IFRS 9 contains certain exemptions from full retrospective application for the classification and measurement requirements, including impairment. These include an exemption from the requirement to restate comparative information. If an entity does not restate comparative information in prior periods, it recognises any difference between the previous carrying amount and the carrying amount at the date of initial application in the opening retained earnings balance. Entities are allowed to restate comparatives only if this is possible without the use of hindsight.

The Group will utilise the above mentioned exemptions upon initial application.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS (EFFECTIVE 1 JULY 2018)

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The new standard replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programs*.

Entities will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- Over time, in a manner that depicts the entity's performance; or
- At a point in time, when control of the goods or services is transferred to the customer.

The Group's assessment of the impact the adoption of IFRS 15 would have on the Group's consolidated financial statements involved the detailed review of numerous customer contracts across all main revenue streams. The findings resulted in a limited impact on the Group's consolidated financial statements. The new standard requires the Group to revise its accounting processes and internal controls related to contracts with customers and revenue reporting, which are in the process of being finalised.

Note 1 – Significant Accounting Policies (cont'd)

i. Sale of goods

The Group engages in the sale of spare parts and components for various rail, road, powertrain and gas compression industry sectors. The Group currently recognises revenue from the sale of goods when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, there is no continuing management involvement with the goods, and the amount of revenue can be reliably measured. Revenue is measured net of returns, trade discounts and volume rebates.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods. The Group has not identified any material impact to the recognition of revenue on the sale of goods domestically or internationally upon initial adoption of IFRS 15. However, changes to accounting processes have been required to ensure the recognition of revenue on the sale of goods domestically and internationally is accounted for accordance with IFRS 15 in future periods.

ii. Rendering of services

The Group currently performs a number of services to various industry sectors, including maintenance, repairs and overhauls. The Group currently recognises revenue from the rendering of these services with reference to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

Of the customer contracts reviewed as part of the Group's assessment process, one contract for the provision of consultancy services (a non-standard service) was identified as having a material impact on the Group's consolidated financial statements arising from the adoption of IFRS 15. The new standard requires the revenue relating to satisfied performance obligations to be recognised, which will result in an increase through opening retained earnings of $200,000. The Group has determined this amount to be at credit risk, and will also raise the necessary expected credit loss provision through opening retained earnings (see page 41, ii. Impairment).

No other material impacts to the Group's consolidated financial statements have been identified; however, improvements to internal controls and accounting procedures have been required to be implemented, which are in the process of being finalised.

iii. Rental income

The Group leases out its fleet of rollingstock and certain items of property, plant and equipment to customers. Rental income is currently recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Customer contracts which fall within the scope of IFRS 16: *Leases* are not within scope for IFRS 15. The Group's rental income will continue to be subject to the lessor accounting requirements under IFRS 16, and as there are limited changes enacted under the new leasing standard for lessors, the impact on the Group will be minimal.

iv. Construction contracts

The Group is involved in the manufacture of wagons, carriages, rail equipment and dry bulk tankers. Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be reliably measured. Revenue is then recognised in profit or loss with reference to the stage of completion on the contract, which is assessed based on surveys of work performed.

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved. Revenue can only be recognised over time if it satisfies one of three criteria, otherwise revenue is to be recognised at a point in time. Of the customer contracts reviewed as part of the Group's assessment process, there were no material impacts identified on the Group's consolidated financial statements arising from the adoption of IFRS 15. However, improvements to internal controls and accounting procedures have been required, which are in the process of being finalised.

v. RTO training and government grants

The Group's RTO entity (CERT) delivers nationally accredited and industry-based training courses. It may also receive government grants for the delivery of its training courses. Currently, the revenue from these grants is recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

There is no material impact on the current revenue accounting for training or government grants under IFRS 15, however slight changes in grant accounting have been required to ensure consistency across the Group.

vi. Transition

The Group will adopt IFRS 15 using the Modified Retrospective (Cumulative Effect) approach. As a result, the Group will not be required to restate its prior year comparatives. Instead, the cumulative impact of adopting IFRS 15 will be adjusted through opening retained earnings.

This transitional approach will require the following additional disclosures in the notes to the Group's consolidated financial statements:

– The amount by which each financial statement line item is affected in the current year as a result of applying IFRS 15; and
– A qualitative explanation of the significant changes between reported results under the IFRS 15 and the previous revenue guidance.

The Group will use the practical expedient for contract modifications upon initial application of IFRS 15. This means that for contracts that were modified before the beginning of the earliest period presented in the consolidated financial statements, an entity may reflect the aggregate effect of all contract modifications when identifying separate performance obligations and determining and allocating the transaction price on transition.

Note 1 - Significant Accounting Policies (cont'd)

IFRS 16: LEASES (EFFECTIVE 1 JULY 2019)

In January 2016, the International Accounting Standards Board issued the new leasing standard IFRS 16: *Leases*. The new standard requires entities to bring most leases on-balance sheet, recognising new assets and liabilities. There are also changes in accounting treatment over the life of the lease, in particular recognising a front-loading pattern of expenses on most leases even when the rental payments are constant.

The effective date of IFRS 16 is reporting dates commencing on or after 1 January 2019, with early adoption only permitted if IFRS 15: *Revenue from Contracts with Customers* is also adopted. IFRS 16 will become applicable to the Group from the annual reporting period beginning on 1 July 2019.

The Group's assessment of the potential impact on its consolidated financial statements is still ongoing. The Group holds leasing arrangements as both a lessee and lessor. Whilst the changes to lessor accounting are minimal and are not expected to have a significant impact on the Group, the changes to lessee accounting are substantial and will have a significant impact on the Group's consolidated financial statements as well as policies and controls.

The key change under IFRS 16, and impact on the Group, is the requirement that operating leases be recognised on-balance sheet through the recognition of a Right-of-Use (ROU) Asset and Lease Liability. Lease expenditure is also no longer recognised as operating expenditure, but instead as depreciation and interest. This change directly impacts EBITDA (earnings before finance costs, income tax expense, and depreciation and amortisation), which is a key metric used by the Group.

i. Lease definition

IFRS 16 eliminates the current operating/finance lease dual accounting model for leases. Instead, there is a single, on-balance sheet accounting model, similar to current finance lease accounting. The assessment of whether a contract contains a lease determines whether the arrangement is recognised on- or off-balance sheet.

A contract is, or contains, a lease if the contracts conveys the right to control the use of an identified asset for a period of time in exchange for consideration. There are three key elements of the new lease definition, and all three must be met in order for the contract to contain a lease and the entity therefore be able to apply lease accounting under IFRS 16:

- Contract contains an identified asset;
- The lessee obtains substantially all the economic benefits from the use of the asset; and
- The lessee directs the use of the asset.

As at the reporting date, the Group has non-cancellable operating lease commitments of $20,311,000, mainly relating to the land and buildings the Group leases for the purposes of operating its various businesses. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and the Group will recognise the right-of-use asset and the corresponding liability in respect of these leases unless they meet the exemption criteria as short-term leases or leases of low value assets. Furthermore, under IFRS 16, the Group will recognise the depreciation charge for right-of-use assets and interest expense on lease liabilities.

ii. Transition

On transition to IFRS 16, a lessee is permitted to use one of two approaches:

- Retrospective approach; or
- Modified retrospective approach with practical expedients.

