Appendix 4D

ASX PRELIMINARY HALF-YEAR REPORT

Engenco Limited

ASX Listing Code: EGN

ABN: 99 120 432 144

31 December 2015

Lodged with the ASX under Listing Rule 4.2A.3.

This information should be read in conjunction with the 30 June 2015 Annual Report.

Appendix 4D

ENGENCO LIMITED AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2015
RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue / Profit	Movement	Change (%)	31 Dec 2015 $'000	31 Dec 2014 $'000
Revenue from ordinary activities	↓	(3.4%)	67,017	69,385
Reported net profit / (loss) after tax for the period	↑	154.1%	1,864	(3,444)
Net profit /(loss) for the period attributable to members	↑	160.4%	2,021	(3,348)

Dividends	Amount Per Security Cents	Franked Amount per Security Cents
Dividends paid in respect of prior period:		
Interim dividend	0.0	0.0
Dividends declared in respect of current period:		
Interim dividend *	0.0	0.0

* *No interim dividend was declared*

Net Tangible Assets	31 Dec 2015	31 Dec 2014
Net tangible assets per ordinary share:	$0.13	$0.23

Equity-Accounted Investee	31 Dec 2015	31 Dec 2014
Percentage of equity owned:		
DataHawk Pty Ltd	50%	50%

ENGENCO LIMITED AND ITS CONTROLLED ENTITIES
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 December 2015

Contents

These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Engenco Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The directors of the Group, being Engenco Limited ("the Company") and its controlled entities, present their report, together with the condensed consolidated interim financial statements for the six months ended 31 December 2015 and the auditor's review report thereon.

Names of Directors

The directors of the Company at any time during or since the end of the interim period are:

Dale Elphinstone (Non-Executive Director / Chairman)	Full period
Vincent De Santis (Non-Executive Director)	Full period
Donald Hector (Non-Executive Director)	Full period
Ross Dunning (Non-Executive Director)	Full period
Kevin Pallas (Managing Director and CEO)	Full period

Review of Operations

The Group recorded a net profit after tax for the six months ended 31 December 2015 of $1,864,000 compared to a net loss of $3,444,000 in the corresponding period last financial year. Revenue declined marginally compared to last year, down 3.4% mainly due to subdued conditions in the rollingstock rental market, and low project and maintenance activity by rail track operators. However, core business revenues remained resilient and whilst most markets remained highly competitive, the more effective management and streamlined structure of the Group helped generate a reasonable profit result.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $4,775,000 (H1 FY15: $3,035,000). Further restructuring activities were undertaken in the period but these were relatively modest as the business structure has become more stable.

Compared to H1 FY15, Group earnings before interest and tax (EBIT) exhibited a significant improvement in the profitability of operations. This is also reflected in the reported net profit after tax result which includes the utilisation of a tax benefit brought to account in the period.

The following table provides key performance measures:

	H1 2016 $000	H1 2015 $000
Revenue	**67,017**	**69,385**
EBITDA [2]	**4,775**	**3,035**
EBIT [1]	**1,940**	**(1,740)**
Profit / (loss) before tax for the period	**1,084**	**(2,975)**
Income tax benefit / (expense)	**780**	**(469)**
Profit / (loss) after tax for the period	**1,864**	**(3,444)**
Net operating cash flow	**6,286**	**3,138**

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

[2] EBITDA is EBIT before depreciation and amortisation.

Note – EBIT and EBITDA are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to assist understanding of the underlying performance of the Group.

In terms of segment performance, Drivetrain Power and Propulsion revenues improved by 4.1%. This mainly reflected improvements in the natural gas compression and defence related business streams, whilst demand in the mining spares and repairs streams remained flat. Customers in the mining industry are generally heavily focussed on cost reduction which has made for a highly competitive environment. Cost saving measures put in place in Drivetrain over past years has better positioned the business for this situation, and such conditions are expected to continue as the industry adjusts to an era of low commodity prices. However, recovery of the mining focussed components and maintenance business is expected to be very slow. Meanwhile, the Swedish business, based in Hedemora, performed satisfactorily in the diesel engine service and parts supply business, and the diesel turbocharger business continues to develop.

