



Annual Financial Report

Engenco Limited

**ACN 120 432 144
30 June 2014**

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Corporate Governance Statement

Engenco Limited (“the Company” or “Engenco”) and the Board are committed to achieving compliance with all the best practice recommendations released by the Australian Securities Exchange (ASX) Corporate Governance Council. This statement outlines the main corporate governance practices in place throughout the financial year, with specific references made to any departures from the best practice recommendations.

Role of the Board

The role of the Board is to protect and promote the interests of the Company and to represent its shareholders whilst considering the interests of other stakeholders including employees, customers, suppliers, wider communities and the environment. It does this according to the principles of good corporate governance, intending to fulfil the Company’s responsibilities as a corporate citizen.

The Board operates under a Board Charter, which describes the processes used by the Board to:

- appoint and review the performance of the Managing Director/CEO;
- approve key strategic decisions including, but not limited to, acquisitions and divestments;
- approve annual revenue, operating expenditure, and capital budgets;
- approve significant changes in organisational structure;
- determine and approve the remuneration of the Managing Director/CEO;
- approve the remuneration of executive management, and
- formally adopt any communication to regulators and shareholders as may be required by the Company constitution, statute, or other regulation.

The Board may change by resolution any power reserved to itself.

Executive Delegation

Other than those matters reserved by the Board to itself, the Board delegates to the Managing Director/CEO all authority to achieve the Company’s objectives consistent with this Corporate Governance Statement, the Company constitution, statute or other regulation.

The Managing Director/CEO prepares a one-year operational and financial plan for approval by the Board.

Board Structure

The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report and their term of office are detailed in the Directors’ Report in this Annual Report.

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors’ Report.

When determining whether a non-executive director is independent, the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director or any other entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the director’s income or of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

The Board reviews the independence of its directors in light of the information provided to it.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Company’s expense. Written approval must be obtained from the Board prior to incurring any expense on behalf of the Company.

The majority of the Board are not independent directors. This is a departure from ASX Corporate Governance Recommendation 2.1. The Chairman is not an independent director and this is a departure from ASX Corporate Governance Recommendation 2.2. This is due to the ownership structure of the listed company.

Meetings of the Board

The Board meets on a regular pre-determined basis or more frequently as required. On the invitation of the Board, members of senior management attend to discuss issues of importance and to keep the directors informed. In addition to the formal meetings the Board regularly meets to consider important issues affecting the Group.

The number of meetings held and attended by each of the directors for the financial year ended 30 June 2014 is set out in the Directors' Report.

Board Membership

Appointment

Board members are nominated by the Board and their appointment is confirmed by a vote of shareholders. The policy of the Board is to have a minimum of one non-executive director who is free of material relationships with the Company and who would be reasonably considered by shareholders to be independent.

The expectation of directors is that they are of unquestioned integrity and honesty, will understand and behave to the highest standards of corporate governance and are prepared to question, challenge, and criticise matters of importance.

Directors will be appointed according to the contribution they can make in meeting strategic skill requirements of the Company. Remuneration of directors will be transparent and reported in its entirety to shareholders.

Directors are expected to continue to develop their skills through ongoing education and training.

Retirement and Re-election

The constitution of the Company requires one third of the directors to retire from office at each annual general meeting. Directors who have been appointed by the Board are required to retire from office at the next following annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting.

Directors cannot hold office for a period in excess of three years or beyond the third annual general meeting following their appointment, whichever is longer, without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

Board Access to Information and Independent Advice

All directors have unrestricted access to employees of the Group and, subject to the law, access to all company records and information held by group employees and external advisors. Each director may obtain independent professional advice to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee. In such cases, the Chairman and Company Secretary must be advised and a copy of the advice made available to all directors.

Conflicts of Interest

Directors are required to notify the Board of any real or perceived conflicts of interest that may occur from time to time. The Board has adopted the use of formal standing notices in which they disclose any material personal interests they have and the relationship with the affairs of the Group. Directors are required to provide an updated notice if they acquire any new material personal interests or if there is any change to the nature and extent of their previously disclosed interest.

Performance Evaluation

To date a formal assessment of Board performance has not taken place.

Reward and Remuneration

Reward and remuneration of directors and executives will be objectively linked to achieving the Group's objectives and consistent with the financial performance of the Group.

There will be transparency to shareholders regarding reward and remuneration of board members and senior executive management.

There are currently no schemes for retirement benefits other than statutory superannuation.

Committees

Currently, the Board has appointed an Audit Committee to assist it in exercising its responsibilities. Due to the size and stage of development of the Group, the Board has not formed a Nomination or Remuneration Committee. This is a departure from ASX Corporate Governance Recommendations 2.4 and Principle 8.

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting. The specific responsibilities set out in its charter include:

- in conjunction with the internal and external auditors, assure the integrity of financial statements;
- recommend to the Board the appointment of and review the performance of the external auditor;
- determine the remuneration of the external auditor;
- oversee the integrity of the internal and external audit process; and
- ensure there is a process to identify the likelihood and impact of financial risk and that this process is actively managed.

Audit Committee

The Audit Committee is chaired by a non-executive director of the Company and membership of the Audit Committee must include at least two directors (other than the Managing Director/CEO and the Chief Financial Officer) and the Company Secretary.

The members of the Audit Committee during the year were:

- D Hector (Independent Non-Executive Director) – Chair of Audit Committee
- R Dunning (Interim Managing Director)
- V De Santis (Non-Executive Director)
- A Bagley (Committee Secretary)
- J Tan (Committee Secretary)

On 15 July 2014 Ross Dunning was appointed as Interim Managing Director of the Company and on 31 July 2014 was replaced on the Audit Committee by Vincent De Santis (Non-Executive Director).

Josephine Tan was appointed Committee Secretary on 22 August 2013, and resigned as Committee Secretary on 23 May 2014.

The external auditors are invited to attend meetings as required and the Managing Director/CEO and Chief Financial Officer may be invited, but will be excused from discussions if the committee so determines. Details of the number of meetings held and attended by the members of the Audit Committee can be found in the Directors' Report. The Board has established a Terms of Reference to guide the activities of the Audit Committee. The current composition of the Audit Committee does not meet ASX Corporate Governance Recommendation 4.2 however the Board believes that this is the most effective structure for the Audit Committee given the structure of the Board itself.

The Audit Committee Charter is published on the Company's website.

Financial Reporting

Consistent with ASX Corporate Governance Recommendation 7.3, and in accordance with section 295A of the *Corporations Act 2001*, the Group's financial report preparation and approval process for the year ended 30 June 2014 required both the Managing Director/CEO and Chief Financial Officer to provide a written statement to the Board that, in their opinion:

- the Group's financial statements and notes for the financial year present a true and fair view of the Group's financial condition and operating results, and are in accordance with applicable accounting standards; and
- the Group's financial records for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*.

Audit Governance and Independence

External Auditor

KPMG is the Group's current external auditor. The performance of the external auditor is reviewed annually by the Audit Committee. KPMG was appointed as the external auditor at the Company's annual general meeting in 2012. It is the Group's policy that, where practical, no non-audit services are provided by the external auditor to ensure independence is maintained. However, during the current financial year, KPMG were appointed to perform tax review services. It is KPMG's policy and a *Corporations Act 2001* requirement to rotate audit engagement partners on listed companies at least every five years.

Independence Declaration

The Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 amendments to the *Corporations Act 2001* require external auditors to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with the *Corporations Act 2001* and the rules of the professional accounting bodies.

KPMG has provided such a declaration to the Audit Committee for the financial year ended 30 June 2014.

Attendance of External Auditors at Annual General Meetings

In accordance with the *Corporations Act 2001*, the Company requires that KPMG attend the Company's annual general meeting and is available to answer questions about the conduct of the audit and the preparation and content of the audit report. Shareholders are asked to submit written questions to the Company Secretary at least 7 days prior to the annual general meeting.

Risk Identification and Management

The Group is in the process of implementing policies regarding risk identification and management which are consistent with Principle 7 of the ASX Corporate Governance Principles and Recommendations.

Engenco has various risk management procedures and registers in place to enable the identification, assessment and mitigation of risks that arise through its activities.

Code of Conduct

The Company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

The Board is developing a Code of Conduct which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions in respect of responsibilities to shareholders, customers, clients, consumers and the community. The Code of Conduct, completed in draft form, has not been formally approved as at the reporting date. This is a departure from ASX Corporate Governance Recommendation 3.1.

Securities Trading Policy

The Company has a Securities Trading Policy to minimise the risk of insider trading in the Company's securities consistent with good corporate governance principles. The policy prohibits all employees, officers and directors of the Company from trading in the Company's securities if they are in possession of inside information. Short term or speculative dealing in the Company's securities by employees, officers and directors is also not permitted. Employees, officers and directors must not trade in the Company's securities during closed periods. Trading is generally permitted at other times provided there is no contravention of the insider trading laws. The policy also restricts hedging and margin loan activities for employees, officers and directors. The Company's Securities Trading Policy is published on the Company's website.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange's securities market. The Company Secretary has responsibility for overseeing and co-ordinating the disclosure. Any disclosures are discussed with the Board and appropriate action is taken. The Company's Continuous Disclosure Policy is published on the Company's website.

Communications with Shareholders

The Board is committed to completely discharge its obligation to represent the interests of shareholders.

The Board will ensure that information is regularly communicated to shareholders, in particular, paying regard to the continuous disclosure requirements of the ASX. The Board welcomes shareholder participation at the Company's annual general meeting. Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of the annual and interim financial statements. Shareholders are encouraged to attend and participate in the annual general meeting, to lodge questions to be responded to by the Board, and are able to appoint proxies.

Diversity Policy

The Group has developed a Diversity Policy, which has the following objectives:

- To recognise and embrace our multicultural diversity and grow our workforce to reflect the diversity of the communities in which we operate;
- To recognise that those in the community that have disabilities have an equal right to suitable employment and rewarding career advancement opportunities; and
- To create programs to ensure that gender representation at all levels of the Group (including senior management) accurately represents our society.

Engenco's commitment to diversity is substantially influenced by our Diversity Committee and representatives come from all levels of the Group. The Diversity Committee is sponsored by the Managing Director/CEO of the Company and makes recommendations on diversity related initiatives, monitors and evaluates their implementation and ensures that diversity related programs are progressing successfully.

The Group's annual compliance report for the period 1 April 2013 to 31 March 2014 is below. Engenco has received confirmation from the Workplace Gender Equality Agency that the Group is compliant with the *Workplace Gender Equality Act 2012*.

	Full-Time			Part-Time			Casual			Total Employees		
	Female	Male	%	Female	Male	%	Female	Male	%	Female	Male	%
Board	-	4	-	-	-	-	-	-	-	-	4	-
Senior Executive	2	10	17%	-	-	-	-	-	-	2	10	17%
Senior Management	-	8	-	-	-	-	-	-	-	-	8	-
Line Managers	6	39	13%	-	1	-	-	-	-	6	40	13%
Professional/Technical	11	212	5%	-	2	-	15	190	7%	26	404	6%
Administration Staff	32	15	68%	5	-	100%	14	-	100%	51	15	77%
Shop Floor Staff	-	28	-	-	-	-	15	142	10%	15	170	8%
TOTAL excl. Board	51	312	14%	5	3	63%	44	332	12%	100	647	13%
TOTAL incl. Board	51	316	14%	5	3	63%	44	332	12%	100	651	13%

Directors' Report

The directors present their report, together with the consolidated financial statements of the Group, being Engenco Limited ("the Company") and its controlled entities for the financial year ended 30 June 2014 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:

Dale Elphinstone

Non-Executive Director (Chairman)
FAICD

<i>Appointed:</i>	19 July 2010
<i>Age:</i>	63
<i>Directorships held in other listed entities in the past three years:</i>	Non-Executive Director, National Hire Group Limited, 2008 – December 2011
<i>Summary of equity holdings at 30 June 2014:</i>	202,249,018 ordinary shares

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 is a director of the Tasmanian Health Organisation North-West. 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.

Vincent De Santis

Non-Executive Director ¹
B.Com LLB (Hons)

<i>Appointed:</i>	19 July 2010
<i>Age:</i>	44
<i>Special Responsibilities</i>	Member of Audit Committee
<i>Directorships held in other listed entities in the past three years:</i>	Alternate Director, National Hire Group Limited, 2008 – December 2011
<i>Summary of equity holdings at 30 June 2014:</i>	300,003 ordinary shares

¹ On 31 July 2013, Vince was appointed as a member of the Audit Committee.