The Group plans to adopt IFRS 16 initially on 1 July 2019, using the modified retrospective approach with the cumulative effect of initially applying the Standard being recognised within opening retained earnings. When applying the modified retrospective approach to leases previously classified as operating leases under AASB 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

Other Accounting Standards

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*
- *IFRIC 23 Uncertainty over Income Tax Treatments*
- *Sales or Contributions of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*
- *Annual Improvements to IFRS 2014-2016 Cycle-various standards (Amendments to IFRS 1 and IAS28).*

Note 2 - Controlled Entities

Note: Subsidiaries are indented beneath their parent entity	Country of Incorporation	Date of Control	**Percentage Owned 2018**	Percentage Owned 2017
– Engenco Limited	Australia			
– Convair Engineering Pty Ltd	Australia	1 Jul 06	100	100
– Engenco Logistics Pty Ltd	Australia	1 Jul 06	100	100
– Asset Kinetics Pty .Ltd	Australia	1 Jul 06	100	100
– Engenco Investments Pty Ltd	Australia	18 Apr 07	100	100
– Australian Rail Mining Services Pty Ltd	Australia	30 Apr 07	100	100
– Centre for Excellence in Rail Training Pty Ltd	Australia	30 Apr 07	100	100
– EGN Rail Pty Ltd	Australia	30 Apr 07	100	100
– EGN Rail (NSW) Pty Ltd	Australia	30 Apr 07	100	100
– Midland Railway Company Pty Ltd	Australia	30 Apr 07	100	100
– Momentum Rail (Vic) Pty Ltd	Australia	30 Apr 07	100	100
– Momentum Rail (WA) Pty Ltd	Australia	30 Apr 07	100	100
– Sydney Railway Company Pty Ltd	Australia	30 Apr 07	100	100
– Greentrains Limited [1]	Australia	17 Jul 09	81	81
– Greentrains Leasing Pty Ltd	Australia	18 Jun 08	100	100
– Drivetrain Power and Propulsion Pty Ltd	Australia	1 Jul 06	100	100
– Drivetrain Australia Pty Ltd	Australia	1 Jul 06	100	100
– DTPP Energy Pty Ltd	Australia	25 May 10	100	100
– Drivetrain Philippines Inc	Philippines	1 Jul 07	100	100
– Drivetrain Singapore Pte Ltd	Singapore	1 Jul 07	100	100
– Drivetrain Limited	New Zealand	1 Jul 07	100	100
– Drivetrain USA Inc	USA	31 Dec 08	100	100
– Hyradix Inc	USA	31 Dec 08	100	100
– Hedemora Investments AB	Sweden	1 Jul 06	100	100
– Hedemora Turbo & Diesel AB	Sweden	1 Jul 06	100	100
– Gemco Rail Pty Ltd	Australia	1 Jul 07	100	100
– Railway Bearings Refurbishment Services Pty Ltd	Australia	1 Jul 07	100	100
– New RTS Pty Ltd	Australia	3 Dec 08	100	100
– Hedemora Pty Ltd	Australia	1 Jul 06	100	100
– Industrial Powertrain Pty Ltd	Australia	1 Jul 07	100	100
– PC Diesel Pty Ltd	Australia	1 Jul 06	100	100
– Total Momentum Pty Ltd	Australia	30 Apr 07	100	100

[1] Total Engenco Group ownership of Greentrains Ltd is 81% (split between Engenco Investments Pty Ltd, 61%, and Engenco Ltd, 20%).

Note 3 - Operating Segments

Basis of Segmentation

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director/CEO (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Types of Products and Services by Segment

The chief operating decision maker considers the business from a Business Line perspective and has identified six (6) reportable segments as follows:

a. Drivetrain

Drivetrain is a provider of technical sales and services to the mining, oil & gas, rail, transport, defence, marine, construction, materials handling, automotive, agriculture, and power generation industries. A broad product and service offering includes engine and powertrain maintenance, repair and overhaul, new components and parts, fluid connector products, power generation design and construction, technical support, professional engineering and training services.

b. Centre for Excellence in Rail Training (CERT)

CERT provides specialist rail training including the provision of competency based training; issuing of certificates of competency; rail incident investigation training; security (transit guard) training; first aid training; company inductions and course design; and management of apprenticeship and trainee schemes to major infrastructure and rail clients.

c. Convair Engineering (Convair)

Convair is a manufacturer of bulk pneumatic road tankers and mobile silos for the carriage and storage of construction materials, grains, and other dry bulk materials. Additional services include maintenance, repair and overhaul, and provisioning of ancillary equipment and spare parts sales.

d. Total Momentum

Total Momentum is a provider of personnel and project management services to freight rail and mining rail infrastructure managers. Services include professional recruitment, training and workforce solutions, including managing and provisioning track construction and maintenance projects.

e. Gemco Rail

Gemco Rail specialises in the remanufacture and repair of locomotives, wagons, bearings and other rail products for rail operators and maintainers. Gemco Rail provides wheel-set, bogie and in-field wagon maintenance and manufactures new and refurbished wagons, bogie component parts, customised remote controlled ballast car discharge gates, and a range of rail maintenance equipment and spares.

f. Greentrains

Greentrains leases rollingstock to freight rail operators throughout Australia. This segment was classified as a discontinued operation in the 2016 financial year.

g. All Other

This includes the parent entity, non-reportable segments and consolidation / inter-segment elimination adjustments.

Basis of Reporting by Operating Segments

a. Basis of reporting

Unless stated otherwise, all amounts reported to the Managing Director/CEO as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. Inter-segment transactions

An internal transfer price is set for all inter-segment sales. This price is set based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

c. Segment assets

Unless indicated otherwise in the segment assets note, deferred tax assets have not been allocated to operating segments.

d. Segment liabilities

Liabilities are allocated to segments where there is nexus between the incurrence of the liability and the operations of the segment. Unless indicated otherwise in the segment liabilities note, deferred tax liabilities have not been allocated to operating segments.

e. Unallocated items

The following items of expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Deferred tax assets and liabilities.

Note 3 - Operating Segments (cont'd)

Information about Reportable Segments

Information related to each reportable segment is set out below. Segment EBITDA is used to measure performance because management believes this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

i. Segment Performance

Year ended 30 June 2018

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	All Other $000	Sub-Total $000	Greentrains $000	Consolidated Group $000
REVENUE									
External revenue	**52,729**	**12,240**	**15,593**	**18,976**	**54,196**	**3,572**	**157,306**	-	**157,306**
Inter-segment revenue	**186**	**40**	-	**25**	-	**3,159**	**3,410**	-	**3,410**
Interest revenue	-	-	-	-	-	**30**	**30**	-	**30**
TOTAL SEGMENT REVENUE	**52,915**	**12,280**	**15,593**	**19,001**	**54,196**	**6,761**	**160,746**	-	**160,746**
Reconciliation of segment revenue to Group revenue:									
Inter-segment elimination	-	-	-	-	-	(3,410)	(3,410)	-	(3,410)
TOTAL GROUP REVENUE	**52,915**	**12,280**	**15,593**	**19,001**	**54,196**	**3,351**	**157,336**	-	**157,336**
SEGMENT EBITDA	**11,134**	**3,590**	**1,437**	**3,000**	**9,462**	**(11,303)**	**17,320**	-	**17,320**
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:									
Depreciation and amortisation	**(390)**	**(65)**	**(282)**	**(48)**	**(2,236)**	**(809)**	**(3,830)**	-	**(3,830)**
Finance costs	**(23)**	**(40)**	**(6)**	**(1)**	**(5)**	**(401)**	**(476)**	-	**(476)**
NET PROFIT / (LOSS) BEFORE TAX	**10,721**	**3,485**	**1,149**	**2,951**	**7,221**	**(12,513)**	**13,014**	-	**13,014**

Note 3 - Operating Segments (cont'd)

Year ended 30 June 2017

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	All Other $000	Sub-Total $000	Greentrains $000	Consolidated Group $000
REVENUE									
External revenue	38,801	9,334	13,506	10,456	51,271	5,824	129,192	80	129,272
Inter-segment revenue	202	36	-	37	32	1,374	1,681	-	1,681
Interest revenue	10	-	1	-	-	116	127	-	127
TOTAL SEGMENT REVENUE	39,013	9,370	13,507	10,493	51,303	7,314	131,000	80	131,080
Reconciliation of segment revenue to Group revenue:									
Inter-segment elimination	-	-	-	-	-	(1,681)	(1,681)	-	(1,681)
TOTAL GROUP REVENUE	39,013	9,370	13,507	10,493	51,303	5,633	129,319	80	129,399
SEGMENT EBITDA	6,409	1,526	1,160	1,807	11,376	(9,493)	12,785	(20)	12,765
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:									
Depreciation and amortisation	(418)	(75)	(241)	(93)	(2,142)	(679)	(3,648)	-	(3,648)
Finance costs	(26)	(33)	(6)	(1)	(5)	(712)	(783)	(189)	(972)
NET PROFIT / (LOSS) BEFORE TAX	5,965	1,418	913	1,713	9,229	(10,884)	8,354	(209)	8,145

2017 comparatives have been restated for the current year classification of identifiable operating segments as non-reportable segments.