The Centre for Excellence in Rail Training's (CERT) performance remained robust and although a relatively small contributor to Group revenue, provides a significant earnings contribution. Investments made in compliance and courseware development, expanding the national footprint, and focus on the provision of government-funded training has underpinned CERT's strong business performance in the half.

Convair Engineering remains a competitive force in the dry bulk goods tanker market, now being the only remaining specialist manufacturer of this type of vessel in Australia. The strategy of offering innovative pressurised dry bulk tanker solutions whilst remaining cost competitive at the quality end of the market has ensured a continued niche in the industry. Profitability has however been affected by the need to compete with imported product pricing that is yet to reflect the changed exchange rate environment. The outlook is one of better profitability in the medium term, but this will depend on a continued lower Australian dollar, and more stable demand for the manufactured product.

Total Momentum experienced lower demand for rail personnel services, reflective of the very low maintenance and investment activity in the 'below rail' industry generally. Few major rail construction projects are current, but the business has remained profitable by focussing on the provision of rail operations workforce services.

Gemco Rail performed well in the half, with marked improvements in both revenue and profitability as the business starts to benefit from restructuring and efficiency improvement initiatives. Investments in facilities and efficient plant and equipment are beginning to bear fruit. As an independent maintainer, Gemco has been able to attract major customers and now performs a variety of work for the majority of national rail operators. Additionally, the Forrestfield, WA facility has attracted work from major Pilbara miners who are outsourcing certain maintenance tasks in order to save cost. A number of fabrication projects are also underway in WA, and the Dynon, VIC locomotive maintenance facility throughput has improved. Whilst future incremental revenue prospects on the East coast exist, the business will remain flexible until these become clearer.

Greentrains' leasing revenue declined as the rollingstock rental market remained heavily oversupplied. The uncertain conditions remain challenging for the industry. Locomotive rental into the rail maintenance work trains area has been a positive contributor for Greentrains, but the freight locomotive leasing market is flat - resulting in a very poor half year financial performance for this segment.

Cash management and strict working capital control continue to be strong focus points. The Group's cash generating performance showed another improvement, period on period. Net debt decreased by $5,606,000 during the half, and in addition cash and cash equivalents increased by $3,982,000.

Year-on-year the Group's results remain on an improving trajectory despite the current uncertain economic backdrop that most industries in Australia and internationally are experiencing. The strategy of focusing on core business, right-sizing operations, implementation of cost saving initiatives, and investment in efficiency measures have helped the Company recover to a profitable position.

Events Subsequent to Reporting Date

There has not arisen, in the interval between 31 December 2015 and the date of this report, any item, transaction or event which would have a material effect on the condensed consolidated interim financial statements of the Group at 31 December 2015.

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 condensed consolidated interim financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 5, and forms part of the Directors' Report for the six months ended 31 December 2015.

Signed in accordance with a resolution of the Directors.

Dale Elphinstone

Non-Executive Director (Chairman)

Dated at Melbourne this 25th day of February 2016

Lead 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 review for the half-year ended 31 December 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne

25 February 2016

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.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2015