Vince is the Managing Director of the Elphinstone Group which he joined in 2000 as the Group's Legal Counsel and Finance & Investment Manager. He is a director of various Elphinstone Group companies. He was Dale Elphinstone's alternate on the board of Queensland Gas Company Limited and of National Hire Group Limited. Immediately prior to joining the Elphinstone Group, Vince was a Senior Associate in the Energy Resources & Projects work group of national law firm Corrs Chambers Westgarth in Melbourne.

Donald Hector

Independent Non-Executive Director
BE (Chem), PhD, FAICD, FIEAust, FICHEME

Appointed:	2 November 2006
Age:	64
Special Responsibilities:	Chairman of Audit Committee
Directorships held in other listed entities in the past three years:	None
Summary of equity holdings at 30 June 2014:	113,163 ordinary shares

Don has 17 years' experience in senior executive management and CEO positions with industrial companies. He was Managing Director of Dow Corning Australia Pty Ltd, the Australian subsidiary of Dow Corning Corporation and was Managing Director of Asia Pacific Specialty Chemicals Ltd, an ASX-listed chemical company. During the year, Don was a non-executive chairman of SEMF Pty Ltd, a multidisciplinary engineering consulting firm and was a Council member of one of Sydney's leading independent schools. Don served as Non-Executive Chairman of Engenco Limited until 19 July 2010.

Ross Dunning AC

Interim Managing Director ¹
BE (Hons), B.Com, FCILT, FAIM, FIE Aust, FIRSE, MAICD

Appointed:	8 November 2010
Age:	72
Special Responsibilities:	Member of Audit Committee ²
Directorships held in other listed entities in the past three years:	None
Summary of equity holdings at 30 June 2014:	104,000 ordinary shares

¹ Ross held the position of Non-Executive Director at the beginning of the financial year and was appointed as Interim Managing Director on 15 July 2013.

² On 31 July 2013, Ross ceased to be a member of the Audit Committee following his appointment as Interim Managing Director of the Company.

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. Ross currently serves as a director of Queensland Energy Resources Limited, as chairman of SunWater Limited and is a member of The Council of St John's College within the University of Queensland.

Company Secretary

Kevin Pallas

BCom, MAICD

Appointed: 13 September 2013

Age: 52

Kevin possesses senior management and leadership experience through a 23 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.

Josephine Tan

B.Mus, LLB (Hons)

Appointed: 22 August 2013

Resigned: 23 May 2014

Age: 49

Josephine was appointed Chief Legal Officer and joint Company Secretary of Engenco Limited whilst Anna Bagley was on maternity leave. Josephine has over 10 years' of legal experience in a broad range of matters. Prior to joining Engenco Limited she was General Counsel and a member of Senior Management at VicForests. Josephine also spent 8 years at the international law firm Baker & McKenzie. As a Senior Associate there, her work included advising various ASX listed entities in relation to corporate transactions and compliance matters. Josephine holds a Bachelor of Laws (Hons) from the University of Melbourne.

Anna Bagley

BSc, LLB (Hons), GCInfTech, LLM

Admitted to practice as a solicitor of the Supreme Court of Victoria and the High Court of Australia

Registered Australian Trade Mark Attorney

Appointed: 9 November 2011

Resigned: 4 July 2014

Age: 35

With more than 10 years' experience in legal roles, Anna holds a Bachelor of Science, a Bachelor of Laws (Hons) and a Graduate Certificate in Information Technology from the University of Queensland. She also holds a Masters of Laws from the University of Melbourne. Anna is a qualified and practising solicitor and Australian trade mark attorney. She has worked at national and international laws firms including the Melbourne offices of Corrs Chambers Westgarth and Baker & McKenzie. Most recently, Anna was a member of the legal team at the ASX listed company, Spotless Group Limited. Anna is also a member of the executive and is the Company Secretary for the incorporated associate, Australian Corporate Lawyers Association.

Bridget Thom

BSc (Hons), LLB

Admitted to practice as a solicitor of the Supreme Court of Victoria

Appointed: 20 August 2014

Age: 42

Bridget has over 13 years' legal experience. Prior to commencing with Engenco, Bridget has held a number of in-house legal roles and commenced her legal career at the Melbourne law firm Mallesons Stephen Jacques.

Changes in Directors and Executives Subsequent to Year End

Anna Bagley resigned as joint Company Secretary on 4 July 2014.

Bridget Thom was appointed as joint Company Secretary on 20 August 2014.

Meetings of Directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dale Elphinstone	12	12	-	-
Vincent De Santis	12	12	3	3
Donald Hector	12	12	3	3
Ross Dunning	12	12	-	-

Principal Activities

The Group delivers 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 and propulsion systems;
- Maintenance, repair and overhaul of locomotives;
- Manufacture and maintenance of wagons, carriages and associated rail equipment;
- Project management, training and workforce provisioning services;
- Manufacture and supply of road transport and storage tankers for dry bulk products; and
- Leasing of locomotives, wagons and other rail equipment.

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

The Group employs nearly 500 people operating from more than twenty locations in five countries.

Strategy

The key sectors of the business are in Rail & Road products with an emphasis on service and labour deployment; Power & Propulsion with renewed emphasis in the gastrain and compression area; and an expanding training organisation aimed at assessment, training and qualifying Australians for new and present positions in rail and heavy industry.

In the Rail business, the directors have decided only to pursue contracts in the fabrication or infrastructure maintenance sectors where satisfactory margins are available and the contracts are free from onerous risk conditions, particularly relating to inappropriate and unacceptable liabilities. The use of our nationwide maintenance facilities, in all mainland States, is expected to grow. Opportunities to joint-venture in overhaul and service work for wheels, axles and bearings on the east coast represent a strategic direction for this element of the business.

Further restructure of the overall business which took place at 30 June 2014 will enable a greater focus on customer service and, in Drivetrain Power and Propulsion (Drivetrain), a significant reduction in middle management costs is expected to generate efficiencies throughout the business. Development of the new HS 6800 turbocharger in the USA is nearing completion and field trials of the equipment are planned for early in FY15.

State and Federal governments in Australia are promoting training of all workers in the rail industry and in heavy industry generally. Qualified employees are more able to transition between employers if they can demonstrate they have undergone appropriate skills training evidenced by the issuing of a certificate from a Registered Training Organisation (RTO). Engenco's RTO business, Centre for Excellence in Rail Training (CERT), provides this training in every mainland State in Australia and this business is well-positioned to grow substantially in FY15.

The new financial year is the last in the five-year plan to restore the business to profitability. This has been difficult to achieve in the timeframe set mainly due to the downturn in the resources industry which began in early 2012. There were serious flow-on effects in the business sectors in which the Company largely operates.

However, the disciplined approach that was taken to constrain and reduce costs, and the restructuring of the business to focus on medium- to long-term profitable operational areas, is expected to achieve a profit in FY15.

Operating and Financial Review

Overview of the Group

Drivetrain Power and Propulsion (Drivetrain)

Drivetrain's services span the complete engineering product lifecycle: design, application engineering, troubleshooting, supply and service, and through-life support programmes 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

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

Drivetrain has facilities and service centres in 12 locations in the ANZ region, Asia, Sweden and USA.

Gemco Rail

Gemco Rail has been a well-known supplier of quality products and services 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 a country-wide footprint including workshops 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.

The business specialises in all types of rail welding including the welding of heavy gauge crane rail at height and the operation of flash butt welding plant.

Total Momentum can plan, implement and manage safe working solutions for rail clients, from hand signallers and lookouts to highly experienced Principal Protection Officers.

Operating out of branches in Forrestfield, Norwood, Thornton, Coonabarabran and Williamstown – Total Momentum's strategic presence is well placed to service the rail and resource sectors.

Centre for Excellence in Rail Training (CERT)

CERT is an 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, Sydney, Newcastle, Ipswich and Melbourne with the flexibility to train on-site anywhere in the country.

Greentrains

Greentrains provides a range of locomotives and wagons for lease to the Australian rail industry, with the added benefit of a packaged maintenance solution provided by Gemco Rail.

Convair Engineering (Convair)

Convair designs and manufactures tankers for the transport of dry bulk products by road and rail. The business also 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 range of products with aluminium dry bulk tankers and stainless steel liquid tankers.

With its plant based in Melbourne, Convair services customers throughout Australia and New Zealand.

Operating Results

The Group reported a net loss after tax including non-controlling interests of \$11,503,000 for the year ended 30 June 2014. This included significant items amounting to a net loss of \$5,075,000. The consolidated result for the year is summarised as follows:

	2014	2013
	\$000	\$000
Revenue	140,273	176,088
EBITDA ²	1,692	(67,008)
EBIT ¹	(8,836)	(79,642)
Profit / (loss) after tax for the period	(11,503)	(91,515)
Underlying trading loss ³	(6,428)	(11,896)
Net operating cash flow	5,733	6,235
Net assets	77,427	89,029
Net debt	18,651	18,867

¹ EBIT is earnings before finance costs and income tax expense.

² EBITDA is EBIT before depreciation and amortisation.

³ Underlying trading loss is net loss after tax excluding significant items. Refer to Page 13 for a reconciliation of profit / (loss) for the period to underlying trading loss.

Note - EBIT, EBITDA and underlying trading loss 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.

The continued decline in the resources industry activity, accentuated by lower iron ore and coal prices, has continued to impact the overall revenue of the Group. The Road & Rail sectors were particularly affected as traditional customers reduced operating expenditure and almost eliminated any capital expenditure. The businesses most affected were: Gemco Rail; Drivetrain Power and Propulsion, especially in OEM parts supply and maintenance, repair and overhaul; and Convair.

The operational efficiencies and rationalisations introduced in early FY14 have resulted in a significant improvement in the trading result at the EBITDA level. Further restructuring announced in June 2014 is expected to enhance trading results as revenue is expected to grow in FY15.

Drivetrain Power and Propulsion received a large order from Santos Ltd for stand-alone gas compression units during the year. In conjunction with Sage of Calgary, Canada, three units have now been successfully delivered. At the end of FY14, there were positive signs that a recovery in the Drivetrain business is occurring, with good prospects for off-highway powertrain as well as gas compression products and services being identified.

Total Momentum and CERT received significant contracts from the Roy Hill project in Western Australia. This work will continue through FY15.

The wheel, bogie, and rail bearing overhaul work at Forrestfield for Gemco Rail has produced good results in the second half of FY14 and is well placed for additional work in the future. Consolidation of facilities in Western Australia onto one site at Forrestfield is now completed, with significant efficiency effects expected in FY15.

The Greentrains business continues to be affected by the current oversupply of standard gauge locomotives in the Australian market and a general softening in the leasing market due to the decline in new construction activity.

Market indicators suggest a slow improvement in all sectors. The CERT and Drivetrain businesses, including Gastrain, are likely to see more significant improvement. The directors are pleased to see the improvement in the trading result and anticipate this improvement to result in a positive trading result in FY15.

The following table shows a reconciliation of the underlying trading loss:

	2014	2013
	\$000	\$000
Profit / (loss) after tax for the period	(11,503)	(91,515)
<i>Significant Items:</i>		
Impairment of goodwill and other intangible assets	-	43,275
Impairment of property, plant and equipment	-	20,350
Impairment of inventory	1,792	1,529
Impairment of accounts receivable	465	861
Legal settlements and associated costs	-	2,004
Onerous contract provision	276	1,705
Staff termination costs	2,666	1,551
Derecognition of deferred tax assets	-	8,344
Make-good provision	443	-
Other significant items	(567)	-
Underlying trading loss ¹	(6,428)	(11,896)

¹ Underlying trading loss is net loss after tax excluding significant items.

Investments for Future Performance

On 31 October 2013 Engenco Investments Pty Ltd (a subsidiary of Engenco Limited) entered into a joint venture arrangement and invested in a newly incorporated entity, DataHawk Pty Ltd. The Group's investment was \$100, 50% of the equity. A further \$542,075 was provided during the period as a long-term loan, fully repayable no later than 30 June 2017.

DataHawk provides advanced process integration products using global positioning systems, optical measurement, imaging and 3D scanning technologies, with customised software and wireless communications through the complete railway lifecycle – from the feasibility phase, through design and construction, to the subsequent operation, maintenance and safety of a railway.

The Group's share of profit / (loss) in its equity-accounted investment for the period was (\$222,500). During the year ended 30 June 2014 no dividends were received from the investment in DataHawk Pty Ltd. DataHawk Pty Ltd is not a publicly-listed entity and does not have a published price quotation.

Review of Principal Businesses

Drivetrain Power and Propulsion continued to trade at lower revenues as a result of the general economic downturn and in particular the resource industry activity reduction. In June 2014, the business was simplified and several senior positions were eliminated. Activity in the gas industry is showing promising signs of increasing.