Note 3 - Operating Segments (cont'd)

ii. Segment Assets

As at 30 June 2018

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	All Other $000	Sub-Total $000	Greentrains $000	Consolidated Group $000
ASSETS									
Segment assets (excl. capital expenditure, investments and intangibles)	31,396	11,747	16,459	8,248	32,364	(7,943)	92,271	96	92,367
Capital expenditure	261	57	1,200	101	1,393	561	3,573	-	3,573
Investments	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	248	248	-	248
Reconciliation of segment assets to Group assets:									
Segment eliminations	-	-	-	-	-	-	(4,911)	-	(4,911)
Unallocated Items:									
Deferred tax assets	-	-	-	-	-	-	5,575	-	5,575
TOTAL ASSETS	31,657	11,804	17,659	8,349	33,757	(7,134)	96,756	96	96,852

Note 3 - Operating Segments (cont'd)

As at 30 June 2017

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	All Other $000	Sub-Total $000	Greentrains $000	Consolidated Group $000
ASSETS									
Segment assets (excl. capital expenditure, investments and intangibles)	30,310	8,247	15,302	4,854	32,080	(4,201)	86,592	112	86,704
Capital expenditure	232	139	558	205	972	338	2,444	-	2,444
Investments	7	-	-	-	-	-	7	-	7
Intangibles	-	-	-	-	-	398	398	-	398
Reconciliation of segment assets to Group assets:									
Segment eliminations	-	-	-	-	-	-	(4,743)	-	(4,743)
Unallocated Items:									
Deferred tax assets	-	-	-	-	-	-	295	-	295
TOTAL ASSETS	30,549	8,386	15,860	5,059	33,052	(3,465)	84,993	112	85,105

2017 comparatives have been restated for the current year classification of identifiable operating segments as non-reportable segments.

Note 3 - Operating Segments (cont'd)

iii. Segment Liabilities

As at 30 June 2018

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	All Other $000	Sub-Total $000	Greentrains $000	Consolidated Group $000
LIABILITIES									
Segment liabilities	**53,449**	**1,172**	**5,320**	**1,598**	**79,514**	**(133,779)**	**7,274**	**20,577**	**27,851**
Reconciliation of segment liabilities to Group liabilities:									
Segment eliminations	-	-	-	-	-	-	**(4,911)**	-	**(4,911)**
Unallocated Items:									
Deferred tax liabilities	-	-	-	-	-	-	**694**	-	**694**
TOTAL LIABILITIES	**53,449**	**1,172**	**5,320**	**1,598**	**79,514**	**(133,779)**	**3,057**	**20,577**	**23,634**

Note 3 - Operating Segments (cont'd)

As at 30 June 2017

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	All Other $000	Sub-Total $000	Greentrains $000	Consolidated Group $000
LIABILITIES									
Segment liabilities	49,941	784	4,386	710	83,729	(127,378)	12,172	20,593	32,765
Reconciliation of segment liabilities to Group liabilities:									
Segment eliminations	-	-	-	-	-	-	(4,743)	-	(4,743)
Unallocated Items:									
Deferred tax liabilities	-	-	-	-	-	-	72	-	72
TOTAL LIABILITIES	49,941	784	4,386	710	83,729	(127,378)	7,501	20,593	28,094

2017 comparatives have been restated for the current year classification of identifiable operating segments as non-reportable segments.

Note 3 - Operating Segments (cont'd)

iv. Geographical Information

The geographical information analyses the Group's revenue and assets by the Company's country of domicile and other countries. In presenting the geographical information, segment revenue has been based on the geographical location of the selling party and segment assets were based on the geographical location of the assets.

Revenue	2018 $000	2017 $000
Australasia	**150,741**	122,320
Europe	**6,595**	7,079
United States of America	**-**	-
TOTAL REVENUE	**157,336**	129,399

Assets	2018 $000	2017 $000
Australasia	**85,355**	72,590
Europe	**11,457**	12,451
United States of America	**40**	64
TOTAL ASSETS	**96,852**	85,105

v. Major customers

Revenue from one customer of the Group, across multiple segments, represents greater than 10% of the Group's total revenue in the current year.

Note 4 - Discontinued Operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative Statement of Profit or Loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

The Greentrains segment was first classified as a discontinued operation in the 2016 financial year, and continues to be classified as such.

Results of Discontinued Operation	2018 $000	2017 $000
Revenue	**-**	80
Reversal / (impairment) of property, plant and equipment	**-**	350
Expenses	**-**	(639)
RESULTS FROM OPERATING ACTIVITIES	**-**	(209)
Income tax	**-**	-
PROFIT / (LOSS) FROM DISCONTINUED OPERATION, NET OF TAX	**-**	(209)
Basic earnings per share (cents)	**-**	(0.05)
Diluted earnings per share (cents)	**-**	(0.05)

Cash Flows from / (used in) Discontinued Operation	2018 $000	2017 $000
Net cash from / (used in) operating activities	**84**	(919)
Net cash from / (used in) investing activities	**-**	5,482
Net cash from / (used in) financing activities	**-**	(4,766)
NET CASH FLOWS FOR THE YEAR	**84**	(203)

Note 5 - Revenue and Other Income

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

Rendering of Services

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

Rental Income

Rental income from leased plant and equipment is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Construction Contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity (see Note 1(b)). An expected loss on a contract is recognised immediately in profit or loss.

	Continuing Operations		Discontinued Operation		Total Consolidated Group	
	2018	2017	**2018**	2017	**2018**	2017
	$000	$000	**$000**	$000	**$000**	$000
SALES REVENUE						
Sales of goods and services	**155,091**	126,013	**-**	-	**155,091**	126,013
Lease rental income	**2,215**	3,179	**-**	80	**2,215**	3,259
TOTAL SALES REVENUE	**157,306**	129,192	**-**	80	**157,306**	129,272
OTHER REVENUE						
Interest received – external	**30**	127	**-**	-	**30**	127
TOTAL OTHER REVENUE	**30**	127	**-**	-	**30**	127
TOTAL REVENUE	**157,336**	129,319	**-**	80	**157,336**	129,399
OTHER INCOME						
Gain on disposal of property, plant and equipment	**305**	46	**-**	-	**305**	46
Other gains	**1,030**	1,006	**-**	-	**1,030**	1,006
TOTAL OTHER INCOME	**1,335**	1,052	**-**	-	**1,335**	1,052

Note 6 - Expenses

	Continuing Operations		Discontinued Operation		Total Consolidated Group	
	2018 $000	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000
FINANCE COSTS						
Interest – related parties	**43**	308	-	189	**43**	497
Other finance costs	**433**	475	-	-	**433**	475
TOTAL FINANCE COSTS	**476**	783	-	189	**476**	972
EMPLOYEE BENEFITS EXPENSE						
Wages and salaries	**48,711**	38,323	-	-	**48,711**	38,323
Annual leave expense	**1,938**	1,779	-	-	**1,938**	1,779
Long service leave expense	**490**	375	-	-	**490**	375
Termination costs	**9**	93	-	-	**9**	93
Defined contribution plan	**3,770**	3,248	-	-	**3,770**	3,248
TOTAL EMPLOYEE BENEFITS EXPENSE	**54,918**	43,818	-	-	**54,918**	43,818
RENTAL EXPENSE ON OPERATING LEASES						
Lease payments	**4,555**	4,828	-	-	**4,555**	4,828
TOTAL RENTAL EXPENSE ON OPERATING LEASES	**4,555**	4,828	-	-	**4,555**	4,828

Note 7 - Tax

Tax Consolidation

Engenco Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities/ assets and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 31 October 2007. The tax consolidated group has entered into a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

Income tax expense/benefit comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or OCI.

Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Note 7 - Tax (cont'd)

	2018 $000	2017 $000
CURRENT		
Income tax payable	**132**	750
TOTAL	**132**	750

	2018 $000	2017 $000
a. The components of tax expense / (benefit) comprise:		
Current income tax expense / (benefit)		
- Current income tax expense / (benefit)	**(79)**	447
- Adjustment for prior years	**(456)**	-
Deferred income tax expense / (benefit)		
- Origination and reversal of temporary differences	**(4,454)**	(571)
Income tax expense / (benefit) on continuing operations reported in the Statement of Profit or Loss and OCI	**(4,989)**	(124)
b. A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit / (loss) before tax from continuing operations	**13,014**	8,354
At the Company's statutory domestic income tax rate of 30% (2017: 30%)	**3,904**	2,506
Add / (Less) tax effect of:		
- Foreign tax rate adjustment	**(957)**	(4)
- Utilisation of tax losses not previously recognised	**(6,369)**	(2,394)
- Other non-allowable items	**3,312**	103
- Adjustment for prior years	**(456)**	-
- Movements in unrecognised temporary differences	**31**	(335)
- Other (partial recognition of prior year loses)	**(4,454)**	-
Income tax expense / (benefit)	**(4,989)**	(124)

The tax payable relates to the Group companies outside the Australian Tax Consolidated Group.

Note 7 - Tax (cont'd)

	Consolidated Group							
	Opening Balance $000	Balance Acquired $000	(Credited) / Charged to Income $000	Charged Directly to Equity $000	Changes in Tax Rate $000	Exchange Differences $000	Other $000	Closing Balance $000
NON-CURRENT								
Deferred tax liabilities:								
Other	473	-	(401)	-	-	-	-	72
Balance at 30 June 2017	473	-	(401)	-	-	-	-	72
Other	**72**	**-**	**826**	**-**	**-**	**-**	**(204)**	**694**
Balance at 30 June 2018	**72**	**-**	**826**	**-**	**-**	**-**	**(204)**	**694**
Deferred tax assets:								
Provisions	142	-	153	-	-	-	-	295
Accruals	-	-	-	-	-	-	-	-
Losses	-	-	-	-	-	-	-	-
Other	(17)	-	17	-	-	-	-	-
Balance at 30 June 2017	125	-	170	-	-	-	-	295
Provisions	**295**	**-**	**826**	**-**	**-**	**-**	**-**	**1,121**
Accruals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Losses	**-**	**-**	**4,454**	**-**	**-**	**-**	**-**	**4,454**
Balance at 30 June 2018	**295**	**-**	**5,280**	**-**	**-**	**-**	**-**	**5,575**

The Company has estimated Australian carry forward operating tax losses of $94,368,624 at June 2018 (2017: $108,107,624) which are not fully recognised. The ability to utilise the operating tax losses will be subject to satisfying relevant eligibility criteria for the recoupment of carry forward tax losses.

A deferred tax asset of $4,454,000 has been partially recognised from previously unrecognised tax losses, based on the probable nature that future taxable profits would be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

Note 8 - Earnings Per Share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

		2018 $000	2017 $000
a.	**RECONCILIATION OF EARNINGS TO PROFIT OR LOSS**		
	Profit / (loss) for the year	**18,003**	8,269
	(Profit) / loss for the year, attributable to non-controlling interest	**-**	40
	Earnings used to calculate basic EPS	**18,003**	8,309
	Earnings used in the calculation of dilutive EPS	**18,003**	8,309
b.	**RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS**		
	Profit / (loss) for the year from continuing operations	**18,003**	8,478
	(Profit) / loss for the year, attributable to non-controlling interest in respect of continuing operations	**-**	-
	Earnings used to calculate basic EPS from continuing operations	**18,003**	8,478
	Earnings used in the calculation of dilutive EPS from continuing operations	**18,003**	8,478
c.	**RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM DISCONTINUED OPERATION**		
	Profit / (loss) for the year from discontinued operation	**-**	(209)
	(Profit) / loss for the year, attributable to non-controlling interest in respect of discontinued operation	**-**	40
	Earnings used to calculate basic EPS from discontinued operation	**-**	(169)
	Earnings used to in the calculation of dilutive EPS from discontinued operation	**-**	(169)
		No. '000	No. '000
d.	**WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATING BASIC EPS**	**313,381**	311,192
	Weighted average number of dilutive options outstanding	**-**	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**313,381**	311,192

Note 9 - Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, where the Group does not have the legal right and the intention to settle on a net basis, are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

	2018 $000	2017 $000
CASH AT BANK AND IN HAND	**8,656**	8,960
	8,656	8,960

As at the reporting date, where the Group has the legally enforceable right of set-off and the intention to settle on a net basis within the CBA facility, the Group has set-off bank overdrafts of $26,239,011 (2017: $23,746,799) against cash and cash equivalents of $31,192,557 (2017: $28,784,487) resulting in a net positive cash position of $4,953,546 (2017: $5,037,688).

Note 10 – Trade and Other Receivables

	2018 **$000**	2017 $000
CURRENT		
Trade receivables	**26,338**	24,864
Provision for impairment of receivables	**(324)**	(405)
Total trade receivables	**26,014**	24,459
Accrued income	**1,983**	1,402
Sundry receivables	**278**	148
Total other receivables	**2,261**	1,550
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**28,275**	26,009

a. Provision for Impairment of Receivables

Current trade and other receivables are non-interest bearing and generally on terms of 30 to 60 days from end of month. Trade and other receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in impairment of accounts receivable and other expenses in the Statement of Profit or Loss and OCI.

Movement in the provision for impairment of receivables is as follows:

	Consolidated Group			
2018	Opening Balance 1 Jul 2017 $000	Reversed / (Charged) for the Year $000	Amounts Written Off $000	Closing Balance 30 Jun 2018 $000
Current trade receivables	**(405)**	**61**	**20**	**(324)**
	(405)	**61**	**20**	**(324)**

	Consolidated Group			
2017	Opening Balance 1 Jul 2016 $000	Reversed / (Charged) for the Year $000	Amounts Written Off $000	Closing Balance 30 Jun 2017 $000
Current trade receivables	(368)	(147)	110	(405)
	(368)	(147)	110	(405)

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Note 10 - Trade and Other Receivables (cont'd)

	Consolidated Group						
			Past due but not impaired				
	Gross Amount $000	Past Due and Impaired $000	< 30 days $000	31 – 60 days $000	61 – 90 days $000	> 90 days $000	Within Trade Terms $000
2018							
Trade receivables	**26,338**	**324**	**4,068**	**273**	**649**	**659**	**20,365**
Other receivables	**2,261**	**-**	**-**	**-**	**-**	**-**	**2,261**
Total	**28,599**	**324**	**4,068**	**273**	**649**	**659**	**22,626**
2017							
Trade receivables	24,864	405	3,264	1,742	540	496	18,417
Other receivables	1,550	-	-	-	-	-	1,550
Total	26,414	405	3,264	1,742	540	496	19,967

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reportable date. The concentration of credit risk is limited to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Note 11 - Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads included in bringing them to their existing location and condition. Costs are assigned on the basis of weighted average costs.

The cost of raw materials includes all costs to transport the goods to a location ready for use including any duties and charges on items purchased overseas.

	2018 $000	2017 $000
CURRENT		
At cost:		
- Work in progress	**5,460**	5,611
- Finished goods	**16,679**	11,614
	22,139	17,225
At net realisable value:		
- Work in progress	**-**	-
- Finished goods	**11,805**	11,715
	11,805	11,715
TOTAL INVENTORY	**33,944**	28,940

The Group has completed a comprehensive review of the carrying value of inventory. As a result of the review, inventory has been impaired by $90,000 (2017: $208,000).