	Note	**Consolidated Group 31 Dec 15 $'000**	Consolidated Group 31 Dec 14 $'000
Revenue		**67,017**	69,385
Other income		**364**	611
Changes in inventories of finished goods and work in progress		**2,877**	(1,379)
Raw materials and consumables used		**(32,607)**	(26,673)
Employee benefits expense		**(22,818)**	(26,987)
Depreciation and amortisation expense		**(2,835)**	(4,775)
Finance costs		**(856)**	(1,235)
Subcontract freight		**(689)**	(712)
Repairs and maintenance		**(562)**	(975)
Insurances		**(855)**	(861)
Rent and outgoings		**(3,495)**	(4,320)
Vehicle expenses		**(138)**	(176)
Fuel		**(92)**	(120)
Foreign exchange movements		**18**	(15)
Other expenses		**(4,171)**	(4,411)
Share of loss of equity-accounted investee, net of tax	11	**(74)**	(332)
PROFIT / (LOSS) BEFORE INCOME TAX		**1,084**	(2,975)
Income tax benefit / (expense)	8	**780**	(469)
PROFIT / (LOSS) FOR THE PERIOD		**1,864**	(3,444)
Profit / (loss) attributable to:			
Owners of the Company		**2,021**	(3,348)
Non-controlling interest		**(157)**	(96)
		1,864	(3,444)
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences		**517**	112
Other comprehensive income for the period, net of tax		**517**	112
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,381**	(3,332)
Total comprehensive income attributable to:			
Owners of the Company		**2,538**	(3,236)
Non-controlling interest		**(157)**	(96)
		2,381	(3,332)
EARNINGS PER SHARE		**Cents**	Cents
From continuing operations:			
Basic earnings per share (cents per share)	2	**0.65**	(1.08)
Diluted earnings per share (cents per share)	2	**0.65**	(1.08)

The condensed notes on pages 10 to 21 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 December 2015

	Note	**Consolidated Group 31 Dec 15 $'000**	Consolidated Group 30 Jun 15 $'000
CURRENT ASSETS			
Cash and cash equivalents		**8,780**	4,798
Trade and other receivables		**24,253**	26,932
Inventories		**32,322**	29,445
Current tax assets		**709**	-
Deposits and securities		**2,000**	-
Other current assets		**1,905**	1,070
TOTAL CURRENT ASSETS		**69,969**	62,245
NON-CURRENT ASSETS			
Other investments		**77**	46
Equity-accounted investee		**131**	163
Property, plant and equipment		**23,980**	25,890
Deferred tax assets		**222**	181
Intangible assets		**888**	1,119
TOTAL NON-CURRENT ASSETS		**25,298**	27,399
TOTAL ASSETS		**95,267**	89,644
CURRENT LIABILITIES			
Trade and other payables		**20,222**	15,242
Financial liabilities		**19,026**	20,650
Current tax liabilities		**253**	455
Provisions		**6,946**	6,849
TOTAL CURRENT LIABILITIES		**46,447**	43,196
NON-CURRENT LIABILITIES			
Provisions		**741**	467
Deferred tax liabilities		**829**	1,112
TOTAL NON-CURRENT LIABILITIES		**1,570**	1,579
TOTAL LIABILITIES		**48,017**	44,775
NET ASSETS		**47,250**	44,869
Share capital	3	**302,260**	302,260
Reserves		**1,121**	604
Retained earnings / (accumulated losses)		**(249,873)**	(251,894)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**53,508**	50,970
Non-controlling interest		**(6,258)**	(6,101)
TOTAL EQUITY		**47,250**	44,869

The condensed notes on pages 10 to 21 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2015

Consolidated Group	Share Capital $'000	Retained Earnings / (Accumulated Losses) $'000	Translation Reserve $'000	Sub-Total $'000	Non-Controlling Interest $'000	Total Equity $'000
BALANCE AT 1 JULY 2014	302,260	(224,301)	492	78,451	(1,024)	77,427
Total comprehensive income for the period	-	(3,348)	112	(3,236)	(96)	(3,332)
TOTAL COMPREHENSIVE INCOME	-	(3,348)	112	(3,236)	(96)	(3,332)
BALANCE AT 31 DECEMBER 2014	302,260	(227,649)	604	75,215	(1,120)	74,095

Consolidated Group	Share Capital $'000	Retained Earnings / (Accumulated Losses) $'000	Translation Reserve $'000	Sub-Total $'000	Non-Controlling Interest $'000	Total Equity $'000
BALANCE AT 1 JULY 2015	**302,260**	**(251,894)**	**604**	**50,970**	**(6,101)**	**44,869**
Total comprehensive income for the period	**-**	**2,021**	**517**	**2,538**	**(157)**	**2,381**
TOTAL COMPREHENSIVE INCOME	**-**	**2,021**	**517**	**2,538**	**(157)**	**2,381**
BALANCE AT 31 DECEMBER 2015	**302,260**	**(249,873)**	**1,121**	**53,508**	**(6,258)**	**47,250**