Gemco Rail was affected by low demand for fabrication services and the flow-on effects from the resources industry downturn. In the second half of the financial year the wheel, bogie and bearing shops performed well and by the end of FY14 the Dynon facility was also emerging as a profitable centre.

In the Total Momentum business, a decision was taken in June 2014 not to tender for infrastructure projects containing requirements for inappropriate and unacceptable liability risk. Labour hire services in Western Australia continues to grow and work in other States is also expanding. Activity in Queensland is expected to grow with Total Momentum having been accepted by Queensland Rail on its track infrastructure panel.

CERT performed well during FY14, with significant expansion occurring in Western Australia in May and June 2014. This business is profitable and is expected to grow in FY15.

Convair's dry bulk tanker business performed below expectation due to flow on effects from the downturn in construction activity and a cyclical downturn in customer purchasing.

A significant restructuring of Engenco's businesses occurred in June 2014, resulting in 55 redundancies. This restructuring has streamlined the reporting and accountability of functions in the entire Group as well as consolidating the accounting function into the corporate office.

Significant Changes in State of Affairs

No significant changes in the state of affairs have occurred.

Likely Developments

The Drivetrain Power and Propulsion business is now comprised of four business units reporting to the Managing Director.

- The Mobile Powertrain (MPT) stream has branch offices in every mainland State and supplies parts and services for heavy off-road and mining vehicles, including some defence equipment. This business has suffered as a result of low iron ore and coal prices and low investment by the industry generally. A recovery in the sector is expected and early signs are encouraging. The strengthening support from major Drivetrain suppliers and agency principals continues to be an important factor for growth.
- The Turbocharger, Power and Compression (TPC) stream operates from most of the branch offices and services the power and gas industries. The successful completion of three gas compressor units for Santos Ltd utilising Sage technology from Canada, bodes well for future orders in the expanding gas industry.
- The Drivetrain operation in Sweden operates profitably. The Hedemora engine is no longer manufactured and over time the servicing side of this business will decline, being replaced by growth and expansion of the turbocharger business. Marketing of the current range of turbochargers in northern Europe, Asia and South Africa is on foot. Early indications are very positive.
- The Drivetrain USA business is focused on the production and sale of the HS 6800 turbocharger. Sales of current range turbochargers in North and South America have increased over recent months. The new HS 6800 turbocharger, now in final test, is expected to generate additional sales.

The Rail business is now comprised of three activities. The Executive General Manager of the Rail business reports to the Managing Director.

- The Gemco Rail business contains the wheel, bogie and bearing overhaul business stream which is expected to expand (perhaps in a joint venture arrangement) into the eastern States. Work has been increasing slowly during Q4 of FY14. The repair and fabrication business in Western Australia is expected to be flat during FY15. The locomotive overhaul and repair business in Parkes and Dynon is also improving.
- Total Momentum's business is improving particularly in the rail labour hire area with good growth in all mainland States. In Queensland, an office has been established to service that market.
- The Greentrains business is experiencing the impact of an industry oversupply of locomotives, a shortage of construction contracts and a general softening of the leasing market. Growth is expected to be limited to more flexible rental arrangements and to custom rollingstock requirements.

Convair's business is expected to show an upturn this financial year with a good order book in hand.

CERT is experiencing a significant upturn in business enquiry and contract award as government funding is being provided for employees and potential employees in the rail and heavy industry to become certificated for various sectors of work in those industries. There are good opportunities now available and growth is expected in this area.

There is much uncertainty in the marketplace, particularly in the resources area. During the year, a large customer utilising Engenco's skeletal container freight wagons entered administration, affecting the leasing and wagon servicing business in Gemco Rail. This uncertainty remains in the resources area and until such time as resources production and improved pricing shows some sign of permanency, results will be difficult to predict.

The HS 6800 turbocharger project, which has been a significant investment for the Group, has yet to be proven and time-tested on operating locomotives in the USA. While this is expected to take place early in FY15, the financial outcome over the future financial years contains some uncertainty and is dependent on the market penetration of the product.

Directors expect the restructuring and right-sizing of the business that has occurred, with a renewed focus of a supportive management team, will meet the challenges that still remain. The directors and management are confident of a much improved outcome in FY15.

Dividends

The directors have decided not to declare a final dividend.

Events Subsequent to Reporting Date

The Group has agreed an extension of the CBA debt facilities for a further 12 months to 31 October 2015, subject to certain conditions and the execution of the revised facility documentation.

Waivers for breaches of the debt to EBITDA ratio and the loan to valuation ratio covenants relating to the debt facility with Elph Pty Ltd were obtained on 20 August 2014. On 25 August 2014 the debt facility with Elph Pty Ltd was extended and the Gearing Ratio covenant was removed from the facility agreement. The security was also extended to include a fixed charge over certain assets of Gemco Rail Pty Ltd.

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 2014.

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 complies 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 Company is not subject to the conditions imposed by the registration and reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*.

Indemnifying 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.

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 24 and forms part of the Directors' Report for the financial year ended 30 June 2014.

Rounding of Amounts

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Remuneration Report - Audited

Remuneration Policy

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

The Remuneration Policy of the Group is intended to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific incentives based on key performance areas affecting the Group's financial results. The Board of Engenco believes the approach to remunerating to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

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

- All executive directors and key executives receive a salary package comprised of a base salary, superannuation and post-employment 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 profits, which are aligned with shareholder value. The developing remuneration policy will be designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- The directors and key executives receive a superannuation guarantee contribution required by the government (which was 9.25% 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 at the annual general meeting.
- 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.

Remuneration Report - Audited (cont'd)**Relationship between Remuneration Policy and Company Performances**

There are short-term incentives available to certain key management personnel which are linked to achieving the Group's budgeted NPAT performance. There were no payments of short-term incentives in the current financial year with regard to NPAT performance (2013: \$NIL). Current remuneration policies are under review by the Board.

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.

	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$
Revenue	224,331,000	207,352,000	199,197,000	176,088,000	140,273,000
NPAT attributable to members	(113,712,000)	4,905,000	(35,683,000)	(87,731,000)	(11,257,000)
Dividends paid	-	-	-	-	-
EBIT	(99,900,000)	17,700,000	(27,055,000)	(79,642,000)	(8,836,000)
Operating income growth	(1,061%)	118%	(253%)	(194%)	89%
Share price at year end	\$0.15*	\$0.09*	\$0.50*	\$0.14	\$0.12
Change in share price	(\$0.05)	(\$0.06)	\$0.41	(\$0.36)	(\$0.02)
Capital employed ¹	92,005,000	209,816,000	156,653,000	93,306,000	80,348,000
Return on capital employed ²	(109%)	8%	(17%)	(85%)	(11%)

* During November 2012 there was a share consolidation whereby every ten (10) fully paid ordinary shares on issue were consolidated into one (1) fully paid ordinary share. Each fraction of a share was rounded up.

¹ Capital employed is total asset less current liabilities

² Return on capital employed is EBIT over capital employed

Remuneration Report - Audited (cont'd)

Remuneration Details for Year Ended 30 June 2014

The Board determines the proportion of fixed and variable compensation for key management personnel - refer to table below:

		Short-Term			Post-Employment	Other Long-Term	Termination Benefits	Total	Proportion of Remuneration Performance Related
		Salary and Fees	Non-Monetary Benefits	STI Cash Bonus	Sub-Total	Super-annuation Benefit			
		\$	\$	\$	\$	\$	\$	\$	
DIRECTORS									
NON-EXECUTIVE DIRECTORS									
D Elphinstone	2014	174,000	-	-	174,000	-	-	174,000	-
Chairman	2013	174,000	-	-	174,000	-	-	174,000	-
V De Santis	2014	85,500	-	-	85,500	-	-	85,500	-
	2013	80,000	-	-	80,000	-	-	80,000	-
D Hector	2014	92,000	-	-	92,000	8,510	-	100,510	-
	2013	92,000	-	-	92,000	8,280	-	100,280	-
SUB – TOTAL NON-EXECUTIVE DIRECTORS' REMUNERATION	2014	351,500	-	-	351,500	8,510	-	360,010	-
	2013	346,000	-	-	346,000	8,280	-	354,280	-
EXECUTIVE DIRECTORS									
R Dunning ¹	2014	446,592	-	-	446,592	17,771	-	464,363	-
Interim Managing Director	2013	86,000	-	-	86,000	7,740	-	93,740	-
TOTAL DIRECTORS' REMUNERATION	2014	798,092	-	-	798,092	26,281	-	824,373	-
	2013	432,000	-	-	432,000	16,020	-	448,020	-
EXECUTIVES									
K Pallas ³	2014	311,129	-	-	311,129	28,779	26,686	366,594	-
Chief Financial Officer / Company Secretary	2013	280,019	-	-	280,019	25,063	5,925	311,007	-
G Thorn: appointed 8 Oct 2012	2014	306,740	15,071	-	321,811	30,092	-	351,903	-
Executive General Manager – Rail	2013	223,913	12,384	-	236,297	21,267	-	257,564	-
J Pas	2014	179,356	13,368	-	192,724	2,758	-	195,482	-
General Manager – DTUS	2013	183,593	13,782	-	197,375	2,844	-	200,219	-
G Northeast	2014	161,892	-	-	161,892	38,152	-	200,044	-
General Manager – DTSE	2013	182,194	-	-	182,194	42,276	-	224,470	-

Remuneration Report - Audited (cont'd)

Remuneration Details for Year Ended 30 June 2014 (cont'd)

		Short-Term				Post-Employment	Other Long-Term	Termination Benefits	Total	Proportion of Remuneration Performance Related
		Salary and Fees	Non-Monetary Benefits	STI Cash Bonus	Sub-Total	Super-annuation Benefit	Long Service Leave			
		\$	\$	\$	\$	\$	\$	\$	\$	
D Bentley	2014	250,166	10,934	-	261,100	23,588	4,826	-	289,514	-
General Manager – TPC/Gastrain	2013	245,283	20,109	-	265,392	24,140	5,642	-	295,174	-
P Gale	2014	171,590	-	-	171,590	17,674	5,949	-	195,213	-
General Manager – Drivetrain MPT	2013	155,205	-	-	155,205	15,689	5,381	-	176,275	-
P Swann	2014	200,108	51,959	-	252,067	33,038	3,931	-	289,036	-
General Manager – Convair	2013	186,644	70,605	-	257,249	20,641	8,528	-	286,418	-
M Haigh	2014	154,294	9,962	-	164,256	27,661	5,912	-	197,829	-
General Manager - CERT	2013	143,060	9,962	-	153,022	25,736	3,355	-	182,113	-
R Edwards	2014	200,524	8,187	-	208,711	18,548	9,195	-	236,454	-
General Manager – Momentum/Greentrains	2013	200,510	-	-	200,510	18,046	4,523	-	223,079	-
FORMER										
D Quinn: resigned 12 July 2013	2014	27,046	-	-	27,046	1,893	-	150,000	178,939	-
Chief Executive Officer	2013	443,757	-	50,000 ²	493,757	22,960	-	-	516,717	9.7%
P Coombe: resigned 1 March 2013 ³	2014	-	-	-	-	-	-	-	-	-
Chief Financial Officer	2013	184,518	-	-	184,518	20,025	-	80,000	284,543	-
A Bagley: resigned 4 July 2014	2014	93,630	-	-	93,630	8,661	-	50,215 ⁶	152,506	-
Company Secretary	2013	186,279	-	-	186,279	16,765	-	-	203,044	-
J Tan ⁴	2014	144,205	-	-	144,205	19,016	-	-	163,221	-
Company Secretary	2013	-	-	-	-	-	-	-	-	-
G Parrett: resigned 26 August 2013	2014	63,427	15,596	-	79,023	19,412	931	397,070	496,436	-
CEO – Drivetrain	2013	364,070	39,915	-	403,985	15,775	8,947	-	428,707	-
F Gili ⁵	2014	254,571	-	-	254,571	25,075	-	80,092 ⁶	359,738	-
Executive General Manager - Drivetrain	2013	143,101	-	-	143,101	14,386	-	-	157,487	-
TOTAL EXECUTIVE OFFICERS' REMUNERATION	2014	2,518,678	125,077	-	2,643,755	294,347	57,430	677,377	3,672,909	-
	2013	3,122,146	166,757	50,000	3,338,903	285,613	42,301	80,000	3,746,817	1.3%
TOTAL DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION	2014	3,316,770	125,077	-	3,441,847	320,628	57,430	677,377	4,497,282	-
	2013	3,554,146	166,757	50,000	3,770,903	301,633	42,301	80,000	4,194,837	1.2%

Remuneration Report - Audited (cont'd)

- 1 R Dunning was appointed as Interim Managing Director (previously Non-Executive Director) on 15 July 2013.
- 2 The STI cash bonus related to a guaranteed sum and did not relate to meeting performance targets.
- 3 P Coombe resigned as Chief Financial Officer on 1 March 2013. K Pallas was appointed as Chief Financial Officer (previously Chief Operating Officer), effective on this date.
- 4 J Tan was appointed Chief Legal Officer and joint Company Secretary on 22 August 2013, and resigned 23 May 2014.
- 5 F Gili was previously employed by the Company in a non-executive role and resigned on 1 February 2013. He was re-employed by the Company on 26 August 2013 to the position Executive General Manager – Drivetrain. This position was made redundant effective 30 June 2014.
- 6 A Bagley and F Gili termination payments were accrued as at 30 June 2014, but not physically paid until the next financial year.