Note 12 - Other Assets

	2018 $000	2017 $000
CURRENT		
Other current assets	**2,236**	2,085
Prepayments	**1,079**	935
TOTAL CURRENT OTHER ASSETS	**3,315**	3,020

Note 13 – Property, Plant and Equipment

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line or diminishing returns method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

Class of Property, Plant and Equipment	Depreciation Rate
Leasehold improvements	10% - 100%
Plant and equipment	5% - 67%
Leased plant and equipment	30% - 67%
Buildings	2.50%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

	2018 $000	2017 $000
LAND AND BUILDINGS		
Freehold land:		
- At cost	**53**	53
TOTAL FREEHOLD LAND	**53**	53
Buildings:		
- At cost	**806**	806
- Less accumulated depreciation	**(630)**	(599)
TOTAL BUILDINGS	**176**	207
TOTAL LAND AND BUILDINGS	**229**	260
PLANT AND EQUIPMENT		
Plant and equipment:		
- At cost	**81,681**	78,781
- Accumulated depreciation and impairment	**(65,677)**	(62,431)
- Transfer to Assets Held for Sale	**-**	(100)
TOTAL PLANT AND EQUIPMENT	**16,004**	16,250
Leasehold improvements:		
- At cost	**3,260**	3,077
- Accumulated depreciation	**(2,907)**	(2,538)
TOTAL LEASEHOLD IMPROVEMENTS	**353**	539
Leased plant and equipment:		
- Capitalised leased assets	**1,173**	1,247
- Accumulated depreciation	**(920)**	(920)
TOTAL LEASED PLANT AND EQUIPMENT	**253**	327
TOTAL PLANT AND EQUIPMENT	**16,610**	17,116
TOTAL PROPERTY, PLANT AND EQUIPMENT	**16,839**	17,376

Note 13 - Property, Plant and Equipment (cont'd)

a. Security

Property, Plant and Equipment of $16,117,000 (2017: $16,305,000) was pledged as security as part of the Group's total financing arrangements as at the reporting date.

b. Impairment Loss and Subsequent Reversal

In previous reporting periods, the carrying value of rollingstock property, plant and equipment had been impaired following comprehensive impairment and valuation reviews. During the previous financial year, Greentrains Limited sold a locomotive asset which resulted in a reversal of impairment of $250,000.

On 17 March 2017, Greentrains Limited entered into an asset sale agreement to sell the majority of its wagon fleet to Access Trading Company. As at 30 June 2017 the wagon fleet was classified as assets held for sale. The assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell. The remeasurement of the property, plant and equipment assets upon the reclassification to assets held for sale resulted in a reversal of impairment of $100,000.

c. Leased Property, Plant and Equipment

Leases of property, plant and equipment that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Statement of Financial Position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

d. Reconciliation of Carrying Amounts

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

	Consolidated Group					
	Freehold Land $000	Buildings $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Plant and Equipment $000	Total $000
BALANCE AT 1 JULY 2016	53	229	800	17,080	327	18,489
Additions	-	-	115	2,329	-	2,444
Disposals	-	-	(4)	(414)	-	(418)
(Impairment) / reversal of impairment	-	-	-	350	-	350
Transfer to asset held for sale	-	-	-	(100)	-	(100)
Depreciation expense	-	(22)	(372)	(2,995)	-	(3,389)
BALANCE AT 30 JUNE 2017	53	207	539	16,250	327	17,376
Additions	**-**	**-**	**183**	**3,390**	**-**	**3,573**
Disposals	**-**	**-**	**-**	**(390)**	**(74)**	**(464)**
Depreciation expense	**-**	**(31)**	**(369)**	**(3,246)**	**-**	**(3,646)**
BALANCE AT 30 JUNE 2018	**53**	**176**	**353**	**16,004**	**253**	**16,839**

The Plant and Equipment category contains 192 PQGY wagons with a net book value of $7,319,000 (2017: $8,429,000). An independent external evaluation has been obtained as at 30 June 2018. No impairment of the wagon valuation has been booked in the current financial year (2017: $NIL). Property, plant and equipment had a reversal of impairment of $350,000 in the previous financial year.

Note 14 - Net Tangible Assets

	2018 Cents	2017 Cents
Net tangible assets per ordinary share: 313,380,943 shares (2017: 313,380,943 shares)	**23.6**	19.9

Note 15 – Intangible Assets

Recognition and Measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, and computer software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the reducing-balance method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Class of Intangible Asset	Useful Life
Customer-related intangibles	3-10 years
Patents and trademarks	Up to 13 years
Development costs	Life of project
Other intangible assets	5-8 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

	2018 $000	2017 $000
OTHER IDENTIFIABLE INTANGIBLES		
Cost:		
Opening balance	**12,959**	12,959
Additions	**34**	-
Closing balance	**12,993**	12,959
Accumulated amortisation:		
Opening balance	**(12,561)**	(12,302)
Amortisation for the year	**(184)**	(259)
Closing balance	**(12,745)**	(12,561)
NET BOOK VALUE	**248**	398
TOTAL INTANGIBLE ASSETS		
At cost	**12,993**	12,959
Accumulated amortisation and impairment	**(12,745)**	(12,561)
NET BOOK VALUE	**248**	398

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the Consolidated Statement of Profit or Loss and OCI.

Note 16 - Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability if expected to be settled within 12 months.

	2018 **$000**	2017 $000
CURRENT		
Unsecured liabilities:		
Trade payables	**11,953**	12,386
Sundry payables and accrued expenses	**2,730**	1,938
Deferred income	**770**	1,595
TOTAL TRADE AND OTHER PAYABLES	**15,453**	15,919

Note 17 - Financial Liabilities

Non-derivative Financial Liabilities – Measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Non-derivative Financial Liabilities – Recognition and Derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date, when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial liabilities are offset, and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

	Note	**2018** **$000**	2017 $000
CURRENT			
Secured liabilities:			
Bank overdrafts	23(a)	**338**	263
Loans from related parties	25(b)	**-**	4,000
TOTAL CURRENT FINANCIAL LIABILITIES		**338**	4,263

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 24 – Financial Risk Management.

a. Collateral Provided

Bank facility

The bank facility of $2.0m with the Commonwealth Bank of Australia (CBA) is secured by a cash deposit into a secured bank account. The facility expires on 30 June 2019.

On 3 August 2018, the Group agreed terms with the National Australia Bank for a $10.0m Revolving Credit Facility and $2.6m interchangeable facility to be used between the issuance of bank guarantees, letters of credit and business card facility with a term of three years. The facilities are subject to final documentation and the satisfaction of certain conditions precedent, which are usual for a facility of this nature. The new facility is expected to be finalised no later than 5 October 2018.

Related party debt and facility

The related party debt with Elph Pty Ltd (Elph) is secured by first registered fixed and floating charges over certain assets owned by Engenco Limited and its subsidiaries. The Group has a funding facility of $10.0m with Elph of which none was drawn down as at 30 June 2018.

The financial covenant agreed between the Group and Elph is:

i. **Debt Service Cover Ratio**, (the ratio of EBITDA to gross interest expense) to be greater than 5.0 times.

The funding facility with Elph expires on 30 April 2019.

Defaults and breaches

There were no defaults or breaches during the year ended 30 June 2018 on any of the above-mentioned facilities.

Lease liabilities

Lease liabilities are secured by underlying leased assets.

Note 17 – Financial Liabilities (cont'd)

b. Debt Facilities and Credit Standby Arrangements

A summary of the Group's loan facilities is provided in the table below:

	Facility Available 2018 $000	**Facility Used 2018 $000**	**Maturity Dates 2018**	Facility Available 2017 $000	Facility Used 2017 $000	Maturity Dates 2017	Interest Basis
– Working Capital Multi Option Facility	**2,000***	**1,420**	**Jun-19**	2,000*	1,559	Jun-18	Floating
– Swedish Overdraft Facility (SEK)	**906**	**-**	**Dec-18**	1,890	-	Dec-17	Floating
– Elph Funding Facility	**10,000**	**-**	**Apr-19**	15,000	4,000	Apr-18	Fixed
	12,906	**1,420**		18,890	5,559		

* Comprises net bank overdrafts, off balance sheet bank guarantees and business credit cards and other trade products.