The condensed notes on pages 10 to 21 are in integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2015

	Consolidated Group 31 Dec 15 $'000	Consolidated Group 31 Dec 14 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**77,449**	75,438
Cash paid to suppliers and employees	**(69,852)**	(70,826)
Finance costs	**(856)**	(1,235)
Income tax received / (paid)	**(455)**	(239)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**6,286**	3,138
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**13**	27
Proceeds from sale of property, plant and equipment	**52**	553
Acquisition of property, plant and equipment	**(746)**	(1,419)
Investment in equity-accounted investee	**-**	(250)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**(681)**	(1,089)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	**(1,500)**	-
Repayment of finance lease liabilities	**(129)**	(109)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**(1,629)**	(109)
Net increase / (decrease) in cash and cash equivalents	**3,976**	1,940
Cash (net of bank overdrafts) at beginning of period	**4,159**	2,767
CASH (NET OF BANK OVERDRAFTS) AT 31 DECEMBER	**8,135**	4,707

Reconciliation of Cash and Cash Equivalents

	31 Dec 15 $'000	31 Dec 14 $'000
Cash at the end of the financial period as shown in the Condensed Consolidated Statement of Cash Flows is reconciled to items in the Condensed Consolidated Statement of Financial Position as follows:		
Cash and cash equivalents	**8,780**	4,899
Bank overdrafts (disclosed in current 'Financial Liabilities')	**(645)**	(192)
	8,135	4,707

As at the reporting date, where the Group has the legally enforceable right of set-off and intention to settle on a net basis within the CBA pooling facility, the Group has set-off bank overdrafts of $18,349,000 (2014: $16,147,000) against cash and cash equivalents of $24,308,000 (2014: $18,394,000) resulting in a net cash position of $5,959,000 (2014: $2,247,000).

The condensed notes on pages 10 to 21 are an integral part of the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

for the half year ended 31 December 2015

Note 1 – Significant Accounting Policies

Reporting Entity

Engenco Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2015 comprise the Company and its subsidiaries (collectively 'the Group' and individually 'Group companies'). The Group is a for-profit entity and is involved in the delivery of a diverse range of engineering services and products.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2015 are available upon request from the Company's registered office at Level 22, 535 Bourke Street, Melbourne, VIC 3000 or at www.engenco.com.au.

Basis of Preparation

These interim financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting,* and with IAS 34 *Interim Financial Reporting.*

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2015.

These interim financial statements were authorised for issue by the Company's Board of Directors on 25 February 2016.

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

Significant Accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards.

Changes in Accounting Policies

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current interim report. Accounting policies are applied consistently by each entity in the Group.

New and revised Standards and amendments thereof and Interpretations effective for the half-year that are relevant to the Group include:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality*.

The standards adopted did not have an impact on the amounts reported in the Group's interim financial statements.

New Accounting Standards and Interpretations Issued but Not Yet Effective

There are a number of new accounting standards and interpretations issued but not yet effective in the Group's current financial year:

1. *AASB 9 Financial Instruments (December 2014) and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9*

AASB 9 introduced new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 also introduces new requirements relating to financial liabilities. The change in fair value of financial liabilities designated at fair value through profit and loss due to an entity's own credit risk are presented in Other Comprehensive Income, unless this creates an accounting mismatch.

Note 1 – Summary of Accounting Policies (cont'd)

Significant Accounting Policies (cont'd)

2. *AASB 15 Revenues from contracts with customers*

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services.

These new accounting standards and interpretations are not early-adopted by the Group.

Going Concern

The half 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 intention or necessity to liquidate the Group or cease trading.

At the time of issuing this report, the Group has an available funding facility with a related party, Elph Pty Ltd ('Elph') which is due to expire on 31 October 2016. The Elph funding facility of $9,000,000 was effective from 9 November 2015, and replaced the overdraft facility component of the Commonwealth Bank of Australia multi-option facility. Elph and its related entity Elph Investments Pty Ltd, together hold 65.05% of the issued shares in Engenco Limited. The Elph funding facility is subject to one financial covenant and secured by certain assets of the Group. The facility is subject to annual review after 31 October 2016. As at 31 December 2015, the Group (excluding Greentrains Limited and Drivetrain Sweden AB) was within the covenant.