Additional key management personnel have been disclosed in the current year in accordance with the management structure effective at 30 June 2014.

Loans to Key Management Personnel and Their Related Parties

Details regarding loans outstanding during the reporting period to key management personnel and their related parties, are as follows:

	Balance at Beginning of Year \$	Interest Charged \$	Interest Not Charged \$	Provision for Impairment \$	Loan Repayment \$	Balance at End of Year \$	Highest Balance During Period
G Parrett	1,400	-	40	(1,400)	-	-	1,400
K Pallas	700	-	19	-	(700)	-	700

The amount shown for interest not charged in the above table represents the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's length basis.

The balance outstanding as at 30 June 2014 is NIL (2013: \$2,100).

Remuneration Report - Audited (cont'd)**Service Agreements**

The employment conditions of 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
D Elphinstone	Ongoing director agreement	N/A - Non-Executive Director
V De Santis	Ongoing director agreement	N/A - Non-Executive Director
D Hector	Ongoing director agreement	N/A - Non-Executive Director
R Dunning	Permanent employment contract	1 months' pay
K Pallas	Permanent employment contract	8 weeks' pay
G Thorn	Permanent employment contract	8 weeks' pay
J Pas	Permanent employment contract	1 months' pay
G Northeast	Permanent employment contract	3 months' pay
P Gale	Permanent employment contract	3 months' pay
D Bentley	Permanent employment contract	12 months' pay
P Swann	No formal employment contract	5 weeks' pay
M Haigh	Permanent employment contract	1 months' pay
R Edwards	Permanent employment contract	5 weeks' pay
D Quinn	Permanent employment contract	3 months' pay
A Bagley	Permanent employment contract	8 weeks' pay
J Tan	Maximum term employment contract	5 weeks' pay
G Parrett	Permanent employment contract	12 months' pay
F Gili	Permanent employment contract	3 months' pay

Fees to Dale Elphinstone and Vincent De Santis are paid via agreements with Elphinstone Pty Ltd which is a related party of the Company. Fees to Donald Hector are paid via an agreement with Grassick SSG Pty Ltd which is a related party of the Company.

Options and Rights Granted

In the 2013 and 2014 financial years no executive directors, non-executive directors or key management personnel have any options or rights.

Other Transactions with Key Management Personnel

A number of key management persons 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 or domestic in nature.

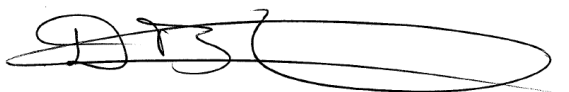
Remuneration Report - Audited (cont'd)**Movements in Shares**

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:

2014	Balance 1 July 2013	Received as compensation	Net change other*	Balance 30 June 2014
D Elphinstone	202,249,018	-	-	202,249,018
V De Santis	300,003	-	-	300,003
D Hector	113,163	-	-	113,163
R Dunning	104,000	-	-	104,000
K Pallas	5,000	-	10,000	15,000
G Thorn	-	-	-	-
J Pas	-	-	-	-
G Northeast	18,983	-	-	18,983
P Gale	-	-	-	-
D Bentley	-	-	-	-
P Swann	25,275	-	-	25,275
M Haigh	-	-	-	-
R Edwards	-	-	-	-
D Quinn	-	-	-	-
A Bagley	-	-	-	-
J Tan	-	-	-	-
G Parrett	20,166	-	-	20,166
F Gili	1,429	-	-	1,429

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

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



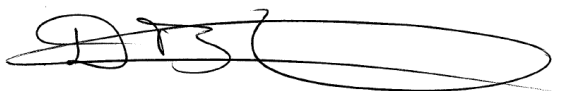
Dale Elphinstone
Chairman

Dated 25 August 2014

Directors' Declaration

1. In the opinion of the directors of Engenco Ltd (the Company):
 - a. the financial statements and notes that are set out on pages 27 to 76, and the Remuneration report on pages 16 to 22 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 2014 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 able 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 2014.
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:

A handwritten signature in black ink, appearing to be 'D. Elphinstone', enclosed within a large, horizontal oval loop.

Dale Elphinstone
Chairman

Dated 25 August 2014

Auditor's Independence Declaration



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 for the year ended 30 June 2014 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'M. Bisetto'.

Maurice Bisetto
Partner

Melbourne
25 August 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report



Independent auditor's report to the members of Engenco Limited

Report on the financial report

We have audited the accompanying financial report of Engenco Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, 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 ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed these procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and the Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Material uncertainty regarding the ability of the Group to continue as a going concern

Without modification to the audit opinion set out above, we draw attention to note 1 in the financial report regarding the going concern basis of preparation of the financial report. The matters set out in note 1 indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue to operate as a going concern, and therefore whether it will realise its assets and extinguish its liabilities at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Engenco Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'M. Bisetto'.

Maurice Bisetto
Partner

Melbourne
25 August 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Note	Consolidated Group 2014 \$000	Consolidated Group 2013* \$000
Revenue	2	140,273	176,088
Other income	2	3,657	1,936
Changes in inventories of finished goods and work in progress		(4,811)	(5,531)
Raw materials and consumables used		(51,162)	(75,806)
Employee benefits expense	3	(58,958)	(65,508)
Depreciation and amortisation expense		(10,528)	(12,634)
Impairment of goodwill and intangible assets		-	(43,275)
Impairment of property, plant and equipment		-	(20,350)
Impairment of inventory		(1,792)	(1,529)
Impairment of accounts receivable		(465)	(861)
Finance costs	3	(2,171)	(4,352)
Subcontract freight		(1,675)	(1,911)
Repairs and maintenance		(1,257)	(1,729)
Insurances		(1,897)	(1,770)
Rent and outgoings		(9,140)	(9,517)
Vehicle expenses		(727)	(715)
Fuel		(270)	(327)
Foreign exchange movements		213	(96)
Other expenses		(10,074)	(16,107)
Share of profit / (loss) of equity-accounted investee, net of tax	13	(223)	-
PROFIT / (LOSS) BEFORE INCOME TAX		(11,007)	(83,994)
Income tax expense	4	(496)	(7,521)
PROFIT / (LOSS) FOR THE PERIOD		(11,503)	(91,515)
Profit / (loss) attributable to:			
Owners of the Company		(11,257)	(87,731)
Non-controlling interest		(246)	(3,784)
		(11,503)	(91,515)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas subsidiaries		(99)	1,833
Other comprehensive income for the period, net of tax		(99)	1,833
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(11,602)	(89,682)
Total comprehensive income attributable to:			
Owners of the Company		(11,356)	(85,898)
Non-controlling interest		(246)	(3,784)
		(11,602)	(89,682)
EARNINGS PER SHARE		Cents	Cents
From continuing operations:			
Basic earnings per share (cents per share)	8	(3.62)	(40.06)
Diluted earnings per share (cents per share)	8	(3.62)	(40.06)

*2013 comparative figures have been reclassified. Full details are disclosed in Note 1(v).

The notes on pages 31 to 76 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

as at 30 June 2014

	Note	Consolidated Group 2014 \$'000	Consolidated Group 2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	9	4,370	5,028
Trade and other receivables	10	29,947	30,174
Inventories	11	34,368	39,179
Current tax receivables	20	14	336
Other current assets	17	1,231	1,358
TOTAL CURRENT ASSETS		69,930	76,075
NON-CURRENT ASSETS			
Trade and other receivables	10	-	2
Financial assets	12	34	20
Equity-accounted investee	13	359	-
Property, plant and equipment	15	57,407	61,404
Deferred tax assets	20	185	192
Intangible assets	16	1,979	3,536
TOTAL NON-CURRENT ASSETS		59,964	65,154
TOTAL ASSETS		129,894	141,229
CURRENT LIABILITIES			
Trade and other payables	18	16,618	15,864
Financial liabilities	19	22,819	23,468
Current tax liabilities	20	409	-
Provisions	21	9,700	8,591
TOTAL CURRENT LIABILITIES		49,546	47,923
NON-CURRENT LIABILITIES			
Financial liabilities	19	202	427
Provisions	21	1,518	2,106
Deferred tax liabilities	20	1,201	1,744
TOTAL NON-CURRENT LIABILITIES		2,921	4,277
TOTAL LIABILITIES		52,467	52,200
NET ASSETS		77,427	89,029
Equity			
Issued capital	22	302,260	302,260
Reserves		492	591
Retained earnings / (accumulated losses)		(224,301)	(213,044)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		78,451	89,807
Non-controlling interest		(1,024)	(778)
TOTAL EQUITY		77,427	89,029

The notes on pages 31 to 76 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

Consolidated Group	Issued Capital Ordinary Shares \$000	Retained Earnings / (Accumulat ed Losses) \$000	Foreign Currency Translation Reserve \$000	Option Reserves \$000	Sub-Total \$000	Non- controlling Interest \$000	Total Equity \$000
BALANCE AT 1 JULY 2012	275,342	(125,505)	(1,242)	192	148,787	3,006	151,793
Total comprehensive income for the period	-	(87,731)	1,833	-	(85,898)	(3,784)	(89,682)
TOTAL COMPREHENSIVE INCOME	-	(87,731)	1,833	-	(85,898)	(3,784)	(89,682)
Shares issued during the year	28,000	-	-	-	28,000	-	28,000
Transaction costs	(1,082)	-	-	-	(1,082)	-	(1,082)
Share options expired during the year	-	192	-	(192)	-	-	-
TOTAL CONTRIBUTIONS AND DISTRIBUTIONS	26,918	192	-	(192)	26,918	-	26,918
BALANCE AT 30 JUNE 2013	302,260	(213,044)	591	-	89,807	(778)	89,029
BALANCE AT 1 JULY 2013	302,260	(213,044)	591	-	89,807	(778)	89,029
Total comprehensive income for the period	-	(11,257)	(99)	-	(11,356)	(246)	(11,602)
TOTAL COMPREHENSIVE INCOME	-	(11,257)	(99)	-	(11,356)	(246)	(11,602)
BALANCE AT 30 JUNE 2014	302,260	(224,301)	492	-	78,451	(1,024)	77,427

The notes on pages 31 to 76 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2014

	Note	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		158,303	213,335
Payments to suppliers and employees		(150,209)	(201,175)
Interest received		111	103
Finance costs		(2,171)	(4,352)
Income tax received / (paid)		(301)	(1,676)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	25(b)	5,733	6,235
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		380	517
Purchase of non-current assets		(5,355)	(5,769)
Investment in equity-accounted investee		(542)	-
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		(5,517)	(5,252)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	28,000
Payment of transaction costs related to issue of shares		-	(1,082)
Proceeds from borrowings		-	3,933
Repayment of borrowings		(1,640)	(25,462)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		(1,640)	5,389
Net increase / (decrease) in cash and cash equivalents		(1,424)	6,372
Cash (net of bank overdrafts) at beginning of financial year		4,191	(2,181)
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR	25(a)	2,767	4,191

The notes on pages 31 to 76 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

Note 1 – Summary of 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 controlled entities (collectively 'the Group' and individually 'Controlled Entities'). The Group is a for-profit entity and is involved in the delivery of a diverse range of engineering services and products.

Basis of Preparation

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 25 August 2014.

Basis of Measurement

The financial report has been prepared on an accruals basis and is based on historical costs except for financial instruments at fair value through profit or loss, which are measured at fair value.

Going Concern

The full year financial report has 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 without the necessity to curtail or dispose of a material part of the operations.

At the date of issuing this report, the Group has available debt facilities (bank overdraft facility and bank guarantees) with the Commonwealth Bank of Australia (CBA) which are due to expire on 31 October 2014, and the Group has agreed an extension of the CBA facilities for a further 12 months to 31 October 2015, subject to certain conditions and the execution of the revised facility documentation. As at 30 June 2014, Engenco Limited was within its loan covenants with CBA.