Note 18 – Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Restructuring provisions include make-good costs and redundancies announced before the reporting date.

Legal

There are a number of ongoing legal proceedings involving the Group at the reporting date. Provisions have been taken up for some of these exposures based on the Board's determination.

Site Restoration

A provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is found to be contaminated.

Onerous Contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 1(c)). The Group has identified loss making contracts which are non-cancellable. The obligation for expected future losses has been provided for as at the reporting date.

Other Provisions

Other provisions relate to various categories including provisions for warranty costs and other costs required to be incurred under contractual obligations.

Note 18 - Provisions (cont'd)

	Long Service Leave Employee Benefits $000	Annual Leave Employee Benefits $000	Legal $000	Onerous Contracts $000	Restructuring $000	Other $000	Total $000
BALANCE AT 1 JULY 2017	2,334	2,625	225	239	214	1,453	7,090
Provisions raised	490	1,938	-	-	9	664	3,101
Transfer in / (out)	-	-	(15)	-	-	-	(15)
Provisions used	(110)	(1,766)	(210)	(3)	(214)	(856)	(3,159)
BALANCE AT 30 JUNE 2018	2,714	2,797	-	236	9	1,261	7,017
Current	2,226	2,797	-	236	9	1,261	6,529
Non-current	488	-	-	-	-	-	488
BALANCE AT 30 JUNE 2018	2,714	2,797	-	236	9	1,261	7,017

Note 19 - Capital and Leasing Commitments

Determining Whether an Arrangement Contains a Lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased Assets

Leases of property, plant and equipment that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Statement of Financial Position.

Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The Group also leases a number of sites under operating leases which include land and buildings for the purpose of operating its business. The leases typically run for a period of between 3 and 10 years, sometimes with an option to renew the leases after that date. None of the leases include contingent rentals.

Note 19 - Capital and Leasing Commitments (cont'd)

Leases as a Lessee

a. Finance Lease Commitments

As at 30 June 2018, the Group is not a party to any finance lease arrangements (2017: NIL).

	2018 **$000**	2017 $000
b. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
– not later than 12 months	**4,500**	4,110
– between 12 months and 5 years	**11,558**	12,721
– greater than 5 years	**4,253**	5,946
	20,311	22,777

During the year-ended 30 June 2018, $4,555,000 was recognised as an expense in the Statement of Profit or Loss and OCI in respect of operating leases (2017: $4,828,000).

c. Contractual Commitments

At 30 June 2018, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2017: NIL).

Leases as a Lessor

	2018 **$000**	2017 $000
d. Operating Lease Receivables		
Receivable - minimum lease payments:		
– not later than 12 months	**1,358**	1,724
– between 12 months and 5 years	**1,553**	1,110
– greater than 5 years	**316**	438
	3,227	3,272

The Group leases out portions of its fleet of rollingstock as well as other select items of property, plant and equipment to customers. At the end of the reporting period, the future minimum lease payments under non-cancellable leases are receivable as shown above.

Note 20 - Contingent Liabilities

There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect to these items. The amount of the liability, if any, which may arise cannot be reliably measured at the reporting date.

The Group has arranged for its bankers to guarantee its performance to third parties. The maximum amount of these guarantees at 30 June 2018 is $1,419,512 (2017: $1,558,696).

Note 21 - Issued Capital and Reserves

a. Share Capital

	2018 **$000**	2017 $000
313,380,943 (2017: 313,380,943) fully paid ordinary shares	**302,719**	302,719
	302,719	302,719

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with AASB 112: *Income Taxes*.

	2018 **$000**	2017 $000
At beginning of reporting period	**313,380,943**	310,891,432
Shares issued during the year	**-**	2,489,511
AT REPORTING DATE	**313,380,943**	313,380,943

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

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

b. Nature and Purpose of Reserves

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of overseas subsidiaries.

Profit reserve

The profit reserve comprises a transfer of net profits and characterises profits available for distribution as dividends in future years.

c. Dividends

After the reporting date, the following final dividend was declared by the board of directors. The dividend has not been recognised as a liability as at 30 June 2018, and there are no tax consequences.

	2018 **$000**	2017 $000
a. FINAL DIVIDEND DECLARED		
1 cent per ordinary share (2017: 0.5 cents)	**3,134**	1,567
b. FRANKING CREDIT BALANCE		
Amount of franking credits available to shareholders of Engenco Limited for subsequent financial years are:		
Franking account balance as at the end of the financial year at 30% (2017: 30%)	**10,582**	11,253

Note 22 - Parent Entity Disclosures

As at, and throughout the financial year ended, 30 June 2018 the parent entity of the Group was Engenco Limited. The ultimate controlling party of the Company at reporting date was Elph Investments Pty Ltd, incorporated in Australia.

	2018 $000	2017 $000
a. Financial Position of Parent Entity at year end		
ASSETS		
Current assets	**2,903**	3,380
Non-current assets	**31,461**	36,211
TOTAL ASSETS	**34,364**	39,591
LIABILITIES		
Current liabilities	**27,205**	30,241
Non-current liabilities	**4,624**	3,800
TOTAL LIABILITIES	**31,829**	34,041
NET ASSETS	**2,535**	5,550
EQUITY		
Issued capital	**302,720**	302,720
Profit reserve	**271**	-
Accumulated losses	**(300,456)**	(297,170)
TOTAL EQUITY	**2,535**	5,550
b. Result of Parent Entity		
Profit / (loss) for the year	**(3,014)**	(10,592)
Other comprehensive income	**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	**(3,014)**	(10,592)

c. Parent Entity Guarantees in respect of the debts of its subsidiaries

The parent entity acts as guarantor for debt facilities. Details of these facilities can be found in Note 17(b) – Financial Liabilities.

d. Parent Entity Contingent Liabilities

At 30 June 2018, the parent entity has no significant contingent liabilities (2017: NIL).

e. Parent Entity Capital Commitments for acquisition of property, plant and equipment

At 30 June 2018, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2017: NIL).

Note 23 – Cash Flow Information

a. Reconciliation of Cash at End of Financial Year

	Note	2018 $000	2017 $000
Cash and cash equivalents	9	**8,656**	8,960
Bank overdrafts	17	**(338)**	(263)
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR		**8,318**	8,697

b. Reconciliation of Cash Flow from Operating Activities with Profit / (Loss) after Income Tax

	2018 $000	2017 $000
PROFIT / (LOSS) AFTER INCOME TAX	**18,003**	8,269
Adjustments for non-cash items:		
– Depreciation	**3,646**	3,389
– Other intangibles amortisation	**184**	259
– (Reversal of) / impairment losses on property, plant and equipment	**-**	(350)
– (Reversal of) / impairment losses on inventory	**90**	208
– Net finance costs	**446**	925
– Income tax expense / (benefit)	**(4,989)**	(124)
– Gain on sale of property, plant and equipment	**(305)**	(46)
	17,075	12,530
Changes in:		
– (Increase) / decrease in trade and other receivables	**(2,226)**	(6,487)
– (Increase) / decrease in prepayments	**(144)**	(75)
– (Increase) / decrease in inventories	**(5,094)**	(2,954)
– Increase / (decrease) in trade payables and accruals	**(424)**	4,578
– Increase / (decrease) in provisions	**(161)**	(33)
Cash provided by / (used in) operating activities	**9,026**	7,559
– Net interest paid	**(446)**	(925)
– Income taxes paid	**(288)**	(234)
CASH FLOW PROVIDED BY / (USED IN) OPERATIONS	**8,292**	6,400

Note 23 – Cash Flow Information (cont'd)

c. Reconciliation of Financial Liabilities in Financing Activities

	2017 $000	Cash Flows $000	Non-Cash Changes $000	**2018** **$000**
Related Party Funding Facility	4,000	(4,000)	-	**-**
Bank Overdraft	263	-	75	**338**
TOTAL FINANCIAL LIABILITIES	4,263	(4,000)	75	**338**

d. Cash Flow from Discontinued Operation

	2018 **$000**	2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**88**	1,030
Payments to suppliers and employees	**(4)**	(1,801)
Finance costs	**-**	(148)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**84**	(919)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	**-**	5,482
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**-**	5,482
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	**-**	(4,766)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**-**	(4,766)
Net increase / (decrease) in cash and cash equivalents	**84**	(203)
Cash at beginning of financial year	**12**	215
CASH AT END OF FINANCIAL YEAR	**96**	12

Note 24 – Financial Risk Management

The Group's financial instruments consist mainly of investments, accounts receivable and payable, loans from external and related parties and leases.

	Note	2018 $000	2017 $000
FINANCIAL ASSETS			
Cash and cash equivalents	9	**8,656**	8,960
Other assets		**-**	7
Trade and other receivables	10	**28,275**	26,009
		36,931	34,976
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost:			
– Trade and other payables	16	**15,453**	15,919
– Borrowings	17	**338**	4,263
		15,791	20,182

i. Treasury Risk Management

Management, consisting of senior executives of the Group, discusses and monitors financial risk exposure and evaluates treasury management strategies in the context of current economic conditions and forecasts. Management's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Management operates under the supervision of members of the Board of Directors. Risk management transactions are approved by senior management personnel.

ii. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, currency risk, liquidity risk and credit risk.

The Company's Audit and Risk Committee has overall responsibility for the establishment and oversight of the Group's risk management framework, and is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

a. Interest Rate Risk

Exposure to interest rate risk arises on financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Currently the Group's operations are financed using a mixture of fixed and floating rate debt. The Group has not currently entered into any interest rate swaps to fix its floating rate debt.

The variable interest rate borrowings exposes the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Note	2018 $000	2017 $000
FLOATING RATE INSTRUMENTS			
Bank Overdrafts		**338**	263
Swedish Overdraft Facility	17(b)	**-**	-
Total		**338**	263

b. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages this risk through the following mechanisms:

- preparing forecast cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets; and
- monitoring the maturity profile of financial liabilities.

The following table reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 24 – Financial Risk Management (cont'd)

Financial Liability Maturity Analysis

	Consolidated Group							
	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2018 $000	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000	**2018 $000**	2017 $000
FINANCIAL LIABILITIES DUE FOR PAYMENT								
Bank overdrafts and loans	**338**	4,263	**-**	-	**-**	-	**338**	4,263
Trade and other payables	**15,453**	15,919	**-**	-	**-**	-	**15,453**	15,919
Total Expected Outflows	**15,791**	20,182	**-**	-	**-**	-	**15,791**	20,182

c. Currency Risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the AUD functional currency of the Group.

The majority of financial liabilities and assets of the Group are denominated in the functional currency of the operational location. These are primarily Australian Dollars and Swedish Krona.

d. Credit Risk

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 investments in debt securities.

Credit risk is managed through the maintenance of procedures (such procedures include monitoring of exposures, payment cycles and monitoring of the financial stability of significant customers and counter parties) ensuring to the extent possible, that customers and counter-parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms differ between each key business but are generally 30 to 60 days from end of month.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counter-party, then risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default. The Group has established procedures to ensure *Personal Property Securities Act 2009 (Cth)* registration is performed for all relevant assets.

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Consolidated Statement of Financial Position.

On a geographical basis the Group has significant credit risk exposures in Australia given the substantial operations in this region. Details with respect of the credit risk of Trade and Other Receivables can be found in Note 10.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 10.

Balances held with banks are with AA rated financial institutions, details of these holdings can be found in Note 9 – Cash and Cash Equivalents.

iii. Net Fair Values

Fair Value Estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Estimates, judgments and the associated assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

Note 24 – Financial Risk Management (cont'd)

	Consolidated Group		Consolidated Group	
	2018 Carrying Value $000	2018 Fair Value $000	2017 Carrying Value $000	2017 Fair Value $000
FINANCIAL ASSETS				
Cash and cash equivalents	8,656	8,656	8,960	8,960
Trade and other receivables	28,275	28,275	26,009	26,009
Other assets	-	-	7	7
	36,931	36,931	34,976	34,976
FINANCIAL LIABILITIES				
Trade and other payables	15,453	15,453	15,919	15,919
Loans and borrowings	338	338	4,263	4,263
	15,791	15,791	20,182	20,182

The fair values disclosed in the above table have been determined based on the following methodologies:

- Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.
- Loans and receivables have carrying values equivalent to fair value. The majority of these facilities have floating rates and those that are fixed are expected to be held to maturity and as such when discounted bear little resemblance to the carrying value.
- For other assets, closing quoted bid prices at reporting date are used where appropriate.

iv. Sensitivity Analysis

a. Interest Rate Risk and Currency Risk

The following tables illustrate sensitivities to the Group's exposures to changes in interest rates and foreign currency exchange rates. The tables indicate the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

b. Interest Rate Sensitivity Analysis

The Group is not sensitive to the effect on earnings and equity as a result of changes in the interest rate. As at reporting date, the Group does not carry any debt balances subject to a floating interest rate.

c. Currency Risk Sensitivity Analysis

The effect on earnings and equity as a result of changes in the value of the Australian Dollar to the Swedish Krona, with all other variables remaining constant would be as follows:

	2018 $000	2017 $000
CHANGE IN EARNINGS		
– Improvement in AUD to SEK by 5%	(15)	(14)
– Decline in AUD to SEK by 5%	15	14
CHANGE IN EQUITY		
– Improvement in AUD to SEK by 5%	(472)	(497)
– Decline in AUD to SEK by 5%	472	497

The Group does not currently hedge against foreign exchange movements in net assets of its Swedish subsidiaries.

v. Capital Management

Management monitors the capital of the Group in an effort to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations. The Group's debt and capital includes ordinary shares and financial liabilities. The gearing ratios as at 30 June 2018 and 2017 are as follows:

	2018 $000	2017 $000
Total Borrowings	338	4,263
Net Debt / (Cash)	(8,318)	(4,697)
Total Equity	73,218	57,011
TOTAL EQUITY AND NET DEBT	64,900	52,314
GEARING RATIO	(11%)	(8%)

The gearing ratio has decreased in the year largely due to the reduction in borrowings in the current financial year.

Note 25 - Related Party Transactions

a. Transactions with Key Management Personnel

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

i. Key Management Personnel Compensation

The totals of remuneration paid to key management personnel during the year (including termination benefits) are as follows:

	2018 $	2017 $
Short-term employee benefits	**1,195,236**	2,651,620
Post-employment benefits	**106,831**	299,452
Termination benefits	**-**	-
Other long-term benefits	**11,702**	47,221
TOTAL	**1,313,769**	2,998,293

Compensation of the Group's key management personnel includes salaries, superannuation and post-employment benefits.

ii. Key Management Personnel Transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

From time to time directors of the Group, or their related entities, may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

Note 25 - Related Party Transactions (cont'd)

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

Related Party	Director	Revenue / (Cost) for the year ended 30 June 2018 $	2017 $	Receivable / (Payable) as at 30 June 2018 $	2017 $
Elph Pty Ltd [1]	V De Santis/D Elphinstone	**(279,824)**	(768,215)	**-**	-
Elphinstone Group (Aust) Pty Ltd [2]	V De Santis/D Elphinstone	**(471,807)**	(358,519)	**(38,489)**	(22,382)
William Adams Pty Ltd [3]	V De Santis/D Elphinstone	**(115,615)**	(24,151)	**3,904**	(23,783)
United Equipment Pty Ltd [4]	V De Santis/D Elphinstone	**(350,958)**	(301,494)	**(37,799)**	(25,734)
Grassick SSG Pty Ltd [5]	D Hector	**-**	(45,245)	**-**	-
Specialised Vehicle Solutions Pty Ltd [6]	D Elphinstone	**-**	1,432,644	**-**	-
Southern Prospect Pty Ltd [7]	D Elphinstone	**-**	77,173	**-**	33,603
Elphinstone Pty Ltd [8]	D Elphinstone	**3,697,372**	664,469	**20,531**	682,291