Greentrains Limited (an 81% owned subsidiary of Engenco Limited) has a debt facility with a related party, Elph Pty Ltd (Elph). Elph Pty Ltd and its related entity Elph Investments Pty Ltd, together hold 65.05% of the issued shares in Engenco Limited. The Elph facility is secured by the assets owned by Greentrains Limited and rail wagon assets owned by Gemco Rail Pty Ltd. The facility is currently non-recourse to the Group's other assets. At the date of issuing this report, the Elph debt facility is due to expire on 30 September 2015. The Elph debt facility has requirements for quarterly fixed principal repayments. As at 30 June 2014, Greentrains Limited did not comply with March 2014 and June 2014 quarterly principal repayment requirements. The Elph debt facility is also subject to termination events linked to compliance with debt covenants. As at 30 June 2014, Greentrains Limited was in breach of two of the covenants relating to the Elph debt facility. All non-compliances were formally waived by Elph on 20 August 2014.

Based on current management forecasts for Greentrains Limited, further covenant breach waivers may be required to be sought from Elph. These conditions give rise to a material uncertainty that may cast doubt on the ability of Greentrains Limited and the Group to continue to operate as a going concern.

The Group's ability to continue as a going concern will also be dependent upon its ability to achieve forecast cash flows from operations.

Note 1 – Summary of Significant Accounting Policies (cont'd)**Going Concern (cont'd)**

After making enquiries, and considering the uncertainties described above, 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. For these reasons, the directors have determined that it is appropriate for the Group to continue to adopt the going concern basis in preparing the financial report and no adjustments have been made to the carrying value and classification of assets and the amount and classification of liabilities that may be required if the Group does not continue as a going concern.

Significant Accounting Policies**(a) Basis of Consolidation****Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 1(h)). Any gain on a bargain purchase is recognised in the Statement of Profit or Loss and Other Comprehensive Income (OCI) immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities (see Note 1(g)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Non-controlling interests

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions within the Statement of Financial Position and Statement of Changes in Equity.

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 the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Note 1 – Summary of Significant Accounting Policies (cont'd)**(a) Basis of Consolidation (cont'd)****Interests in equity-accounted investees**

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

A joint venture is an arrangement on 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 OCI of equity-accounted investees, until the date on which joint control ceases.

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.

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.

(b) Income Tax

The income tax expense/benefit for the year comprises current income tax expense/benefit and deferred tax expense/benefit.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities/assets are therefore measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Note 1 – Summary of Significant Accounting Policies (cont'd)**(b) Income Tax (cont'd)**

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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.

(c) 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.

(d) Construction Contracts and Work in Progress

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

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

Work in progress is valued at cost. Cost includes both variable and fixed costs relating to specific projects, and those that are attributable to the project activity in general and that can be allocated on a reasonable basis.

(e) Property, Plant and Equipment**Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, 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.

Note 1 – Summary of Significant Accounting Policies (cont'd)**(e) Property, Plant and Equipment (cont'd)****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 property, plant and equipment less their estimated residual values using the straight-line basis 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 Fixed Asset	Depreciation Rate
Leasehold improvements	20% - 67%
Plant and equipment	2.5% - 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.

(f) Leases**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

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is 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.

Note 1 – Summary of Significant Accounting Policies (cont'd)**(g) Financial Instruments****Initial recognition and measurement**

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at their fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. When quoted prices are available in an active market they are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (1) the amount at which the financial asset or financial liability is measured at initial recognition;
- (2) less principal repayments;
- (3) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (4) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the profit or loss.

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured initially at fair value plus directly attributable transaction costs and subsequently at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. All other loans and receivables are classified as non-current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are measured initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost.

Fair value

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

Note 1 – Summary of Significant Accounting Policies (cont'd)**(g) Financial Instruments (cont'd)****Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and OCI.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

(h) Impairment of 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 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.

(i) Intangibles**Goodwill**

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

Customer related intangibles

Customer related intangibles are stated at cost less accumulated amortisation and, where applicable, any accumulated impairment losses. Customer related intangibles are amortised over a period of 3 to 10 years.

Note 1 – Summary of Significant Accounting Policies (cont'd)**(i) Intangibles (cont'd)****Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and, where applicable, any accumulated impairment losses. Patents and trademarks are amortised over their useful life. The current patents and trademarks are amortised over a period of up to 13 years.

Other identifiable intangibles

Computer software and other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Computer software and other identifiable intangibles are amortised over a period of 5 to 8 years.

Research and development

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

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

(j) Foreign Currency Transactions and Balances**Functional and presentation currency**

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

Transaction and balances

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 to 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 to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the Statement of Changes in Equity. These differences are recognised in the Statement of Profit or Loss and OCI in the period in which the operation is disposed.

Note 1 – Summary of Significant Accounting Policies (cont'd)**(k) Employee Benefits****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 end of the reporting period, then they are discounted.

(l) 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 finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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.

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.

(m) 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.

(n) Revenue and Other Income

Revenue is measured at fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery or as contractually negotiated as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Note 1 – Summary of Significant Accounting Policies (cont'd)**(n) Revenue and Other Income (cont'd)**

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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.

Revenue relating to construction activities is detailed in Note 1(d).

Interest revenue is recognised as it accrues using the effective interest rate method.

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

(o) 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.

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Statement of Profit or Loss and OCI in the period in which they are incurred.

(q) 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.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Refer to Note 1(v).

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.

(s) Rounding of Amounts

The Group has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars (unless otherwise indicated).

(t) Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of 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 accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Note 1 – Summary of Significant Accounting Policies (cont'd)**(t) Critical Accounting Estimates and Judgments (cont'd)****Goodwill and intangibles**

Significant judgments are made with respect to identifying and valuing intangible assets on acquisitions of new businesses. The Group assesses impairment of intangibles at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Recoverable amount is determined based on the higher of value-in-use or fair value less cost of sale. Impairment is recognised when the carrying amount exceeds the recoverable amount.

Income 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. Further details can be found in Note 4 – Income Tax Expense and Note 20 – Tax Assets and Liabilities.

Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the higher of value-in-use and fair value less cost to sell calculations.

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.

The recoverable amount of certain locomotives and 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.

Net realisable value – inventory and WIP

Inventory and WIP value is determined using the net realisable value, where the cost is in excess of this value.

(u) New Accounting Standards and Interpretations**New accounting standards adopted**

The Group has adopted all of 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.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 10 Consolidated Financial Statements, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 11 Joint Arrangements, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 12 Disclosures of Interests in Other Entities, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 127 Separate Financial Statements (2011), AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 128 Investments in Associates and Joint Ventures (2011), AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011)
- AASB 1053 Application of Tiers of Australian Accounting Standards

Note 1 – Summary of Significant Accounting Policies (cont'd)**(u) New Accounting Standards and Interpretations (cont'd)**

- AASB 2011-4 Amendments to Australian Accounting Standards to remove Key Management Personnel Disclosure Requirements
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.

The adoption of these standards resulted in expanded disclosures in the financial statements but did not have material financial impact on the current reporting period or the prior comparative reporting period.

New accounting standards not yet adopted

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. The Group does not believe these new accounting standards, amendments and interpretations will have a significant impact on the Group and does not plan to early adopt these standards.

(v) Prior Year Reclassifications

During the current year, the Group has made reclassifications in the Statement of Profit or Loss and Other Comprehensive Income to more accurately reflect the nature of the expenses for:

- Rental income from “Rent and outgoings” to “Other income”; and
- Direct labour cost from “Raw materials and consumables used” and “Other expenses” to “Employee benefits”.

Accordingly, the comparatives have been reclassified as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2013 Annual Report \$000	2013 Reclassified \$000	Change \$000
Other income	1,247	1,936	689
Rent and outgoings	(8,828)	(9,517)	(689)
Employees benefits expense	(51,263)	(65,508)	(14,245)
Raw materials and consumables used	(89,729)	(75,806)	13,923
Other expenses	(16,429)	(16,107)	322

Note 2 – Revenue and Other Income

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
SALES REVENUE		
Sales of goods and services	133,854	166,899
Lease rental income	6,308	9,086
TOTAL SALES REVENUE	140,162	175,985
OTHER REVENUE		
Interest received - external	111	103
TOTAL OTHER REVENUE	111	103
TOTAL REVENUE	140,273	176,088
OTHER INCOME		
Gain on disposal of property, plant and equipment	70	108
Rental income	1,102	688
Other gains	2,485	1,140
TOTAL OTHER INCOME	3,657	1,936

Note 3 – Expenses

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
FINANCE COSTS		
Interest – external	171	1,684
Interest – related parties	1,519	2,099
Other finance costs	481	569
TOTAL FINANCE COSTS	2,171	4,352
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	48,595	55,431
Annual leave expense	3,296	3,764
Long service leave expense	456	357
Termination costs	2,666	1,551
Defined contribution plan	3,945	4,405
TOTAL EMPLOYEE BENEFITS EXPENSE	58,958	65,508
RENTAL EXPENSE ON OPERATING LEASES		
Minimum lease payments	7,292	7,477
TOTAL RENTAL EXPENSE ON OPERATING LEASES	7,292	7,477

Note 4 – Income Tax Expense

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
(a) The components of tax expense comprise:		
Current income tax expense/(benefit)		
- Current income tax expense/(benefit)	1,032	(345)
- Adjustment for prior years	-	(286)
Deferred income tax expense/(benefit)		
- Derecognition of deferred tax assets	-	8,344
- Origination and reversal of temporary differences	(536)	(192)
Income tax expense reported in the Statement of Profit or Loss and OCI	496	7,521
(b) A reconciliation between tax expense 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	(11,007)	(83,994)
At the Company's statutory domestic income tax rate of 30% (2013: 30%)	(3,302)	(25,198)
Add / (Less) tax effect of:		
- Non-deductible depreciation and amortisation	-	6,105
- Impairment of goodwill and other intangibles	-	12,983
- Foreign tax rate adjustment	(143)	(176)
- Losses for which no deferred tax asset is recognised	4,772	6,752
- Derecognition of deferred tax assets	-	8,344
- Adjustment for prior years	-	(286)
- Movements in unrecognised temporary differences	(831)	(1,003)
Income tax expense	496	7,521

Note 5 – Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2014, 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.

	2014 \$000	2013 \$000
(a) Financial Position		
ASSETS		
Current assets	521	213
Non-current assets	93,804	99,483
TOTAL ASSETS	94,325	99,696
LIABILITIES		
Current liabilities	15,303	8,778
Non-current liabilities	1,595	1,889
TOTAL LIABILITIES	16,898	10,667
NET ASSETS	77,427	89,029
EQUITY		
Issued capital	302,260	302,260
Accumulated losses	(224,833)	(213,231)
TOTAL EQUITY	77,427	89,029
(b) Financial Performance		
COMPREHENSIVE INCOME		
(Loss) / Profit for the year	(11,602)	(89,682)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	(11,602)	(89,682)

(c) Guarantees

The parent entity acts as guarantor for bank debt facilities. Details of these facilities can be found in Note 19(c) – Financial Liabilities.

(d) Contingent Liabilities

At 30 June 2014, the parent entity has no significant contingent liabilities (2013: Nil).

(e) Contractual Commitments

At 30 June 2014, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2013: Nil).

Note 6 – Auditor's Remuneration

	Consolidated Group 2014 \$	Consolidated Group 2013 \$
Audit and review services		
Auditors of the Company		
- KPMG Australia – audit and review of financial statements	430,000	290,000
- KPMG Overseas – audit and review of financial statements	66,866	77,000
Other auditors		
- audit and review of financial statements	4,551	44,000
TOTAL AUDIT AND REVIEW SERVICES	501,417	411,000
Other Services		
Auditors of the Company		
- KPMG Australia – other assurance services	-	75,000
- KPMG Australia – tax services	25,000	-
- KPMG Overseas – tax services	10,609	20,000
TOTAL OTHER SERVICES	35,609	95,000

Note 7 – Dividends

The directors have decided not to declare a final dividend.

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
(a) DECLARED AND PAID		
Final fully franked ordinary dividend of nil (2013: nil) cents per share franked at the tax rate of 30% (2013: 30%)	-	-
(b) FRANKING CREDIT BALANCE		
The amount of franking credits available for subsequent financial years are:		
Franking account balance as at the end of the financial year at 30% (2013: 30%)	11,253	11,253

Note 8 – Earnings Per Share

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
(a) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS		
Profit / (Loss) for the period	(11,503)	(91,515)
Attributable to non-controlling interest	246	3,784
Earnings used to calculate basic EPS	(11,257)	(87,731)
Earnings used in the calculation of dilutive EPS	(11,257)	(87,731)
(b) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS		
Profit / (Loss) from continuing operations	(11,503)	(91,515)
Attributable to non-controlling interest in respect of continuing operations	246	3,784
Earnings used to calculate basic EPS from continuing operations	(11,257)	(87,731)
Earnings used in the calculation of dilutive EPS from continuing operations	(11,257)	(87,731)
(c) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATING BASIC EPS	No. '000	No. '000
Weighted average number of dilutive options outstanding	310,891	219,019
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	-	-
	310,891	219,019

Note 9 – Cash and Cash Equivalents

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CASH AT BANK AND IN HAND	4,370	5,028
	4,370	5,028

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 \$17,431,378 (2013: \$17,469,204) against cash and cash equivalents of \$16,089,793 (2013: \$19,975,541) resulting in a net overdraft position of \$1,341,585 (2013: net cash position of \$2,506,337).

Note 10 – Trade and Other Receivables

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CURRENT		
Trade receivables	27,902	30,446
Provision for impairment of receivables	(279)	(1,143)
Total trade receivables	27,623	29,303
Accrued income	1,478	701
Sundry receivables	846	170
Total other receivables	2,324	871
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	29,947	30,174
NON-CURRENT		
Amounts receivable from:		
- Key management personnel and employees	-	2
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES	-	2

(a) Provision for impairment of receivables

Current trade and other receivables are non-interest bearing and generally on 30 to 60 day terms. 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			
	Opening Balance 1 Jul 2013 \$000	Charge for the Year \$000	Amounts Written Off \$000	Closing Balance 30 Jun 2014 \$000
2014				
Current trade receivables	(1,143)	(715)	1,579	(279)
	(1,143)	(715)	1,579	(279)
	Opening Balance 1 Jul 2012 \$000	Charge for the Year \$000	Amounts Written Off \$000	Closing Balance 30 Jun 2013 \$000
2013				
Current trade receivables	(4,587)	(1,627)	5,071	(1,143)
	(4,587)	(1,627)	5,071	(1,143)

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.

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

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Consolidated Group						
	Gross Amount \$000	Past Due and Impaired \$000	Past due but not impaired				Within initial trade terms \$000
			< 30 days	31 – 60 days	61 – 90 days	> 90 days	
			\$000	\$000	\$000	\$000	
2014							
Trade receivables	27,902	279	7,047	2,199	2,031	3,578	12,768
Other receivables	2,324	-	-	-	-	-	2,324
Total	30,226	279	7,047	2,199	2,031	3,578	15,092
2013							
Trade receivables	30,446	1,143	6,357	2,397	2,136	1,849	16,564
Other receivables	871	-	-	-	-	-	871
Total	31,317	1,143	6,357	2,397	2,136	1,849	17,435

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

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CURRENT		
At cost:		
- Work in progress	4,024	5,136
- Finished goods	22,786	29,057
	26,810	34,193
At net realisable value:		
- Work in progress	-	-
- Finished goods	7,558	4,986
	7,558	4,986
TOTAL INVENTORY	34,368	39,179

The Group has completed a comprehensive review of the carrying value of inventory. As a result of the review, inventory has been impaired by \$1,792,000 (2013: \$1,529,000).

Note 12 – Financial Assets

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
NON CURRENT		
Shares in listed companies	27	13
Loans receivable - other	7	7
TOTAL FINANCIAL ASSETS	34	20

Note 13 – Equity-Accounted Investee

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
NON CURRENT		
Interest in joint venture	359	-
TOTAL EQUITY-ACCOUNTED INVESTEE	359	-

On 31 October 2013 Engenco Investments Pty Ltd (a subsidiary of Engenco Limited) entered into a joint venture arrangement and invested in a newly incorporated entity, DataHawk Pty Ltd. The Group's investment was \$100, 50% of the equity. A further \$542,075 was provided during the period as a long-term loan, fully repayable no later than 30 June 2017.

The Group's share of profit / (loss) in its equity-accounted investment for the period was (\$222,500). During the year ended 30 June 2014 no dividends were received from the investment in DataHawk Pty Ltd. DataHawk Pty Ltd is not a publicly-listed entity and does not have a published price quotation.

Note 14 – Controlled Entities

Note: Subsidiaries are indented beneath their parent entity	Country of Incorporation	Date of Control	Percentage Owned	Percentage Owned
			2014	2013
• 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
• ○ Drivetrain Sweden 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 15 – Property, Plant and Equipment

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
LAND AND BUILDINGS		
Freehold land:		
- At cost	53	53
Total Land	53	53
Buildings:		
- At cost	812	768
- Less accumulated depreciation	(520)	(498)
Total Buildings	292	270
TOTAL LAND AND BUILDINGS	345	323
PLANT AND EQUIPMENT		
Plant and equipment:		
- At cost	101,274	96,330
- Accumulated depreciation	(46,738)	(38,601)
Total Plant and Equipment	54,536	57,729
Leasehold improvements:		
- At cost	3,385	3,377
- Accumulated depreciation	(1,414)	(1,071)
Total Leasehold Improvements	1,971	2,306
Leased plant and equipment:		
- Capitalised leased assets	1,269	1,334
- Accumulated depreciation	(714)	(288)
Total Leased Plant and Equipment	555	1,046
TOTAL PLANT AND EQUIPMENT	57,062	61,081
TOTAL PROPERTY, PLANT AND EQUIPMENT	57,407	61,404

Property, Plant and Equipment of \$42,514,000 (2013: \$43,129,000) was pledged as security as part of the Group's total financing arrangements as at the reporting date.

Additional Property, Plant and Equipment of \$11,791,000 was pledged as security as part of the Group's total financing arrangements as at the date of signing of this report.

Note 15 – Property, Plant and Equipment (cont'd)**(a) Movements in 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 2012	53	284	1,378	83,889	1,252	86,856
Additions	-	6	1,291	3,625	369	5,291
Disposals	-	-	(55)	(259)	(268)	(582)
(Impairment) / reversal of impairment	-	-	-	(20,350)	-	(20,350)
Depreciation expense	-	(20)	(308)	(9,176)	(307)	(9,811)
Disposals of assets on sale of subsidiary	-	-	-	-	-	-
BALANCE AT 30 JUNE 2013	53	270	2,306	57,729	1,046	61,404
Additions	-	44	30	5,897	16	5,987
Disposals	-	-	(22)	(954)	(81)	(1,057)
(Impairment) / reversal of impairment	-	-	-	-	-	-
Depreciation expense	-	(22)	(343)	(8,136)	(426)	(8,927)
Disposals of assets on sale of subsidiary	-	-	-	-	-	-
BALANCE AT 30 JUNE 2014	53	292	1,971	54,536	555	57,407

In the previous financial period, the Group completed a comprehensive review of the carrying value of property, plant and equipment. As a result of the review property, plant and equipment was impaired by \$20,350,000. No impairments were made at 30 June 2014.

Note 16 – Intangible Assets

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
GOODWILL		
Cost:		
Opening balance	-	32,459
Impairment for the year	-	(32,459)
Closing balance	-	-
CUSTOMER RELATED INTANGIBLES		
Cost:		
Opening balance	14,494	14,494
Additions	-	-
Closing balance	14,494	14,494
Accumulated amortisation:		
Opening balance	(14,494)	(7,477)
Amortisation for the year	-	(666)
Impairment for the year	-	(6,351)
Closing balance	(14,494)	(14,494)
Net book value	-	-
PATENTS AND TRADEMARKS		
Cost:		
Opening balance	1,227	1,227
Additions	-	-
Closing balance	1,227	1,227
Accumulated amortisation:		
Opening balance	(1,227)	(553)
Amortisation for the year	-	(47)
Impairment for the year	-	(627)
Closing balance	(1,227)	(1,227)
Net book value	-	-

Note 16 – Intangible Assets (cont'd)

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
OTHER IDENTIFIABLE INTANGIBLES		
Cost:		
Opening balance	12,915	12,372
Additions	44	543
Closing balance	12,959	12,915
Accumulated amortisation:		
Opening balance	(9,379)	(3,431)
Amortisation for the year	(1,601)	(2,110)
Impairment for the year	-	(3,838)
Closing balance	(10,980)	(9,379)
Net book value	1,979	3,536
 TOTAL INTANGIBLE ASSETS		
At cost	28,680	61,095
Accumulated amortisation and impairment	(26,701)	(57,559)
Net book value	1,979	3,536

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the Statement of Profit or Loss and OCI. Goodwill has an indefinite useful life.

In the previous financial period, there existed key impairment indicators. These included the Group valuation reported in an Independent Expert's Report dated 16 January 2013, the business performance of the Group and the ASX market capitalisation. Based on these factors the total intangible value (excluding software) of \$43,275,000 on the Consolidated Statement of Financial Position was impaired.

Note 17 – Other Assets

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CURRENT		
Other current assets	20	268
Prepayments	1,211	1,090
TOTAL CURRENT OTHER ASSETS	1,231	1,358

Note 18 – Trade and Other Payables

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CURRENT		
Unsecured liabilities:		
Trade payables	12,848	12,679
Sundry payables and accrued expenses	1,780	3,185
Deferred income	1,990	-
TOTAL TRADE AND OTHER PAYABLES	16,618	15,864

Note 19 – Financial Liabilities

	Note	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CURRENT			
Secured liabilities:			
Bank overdrafts	25(a)	1,603	837
Lease liability		216	239
Other loans		-	177
Loans from related parties	29(b)	21,000	22,000
Bank loans		-	215
TOTAL CURRENT FINANCIAL LIABILITIES		22,819	23,468
NON-CURRENT			
Secured liabilities:			
Lease liability		202	427
TOTAL NON-CURRENT FINANCIAL LIABILITIES		202	427

(a) Total current and non-current secured liabilities:

	Note	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
Bank overdraft		1,603	837
Bank loans		-	215
Other loans		-	177
Loans from related parties		21,000	22,000
Lease liability	23(a)	418	666
		23,021	23,895

Note 19 – Financial Liabilities (cont'd)**(b) Collateral provided****Bank Debt**

The bank debt is secured by first registered fixed and floating charges over assets owned by Engenco Limited and other Australian Group members excluding Greentrains Limited and its subsidiary.

Key financial covenants agreed between Engenco Limited and its primary lender (CBA) are:

- i. **Asset Cover Ratio**, (the ratio of tangible assets less employee liabilities to the accommodation limit) of at least 4.0 times at 31 March 2014 and 30 June 2014;
- ii. **Debt Service Cover Ratio**, (the ratio of EBITDA adjusted for working capital movement in the period, less capital expenditure financed from operational cash-flow to interest expense) to be at least 2.00 for the 3 months to March 2014 and at least 2.00 for the 6 months to June 2014).

Related Party Debt *

The debt with Elph Pty Ltd is secured by first registered fixed and floating charges over assets owned by Greentrains Limited.

Key financial covenants agreed between Greentrains Limited and its related party (Elph Pty Ltd) are:

- i. **Interest Coverage Ratio**, (the ratio of EBITDA to gross interest expense) to be greater than 2.0 times;
- ii. **Loan to Valuation Ratio**, (the ratio of the total outstanding loan to the total of the locomotive asset value) to be less than 0.5 times; and
- iii. **Gearing Ratio**, (the ratio of Total Debt to EBITDA) to be no more than 5.0 times.

* On 25 August 2014 the debt facility with Elph Pty Ltd was extended and the Gearing Ratio covenant was removed from the facility agreement. The security was also extended to include a fixed charge over certain assets of Gemco Rail Pty Ltd.

Defaults and Breaches

As at 30 June 2014, Greentrains Limited was in breach of the debt to EBITDA ratio and the loan to valuation ratio covenants relating to the debt facility with Elph Pty Ltd. A waiver was obtained from Elph Pty Ltd on 20 August 2014.

Lease Liabilities

Lease liabilities are secured by underlying leased assets.

(c) Debt facilities and credit standby arrangements

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

	Facility Available 2014 \$000	Facility Used 2014 \$000	Maturity Dates 2014	Facility Available 2013 \$000	Facility Used 2013 \$000	Maturity Dates 2013	Interest Basis
- Working Capital Multi Option Facility *	13,000	5,465	Oct-14	12,500	3,000	Jul-13	Floating
- Swedish Loan Facility (EUR and SEK)	-	-	-	215	215	Mar-14	Floating
- Swedish Overdraft Facility (SEK)	1,960	182	Dec-14	1,960	737	n/a	Floating
- Greentrains Loan Facility	30,000	21,000	Sep-14	30,000	22,000	Jul-13	Floating
- Other Loans	-	-	-	177	177	Jun-13	n/a
- Leases	418	418	Various	666	666	Various	Fixed
	45,378	27,065		45,518	26,795		

* Comprises net bank overdrafts, off balance sheet bank guarantees of \$4,000,000, business cards and other trade products.