[1] Line Fees were incurred and paid to Elph Pty Ltd in relation to the related party funding facility with the Group. Interest was also charged by Elph Pty Ltd on its related party loan to Greentrains Limited in the previous financial year. Vincent De Santis is a director of Elph Pty Ltd. Dale Elphinstone is also a director and the Chairman of this entity
[2] Director fees and travel expense reimbursements were paid to Elphinstone Group (Aust) Pty Ltd for the services of Dale Elphinstone (Non-Executive Director) and Vincent De Santis (Chairman). Legal service fees were also paid to Elphinstone Group (Aust) Pty Ltd during the year. Vincent De Santis is a director of Elphinstone Group (Aust) Pty Ltd. Dale Elphinstone is also Chairman of this entity.
[3] Goods were purchased from and sold to William Adams Pty Ltd during the period. Dale Elphinstone is the Chairman and a director, and Vincent De Santis is a director of this entity.
[4] Goods were purchased from and sold to United Equipment Pty Ltd in the period. Dale Elphinstone is a director of this entity.
[5] Director fees and travel expense reimbursements were paid to Grassick SSG Pty Ltd for services in the previous financial year of Donald Hector (Non-Executive Director). Donald Hector is the Principal of this entity.
[6] Goods were sold to Specialised Vehicle Solutions Pty Ltd during the previous financial year. Dale Elphinstone is a director of this entity.
[7] Goods were sold to Southern Prospect Pty Ltd during the previous financial year. Dale Elphinstone is the Chairman of this entity.
[8] Goods were sold to Elphinstone Pty Ltd during the period. Dale Elphinstone is a director and the Chairman of this entity.

b. Other Related Party Transactions

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

Related Party Transaction	2018 $000	2017 $000
Current receivables (parent entity):		
Receivables from subsidiaries	**502**	1,059
Loans to/from other related parties:		
Funding Facility drawdown from Elph Pty Ltd	**-**	4,000

The intercompany loans extended from Engenco Limited to its wholly owned subsidiaries are extended on the following terms:

Term: Revolving Facility repayable when subsidiary is in a position to do so or as otherwise decided by the Company.
Rate: Fixed rate reviewable quarterly.

At the reporting date, the related party funding facility from Elph Pty Ltd to Engenco Limited was on arms'-length terms for up to $10,000,000 maturing not earlier than 30 April 2019.

Note 26 - Auditor's Remuneration

	2018 $	2017 $
Audit and Review Services		
Auditors of the Company		
– KPMG Australia – audit and review of financial statements	**270,000**	325,000
– KPMG Overseas – audit and review of financial statements	**40,980**	52,723
Other auditors		
– Audit and review of financial statements	**-**	7,841
TOTAL AUDIT AND REVIEW SERVICES	**310,980**	385,564
Other Services		
Auditors of the Company		
– KPMG Australia – in relation to taxation compliance services	**2,772**	10,655
– KPMG Overseas – in relation to taxation compliance services	**11,062**	3,937
TOTAL OTHER SERVICES	**13,834**	14,592

Note 27 - Events Subsequent to Reporting Date

Linda Dillon resigned from the positions of Company Secretary and Chief Financial Officer on 1 August 2018. Andrew Nightingale was appointed Company Secretary on the same day.

On 3 August 2018, the Group agreed terms with the National Australia Bank for a $10.0m Revolving Credit Facility and $2.6m interchangeable facility to be used between the issuance of bank guarantees, letters of credit and business card facility with a term of three years. The facilities are subject to final documentation and the satisfaction of certain conditions precedent, which are usual for a facility of this nature. The new facility is expected to be finalised no later than 5 October 2018. The new financing arrangements, when completed, will replace the existing funding facility of $10.0m with Elph Pty Ltd and Bank Guarantee Facility of $2.0m with the Commonwealth Bank.

On 29 August 2018, the Board resolved to declare a final dividend of 1 cent per share (fully franked). Payment of the dividend to shareholders will take place on 27 September 2018.

Other than the above, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which would have a material effect on the financial statements of the Group at 30 June 2018.

Shareholder Information

Additional Information for Listed Companies at 13 August 2018.

The following information is provided in accordance with the ASX Listing Rules.

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	No. of Shareholders	%	No. Ordinary Shares
1 – 1,000	127	0.01%	26,904
1,001 – 5,000	163	0.17%	539,493
5,001 – 10,000	129	0.33%	1,028,423
10,001 – 100,000	265	2.88%	9,023,149
100,001 – and over	105	96.61%	302,762,974
	789	100.00%	313,380,943

b. The number of shareholdings held in less than marketable parcels (less than $500 in value) is 121.

c. 20 largest shareholders – ordinary shares

Position	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Elph Investments Pty Ltd	109,060,536	34.80%
2	Elph Pty Ltd	93,346,378	29.79%
3	UBS Nominees Pty Limited	23,802,310	7.60%
4	RAC & JD Brice Superannuation Pty Ltd	19,232,030	6.14%
5	HSBC Custody Nominees (Australia) Limited	13,802,228	4.40%
6	Marford Group Pty Ltd	4,387,029	1.40%
7	Mr Clarence John Kelly, & Mrs Robyn Suzanne Kelly	3,655,000	1.17%
8	Mr Hugh William Maguire, & Mrs Susan Anna Maguire	3,370,000	1.07%
9	JP Morgan Nominees Australia Limited	2,512,153	0.80%
10	Mr Neville Leslie Esler, & Mrs Cheryl Anne Esler	2,396,925	0.76%
11	Mr Dennis Graham Austin, & Mrs Marilyn Alice Austin	1,645,000	0.52%
12	Neko Super Pty Ltd	1,365,581	0.44%
13	Mr Hugh William Maguire	1,300,000	0.41%
14	Jared Charles Lawrence	1,053,661	0.34%
15	Prussner Investments Pty Ltd	1,010,000	0.32%
16	T B I C Pty Ltd	1,000,000	0.32%
17	Mrs Margaret Jane Lindemann, & Mr Luke Charles Lindemann	950,000	0.30%
18	P J M Super Pty Ltd	897,901	0.29%
19	BFA Super Pty Ltd	595,027	0.19%
20	Mr Benjamin Pinwill & Mrs Carly Anne Pinwill	501,703	0.16%
		285,883,462	91.22%

d. Shareholders holding in excess of 10% of issued capital were listed in the holding company's register as follows:

Shareholder	No. Ordinary Shares	%
Elph Investments Pty Ltd	109,060,536	34.80%
Elph Pty Ltd	93,346,378	29.79%

e. Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Shareholder Information (cont'd)

2. The name of the Company Secretary is:

Andrew Nightingale

3. The address of the principal registered office in Australia is:

Level 22, 535 Bourke Street, Melbourne, VIC 3000

4. Registers of securities are held at the following address:

Level 9, Suite 913, 530 Little Collins Street, Melbourne VIC 3000

5. Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

6. Unquoted Securities

N/A.

7. Other Information

Engenco Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Corporate Directory

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Directors

Vincent De Santis
BCom, LLB (Hons)
Non-Executive Chairman

Kevin Pallas
BCom, MAICD
Managing Director & CEO

Dale Elphinstone
FAICD
Non-Executive Director

Alison von Bibra
BSc, MBA
Independent Non-Executive Director

Ross Dunning
BE (Hons), BCom, FIE Aust, FIRSE, REPQ
Independent Non-Executive Director

Company Secretary

Andrew Nightingale
BCom, LLB

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