Note 20 – Tax Assets and Liabilities

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CURRENT		
Income tax receivable	14	336
Income tax payable	(409)	-
TOTAL	(395)	336

The tax receivable and payable relate to the Group companies outside the Australian Tax Consolidated Group.

Consolidated Group							
	Opening Balance \$000	Balance Acquired \$000	Charged to Income \$000	Charged directly to Equity \$000	Changes in Tax rate \$000	Exchange Differences \$000	Closing Balance \$000
NON-CURRENT							
Deferred tax liability:							
Other	1,744	-	-	-	-	-	1,744
Balance at 30 June 2013	1,744	-	-	-	-	-	1,744
Other	1,744	-	(543)	-	-	-	1,201
Balance at 30 June 2014	1,744	-	(543)	-	-	-	1,201
Deferred tax assets:							
Provisions	3,634	-	(3,600)	-	-	-	34
Transaction costs on equity issue	1,492	-	(1,492)	-	-	-	-
Losses	9,043	-	(8,954)	-	-	-	89
Other	(5,825)	-	5,894	-	-	-	69
Balance at 30 June 2013	8,344	-	(8,152)	-	-	-	192
Provisions	34	-	155	-	-	-	189
Transaction costs on equity issue	-	-	-	-	-	-	-
Losses	89	-	(89)	-	-	-	-
Other	69	-	(73)	-	-	-	(4)
Balance at 30 June 2014	192	-	(7)	-	-	-	185

The Company has estimated carry forward operating tax losses of \$79,498,980 at June 2014 (2013: \$63,593,728) which are not 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.

Note 21 – Provisions

	Consolidated Group						
	Long Service Leave Employee Benefits \$000	Annual Leave Employee Benefits \$000	Legal \$000	Onerous Contract \$000	Restruc- turing \$000	Other \$000	Total \$000
OPENING BALANCE AT 1 JULY							
2013	1,870	2,943	2,047	1,705	200	1,932	10,697
Additional provisions	456	3,296	-	280	2,666	2,022	8,720
Amounts used	(316)	(3,483)	(1,547)	(438)	(1,458)	(957)	(8,199)
BALANCE AT 30 JUNE 2014	2,010	2,756	500	1,547	1,408	2,997	11,218
Current	1,337	2,756	500	702	1,408	2,997	9,700
Non-current	673	-	-	845	-	-	1,518
	2,010	2,756	500	1,547	1,408	2,997	11,218

(a) Significant provisions**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.

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.

Onerous contracts

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.

Restructuring

The Group announced streamlining of the operational structure on 30 June 2014, which resulted in a number of redundancies across the Group. The associated costs of these redundancies has been provided for as at the reporting date.

Other Provisions

Other provisions relate to various categories including provisions for make-good costs and warranty costs.

Note 22 – Issued Capital

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
310,891,432 (2013: 310,891,432) fully paid ordinary shares with no par value	302,260	302,260
	302,260	302,260

(a) Ordinary shares

	2014 No.	2013 No.
At beginning of reporting period	310,891,432	124,224,766
Shares issued during the year 29 January 2013		186,666,666
At reporting date	310,891,432	310,891,432

On 12 December 2012 a renounceable 3 for 2 entitlement offer at 15c per share was announced. On 29 January 2013, 186,666,666 fully paid ordinary shares were issued pursuant to the pro-rata entitlement offer.

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.

Note 23 – Capital and Leasing Commitments

LEASES AS LESSEE		Consolidated Group 2014 \$000	Consolidated Group 2013* \$000
	Note		
(a) Finance Lease Commitments			
<i>Payable - minimum lease payments:</i>			
- not later than 12 months		228	254
- between 12 months and 5 years		212	446
Minimum lease payments		440	700
Future finance charges		(22)	(34)
Present value of minimum lease payments	19	418	666
(b) Operating Lease Commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
<i>Payable - minimum lease payments</i>			
- not later than 12 months		6,438	6,313
- between 12 months and 5 years		11,176	13,642
- greater than 5 years		2,631	3,268
		20,245	23,223

* The 2013 comparatives operating lease commitments have been restated to include property leases excluded from the prior year's financial report.

The Group's finance lease commitments relate primarily to capitalised software licence fees. The leases typically run for a period of 3 years.

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.

During the year-ended 30 June 2014, \$7,292,000 was recognised as an expense in the Statement of Profit or Loss and OCI in respect of operating leases (2013: \$7,477,000).

(c) Contractual Commitments

At 30 June 2014, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2013: Nil).

LEASES AS LESSOR		Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
(d) Operating Lease Receivables			
<i>Receivable - minimum lease payments</i>			
- not later than 12 months		8,269	12,838
- between 12 months and 5 years		2,419	13,719
		10,688	26,557

The Group leases out its fleet of rolling stock to customers. At the end of the reporting period, the future minimum lease payments under non-cancellable leases are receivable as shown above.

Note 24 – Operating Segments

Segment Information

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO/Managing Director (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 have identified six (6) reportable segments as follows:

(a) Drivetrain Power and Propulsion

Drivetrain Power and Propulsion 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 throughout Australia.

(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 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 rolling stock to freight rail operators throughout Australia.

(g) All Other

This includes the parent entity and consolidation / elimination adjustments.

Note 24 - Operating Segments (cont'd)**Basis of Reporting by Operating Segments****(a) Basis of reporting**

Unless stated otherwise, all amounts reported to the CEO/Managing Director 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.

The presentation of the operating segments for the current and prior periods has been modified to be consistent with internal management reporting changes (significant items disclosed at segment level). This disclosure of significant items to chief operating decision makers is performed to understand the underlying trading performance.

Note 24 - Operating Segments (cont'd)

(i) Segment Performance

Year ended 30 June 2014

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Greentrains	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE								
External sales	52,090	6,345	13,592	19,625	42,141	6,308	61	140,162
Inter-segment sales	288	91	-	1,086	3,311	-	1	4,777
Interest revenue	10	-	33	-	-	4	64	111
TOTAL SEGMENT REVENUE	52,388	6,436	13,625	20,711	45,452	6,312	126	145,050
Reconciliation of segment revenue to Group revenue								
Inter-segment elimination							(4,777)	(4,777)
TOTAL GROUP REVENUE								140,273
SEGMENT EBITDA excluding significant items	3,981	1,104	1,775	1,241	3,252	3,686	(7,705)	7,334
Reconciliation of segment EBITDA excluding significant items to Group net profit / (loss) before tax:								
Depreciation and amortisation	(1,008)	(80)	(157)	(357)	(3,285)	(3,460)	(2,181)	(10,528)
Financial Costs	(88)	(17)	(16)	(1)	(10)	(1,519)	(520)	(2,171)
Significant Items:								
Staff termination costs	(1,155)	(5)	(44)	(248)	(1,059)	-	(155)	(2,666)
Impairment of inventory	(1,792)	-	-	-	-	-	-	(1,792)
Onerous contract provisions	(276)	-	-	-	-	-	-	(276)
Impairment of accounts receivable	(465)	-	-	-	-	-	-	(465)
Make-good provision	-	-	-	-	(443)	-	-	(443)
NET PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(803)	1,002	1,558	635	(1,545)	(1,293)	(10,561)	(11,007)

Note 24 – Operating Segments (cont'd)

Year ended 30 June 2013

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green- trains	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE								
External sales	71,564	5,886	16,722	22,864	49,748	9,086	115	175,985
Inter-segment sales	391	79	-	2,060	4,316	-	-	6,846
Interest revenue	8	-	21	-	-	17	57	103
TOTAL SEGMENT REVENUE	71,963	5,965	16,743	24,924	54,064	9,103	172	182,934
Reconciliation of segment revenue to Group revenue								
Inter-segment elimination							(6,846)	(6,846)
TOTAL GROUP REVENUE								176,088
SEGMENT EBITDA excluding significant items	6,179	771	2,238	1,854	(5,373)	5,814	(9,220)	2,263
Reconciliation of segment EBITDA excluding significant items to Group net profit / (loss) before tax:								
Depreciation and amortisation	(1,671)	(66)	(135)	(455)	(3,669)	(3,623)	(3,015)	(12,634)
Finance Costs	(556)	(13)	(19)	(25)	(290)	(1,819)	(1,630)	(4,352)
Significant Items:								
Impairment of property, plant and equipment	(361)	-	-	-	(2,779)	(17,210)	-	(20,350)
Impairment of intangibles	(21,039)	-	-	(3,181)	-	-	(19,055)	(43,275)
Impairment of inventory	(824)	-	(140)	(18)	(297)	(250)	-	(1,529)
Impairment of accounts receivable	-	-	-	-	-	(352)	(509)	(861)
Staff termination costs	(941)	(7)	-	(28)	(477)	-	(98)	(1,551)
Onerous contract provisions	-	-	-	-	(1,705)	-	-	(1,705)
NET PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(19,213)	685	1,944	(1,853)	(14,590)	(17,440)	(33,527)	(83,994)

Note 24 - Operating Segments (cont'd)**(ii) Segment Assets****As at 30 June 2014**

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green- trains	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Segment assets (excl. capital expenditure, investments and intangibles)	54,397	4,840	12,356	8,543	29,100	30,887	(11,256)	128,867
Capital expenditure	220	97	349	19	1,514	3,714	74	5,987
Investments	7	-	-	-	-	-	386	393
Intangibles	-	-	-	-	-	-	1,979	1,979
<i>Reconciliation of segment assets to Group assets</i>								
Segment eliminations								(8,859)
Cash reclassification to liabilities								1,342
<i>Unallocated Items:</i>								
Deferred tax assets								185
TOTAL ASSETS	54,624	4,937	12,705	8,562	30,614	34,601	(8,817)	129,894

As at 30 June 2013

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green- trains	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Segment assets (excl. capital expenditure, investments and intangibles)	54,708	3,930	10,771	7,329	30,875	33,822	(4,983)	136,452
Capital expenditure	1,002	83	418	615	2,426		747	5,291
Investments	7	-	-	-	-	-	13	20
Intangibles	-	-	-	-	-	-	3,536	3,536
<i>Reconciliation of segment assets to Group assets</i>								
Segment eliminations								(4,262)
<i>Unallocated Items:</i>								
Deferred tax assets								192
TOTAL ASSETS	55,717	4,013	11,189	7,944	33,301	33,822	(687)	141,229

Note 24 - Operating Segments (cont'd)

(iii) Segment Liabilities

As at 30 June 2014

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green- trains	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
LIABILITIES								
Segment liabilities	76,280	1,188	3,096	6,570	90,644	29,793	(148,788)	58,783
Reconciliation of segment liabilities to Group liabilities								
Segment eliminations								(8,859)
Cash reclassification to liabilities								1,342
Unallocated Items:								
Deferred tax liabilities								1,201
TOTAL LIABILITIES	76,280	1,188	3,096	6,570	90,644	29,793	(148,788)	52,467

As at 30 June 2013

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green- trains	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
LIABILITIES								
Segment liabilities	75,439	1,266	3,138	6,588	91,785	27,719	(151,217)	54,718
Reconciliation of segment liabilities to Group liabilities								
Segment eliminations								(4,262)
Unallocated Items:								
Deferred tax liabilities								1,744
TOTAL LIABILITIES	75,439	1,266	3,138	6,588	91,785	27,719	(151,217)	52,200

Note 24 - Operating Segments (cont'd)**(iv) Revenue by geographical region**

	Consolidated Group 2014 \$'000	Consolidated Group 2013 \$'000
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australasia	125,893	160,813
United States of America	950	666
Europe	13,430	14,609
TOTAL REVENUE	140,273	176,088

(v) Assets by geographical region

	Consolidated Group 2014 \$'000	Consolidated Group 2013 \$'000
The location of segment assets is disclosed below by geographical location of the assets:		
Australasia	97,017	119,954
United States of America	2,108	1,909
Europe	30,769	19,366
TOTAL ASSETS	129,894	141,229

(vi) Major customers

The Group has a large and diverse customer base. No individual customer has contributed in excess of 10% to overall Group revenue.

Note 25 – Cash Flow Information**(a) Reconciliation of cash at end of financial year**

	Note	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
Cash and cash equivalents	9	4,370	5,028
Bank overdrafts	19	(1,603)	(837)
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR		2,767	4,191

(b) Reconciliation of cash flow from operating activities with profit / loss after income tax

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
PROFIT (LOSS) AFTER INCOME TAX	(11,503)	(91,515)
Adjustments for non-cash items:		
- Depreciation	8,927	9,811
- Other Intangibles amortisation	1,601	2,823
- Impairment of goodwill and other intangibles	-	43,275
- Impairment of property, plant and equipment	-	20,350
- Impairment of inventory	1,792	1,529
- Impairment of accounts receivable	465	861
- Net finance costs	2,060	4,249
- Income tax expense / (benefit)	496	7,521
- Gain on sale of property, plant and equipment	(70)	(108)
	3,768	(1,204)
Changes in:		
- (Increase)/decrease in trade and other receivables	347	16,726
- (Increase)/decrease in prepayments	(297)	510
- (Increase)/decrease in inventories	2,661	4,002
- Increase/(decrease) in trade payables and accruals	1,536	(12,223)
- Increase/(decrease) in provisions	79	4,349
Cash provided by / (used in) operating activities	8,094	12,160
- Net interest paid	(2,060)	(4,249)
- Income taxes paid	(301)	(1,676)
CASH FLOW PROVIDED BY / (USED IN) OPERATIONS	5,733	6,235

Note 26 – Share Based Payments

All share options had expired at 30 June 2013 and no share options were granted during the year ended 30 June 2014.

	2014		2013	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	-	-	100,000	40.00
Expired during the year	-	-	(100,000)	40.00
Outstanding at year-end	-	-	-	-
Exercisable at year-end	-	-	-	-

Note 27 – Net Tangible Assets

	2014 Cents	2013 Cents
Net tangible assets per ordinary share: (2014: 310,891,432 shares, 2013: 310,891,432 shares)	24.9	28.2

Note 28 – Events Subsequent to Reporting Date

The Group has agreed an extension of the CBA debt facilities for a further 12 months to 31 October 2015, subject to certain conditions and the execution of the revised facility documentation.

Waivers for breaches of the debt to EBITDA ratio and the loan to valuation ratio covenants relating to the debt facility with Elph Pty Ltd were obtained on 20 August 2014. On 25 August 2014 the debt facility with Elph Pty Ltd was extended and the Gearing Ratio covenant was removed from the facility agreement. The security was also extended to include a fixed charge over certain assets of Gemco Rail Pty Ltd.

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 2014.

Note 29 – Related Party Transactions**(a) Transactions with key management personnel****(i) Loans to key management personnel**

	Balance at Beginning of Year \$	Interest Charged \$	Interest Not Charged \$	Provision for Impairment \$	Loan Repayment \$	Balance at End of Year \$	Number of Individuals
2014	2,100	-	59	(1,400)	(700)	-	-
2013	512,500	-	30,750	(508,686)	(1,714)	2,100	2

The amounts shown for interest not charged in the table above represents the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's length basis.

The balance outstanding as at 30 June 2014 of \$NIL (2013: \$2,100) is included in 'Trade and other receivables' (see Note 10).

(ii) Key management personnel compensation

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

	2014 \$	2013 \$
Short-term employee benefits	3,441,847	3,770,903
Post-employment benefits	320,628	301,633
Termination benefits	677,377	80,000
Other long-term benefits	57,430	42,301
TOTAL	4,497,282	4,194,837

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

(iii) 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.

Note 29 – 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	Cost for the year ended 30 June		Payable as at 30 June	
		2014	2013	2014	2013
		\$	\$	\$	\$
Elph Pty Ltd ¹	V De Santis/D Elphinstone	1,518,752	2,051,991	-	368,051
Elphinstone Pty Ltd ²	V De Santis/D Elphinstone	774,191	556,192	-	25,835
William Adams Pty Ltd ³	V De Santis/D Elphinstone	59,388	336,947	6,677	11,940
United Equipment Pty Ltd ⁴	V De Santis/D Elphinstone	96,284	60,840	14,901	6,020
Max Hire Pty Ltd ⁵	V De Santis/D Elphinstone	3,737	7,499	-	-
Grassick SSG Pty Ltd ⁶	D Hector	135,210	100,280	9,670	-

¹ Interest was owed to Elph Pty Ltd in 2013 by Gemco Rail Pty Ltd. Vincent De Santis is a director of Elphinstone Pty Ltd. Dale Elphinstone is also Chairman of this entity.

² Director fees and travel expense reimbursements were paid to Elphinstone Pty Ltd for the services of Dale Elphinstone (Chairman) and Vincent De Santis (Non-Executive Director). Fees were also paid to Elphinstone for the services of consultants to Gemco Rail Pty Ltd. Vincent De Santis is a director of Elphinstone Pty Ltd. Dale Elphinstone is also Chairman of this entity.

³ Goods were purchased from Williams Adams Pty Ltd during the year. Dale Elphinstone is the Chairman and Vincent De Santis is a director of this entity.

⁴ Goods were purchased from United Equipment Pty Ltd during the year. Dale Elphinstone is a director of this entity.

⁵ Goods were purchased from Max Hire Pty Ltd during the year. Dale Elphinstone is the Chairman and Vincent De Santis is a director of this entity.

⁶ Director fees were paid to Grassick SSG Pty Ltd for the services of Don Hector. Don Hector is the Principal 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	2014	2013
	\$000	\$000
Current receivables (parent entity):		
Receivables from subsidiaries	106	177

The Group has the following loans to/from related parties as at 30 June:

Related Party Transaction	2014	2013
	\$000	\$000
Loans to/from subsidiaries (parent entity):		
Loans to subsidiaries	33,058	95,107
Loans from subsidiaries	(1,431)	(1,431)
Loans to/from other related parties:		
Loans from Elph Pty Ltd	(21,000)	(22,000)

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 loan from Elph Pty Ltd to Greentrains Limited was on arms' length terms for up to \$30 million maturing not earlier than 30 September 2014.

Note 30 – 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	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
FINANCIAL ASSETS			
Cash and cash equivalents	9	4,370	5,028
Other assets	12	34	20
Trade and other receivables	10	29,947	30,176
		34,351	35,224
FINANCIAL LIABILITIES			
<i>Financial liabilities at amortised cost:</i>			
- Trade and other payables	18	16,618	15,864
- Borrowings	19	23,021	23,895
		39,639	39,759

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, whilst 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, foreign currency risk, liquidity risk and credit risk.

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 debt. The Group is 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	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
FLOATING RATE INSTRUMENTS			
Bank Overdrafts		1,603	100
Swedish Loan Facility	19(c)	-	215
Swedish Overdraft Facility	19(c)	-	737
Greentrains Loan Facility	19(c)	21,000	22,000
Total		22,603	23,052

Note 30 – Financial Risk Management (cont'd)**b. Liquidity Risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. 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 tables below reflect 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.

Financial Liability Maturity Analysis

	Consolidated Group							
	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
FINANCIAL LIABILITIES DUE FOR PAYMENT								
Bank overdrafts and loans	22,603	23,229	-	-	-	-	22,603	23,229
Trade and other payables (excluding estimated annual leave)	16,618	15,864	-	-	-	-	16,618	15,864
Finance lease liabilities	216	239	202	427	-	-	418	666
Total Expected Outflows	39,437	39,332	202	427	-	-	39,639	39,759

c. Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than 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

Exposure to credit risk relating to financial assets arises from potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

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.

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.

Note 30 – Financial Risk Management (cont'd)**Credit Risk Exposures**

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.

	Consolidated Group			
	2014 Net Carrying Value \$000	2014 Net Fair Value \$000	2013 Net Carrying Value \$000	2013 Net Fair Value \$000
FINANCIAL ASSETS				
Cash and cash equivalents	4,370	4,370	5,028	5,028
Trade and other receivables	29,947	29,947	30,176	30,176
Other assets	34	34	20	20
	34,351	34,351	35,224	35,224
FINANCIAL LIABILITIES				
Trade and other payables	16,618	16,618	15,864	15,864
Lease liability	418	418	666	666
Loans and borrowings	22,603	22,603	23,229	23,229
	39,639	39,639	39,759	39,759

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.

Note 30 – Financial Risk Management (cont'd)**iv. Sensitivity Analysis****a. Interest Rate Risk and Foreign Currency Risk**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and foreign currency exchange rates. The table indicates 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

At 30 June 2014, the effect on earnings and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group 2014 \$000	Consolidated Group 2013 \$000
CHANGE IN EARNINGS		
- Increase in interest rates by 100 basis points	(181)	(363)
- Decrease in interest rates by 100 basis points	181	363
CHANGE IN EQUITY		
- Increase in interest rates by 100 basis points	(181)	(363)
- Decrease in interest rates by 100 basis points	181	363

c. Foreign Currency Risk Sensitivity Analysis

At 30 June 2014, 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 is as follows:

	2014 \$000	2013 \$000
CHANGE IN EARNINGS		
- Improvement in AUD to SEK by 5%	(90)	(193)
- Decline in AUD to SEK by 5%	90	193
CHANGE IN EQUITY		
- Improvement in AUD to SEK by 5%	(866)	(1,198)
- Decline in AUD to SEK by 5%	866	1,198

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

Note 30 – Financial Risk Management (cont'd)**v. Capital Management**

Management monitors the capital of the Consolidated Group in an effort to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Consolidated Group can fund its operations and continue as a going concern.

The Consolidated Group's debt and capital includes ordinary shares and financial liabilities. The gearing ratios as at 30 June 2014 and 2013 are as follows:

	2014 \$000	2013 \$000
Total Borrowings	23,021	23,895
Net Debt	18,651	18,867
Total Equity	77,427	89,029
TOTAL EQUITY AND NET DEBT	96,078	107,896
GEARING RATIO	24%	21%

The gearing ratio has increased in the year largely as a result of losses in the current financial period.

Note 31 – Reserves**(a) Foreign currency translation reserve**

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

(b) Option reserve

The option reserve records items recognised as expenses on valuation of employee share options.

Note 32 – Contingent Liabilities

Gemco Rail Pty Ltd (a subsidiary of Engenco Limited) has a contingent liability relating to a property lease whereby, if the lease is not surrendered, there may be a contractual obligation to incur capital expenditure on leasehold improvements estimated to be \$1,300,000.

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 2014 is \$3,795,907 (2013: \$3,376,100).

Shareholder Information

Additional Information for Listed Companies at 8 August 2014

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	545	0.07%	211,274
1,001 – 5,000	373	0.32%	983,986
5,001 – 10,000	159	0.39%	1,217,144
10,001 – 100,000	353	3.94%	12,236,966
100,001 – and over	98	95.29%	296,242,062
	1,528	100.00%	310,891,432

(b) The number of shareholdings held in less than marketable parcels (less than \$500 in value) is 839.

(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	108,981,588	35.05%
2	Elph Pty Ltd	93,267,430	30.00%
3	UBS Nominees Pty Limited	23,723,362	7.63%
4	RAC & JD Brice Superannuation Pty Ltd	19,554,102	6.29%
5	HSBC Custody Nominees (Australia) Limited	14,716,402	4.73%
6	Mr Clarence John Kelly, & Mrs Robyn Suzanne Kelly	3,655,000	1.18%
7	Mr Neville Leslie Esler, & Mrs Cheryl Anne Esler	2,396,925	0.77%
8	Marford Group Pty Ltd	2,243,680	0.72%
9	UBS Wealth Management Australia Nominees Pty Ltd	1,644,334	0.53%
10	Mr Dennis Graham Austin, & Mrs Marilyn Alice Austin	1,502,540	0.48%
11	Mr Hugh William Maguire, & Mrs Susan Anna Maguire	1,300,000	0.42%
12	Mr Hugh William Maguire	1,201,000	0.39%
13	T B I C Pty Ltd	1,000,000	0.32%
14	Mr Bruce Ballantine Teele, & Mrs Helen Patricia Teele	980,996	0.32%
15	Neko Super Pty Ltd	910,000	0.29%
16	Shymea Pty Ltd	900,000	0.29%
17	Mrs Margaret Jane Lindemann, & Mr Luke Charles Lindemann	800,000	0.26%
18	CFF Pty Ltd	758,619	0.24%
19	Simzam Nominees Pty Ltd	551,390	0.18%
20	Mr Benjamin Pinwill, & Mrs Carly Esler	501,703	0.16%
		280,589,071	90.25%

(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	108,981,588	35.05%
Elph Pty Ltd	93,267,430	30.00%

Shareholder Information (cont'd)

(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.

2. The name of the Company Secretaries are:

Kevin Pallas

Bridget Thom

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 addresses:

770 Canning Highway, Applecross, WA 6153

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 Disclosures

There were no restricted securities at this date.

Corporate Directory

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FAICD

Non-Executive Chairman

Vincent De Santis

BCom LLB (Hons)

Non-Executive Director

Donald Hector

BE(Chem), PhD, FAICD, FIEAust, FICHEME

Non-Executive Director

Ross Dunning AC

BE(Hons), BCom, FCILT, FAIM, FIEAust, FIRSE, MAICD

Interim Managing Director

Company Secretary

Kevin Pallas

BCom, MAICD

Chief Financial Officer / Company Secretary

Bridget Thom

BSc (Hons), LLB

Company Secretary

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