Greentrains Limited (an 81% owned subsidiary of Engenco Limited) also has a debt facility with Elph ('Elph debt facility'). This debt facility is secured by the assets owned by Greentrains Limited and certain rail wagon assets owned by Gemco Rail Pty Ltd. On 27 August 2015, the Group negotiated an extension of the Elph debt facility to 30 September 2016. The Elph debt facility has requirements for quarterly fixed principal repayments. Under the revised Elph debt facility, with effect from 1 November 2015, Engenco Limited granted an unsecured guarantee and indemnity to Elph in respect of all monies owing under the Elph debt facility. Under the revised Elph debt facility, all financial covenants have been removed.

Accordingly, the Group's ability to continue as a going concern will be dependent upon its ability to:

- Renegotiate and extend the Group's major facilities before their due dates or obtain alternative sources of finance; and
- Operate within the limits of the facilities, including generating sufficient cash flows from operations.

These conditions give rise to a material uncertainty that may cast significant doubt on the ability of Greentrains Limited and the Group to continue to operate as a going concern.

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 interim 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 this 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.

Use of Judgements and Estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2015.

Note 2 – Earnings Per Share

		Consolidated Group 31 Dec 15 $'000	Consolidated Group 31 Dec 14 $'000
(a)	**RECONCILIATION OF EARNINGS TO PROFIT OR LOSS**		
	Profit / (loss) for the period	1,864	(3,444)
	Attributable to non-controlling interest	157	96
	Earnings used to calculate basic EPS	2,021	(3,348)
	Earnings used in the calculation of dilutive EPS	2,021	(3,348)
(b)	**RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS**		
	Profit / (loss) from continuing operations	1,864	(3,444)
	Attributable to non-controlling equity interest in respect of continuing operations	157	96
	Earnings used to calculate basic EPS from continuing operations	2,021	(3,348)
	Earnings used in the calculation of dilutive EPS from continuing operations	2,021	(3,348)
		No. '000	No. '000
(c)	**WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE HALF YEAR USED IN CALCULATING BASIC EPS**	310,891	310,891
	Weighted average number of options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	310,891	310,891

Note 3 – Issued Capital

	Consolidated Group 31 Dec 15 $'000	Consolidated Group 30 Jun 15 $'000
310,891,432 (30 June 2015: 310,891,432) fully paid ordinary shares	302,260	302,260
	302,260	302,260

Ordinary Shares

For the six months ended 31 December	31 Dec 15 No.	31 Dec 14 No.
At beginning of reporting period	310,891,432	310,891,432
At reporting date	310,891,432	310,891,432

Note 4 – 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 has 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 refurbishment and repair of locomotives, wagons, bearings and other rail products for rail operators and maintainers. Gemco Rail provides wheel-set, bogie and in-field wagon maintenance and manufactures new and refurbished wagons, bogie component parts, customised remote controlled ballast car discharge gates; and a range of rail maintenance equipment and spares.

(f) Greentrains

Greentrains leases rollingstock to freight rail operators within Australia.

(g) All Other

This includes the parent entity and consolidation / inter-segment elimination adjustments.

Note 4 - Operating Segments (cont'd)

Segment Information (cont'd)

Basis of Accounting for Purposes 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 a nexus between the incurrence of the liability and the operations of the segment. Unless indicated otherwise in the segment liabilities note, deferred tax liabilities have not been allocated to operating segments.

(e) Unallocated items

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

- Deferred tax assets and liabilities

Note 4 - Operating Segments (cont'd)

(i) Segment Performance

6 months ended 31 December 2015

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 revenue	27,970	4,263	7,369	5,507	20,071	1,722	60	66,962
Inter-segment revenue	84	15	-	19	993	-	-	1,111
Interest revenue	7	-	5	-	-	1	42	55
TOTAL SEGMENT REVENUE	28,061	4,278	7,374	5,526	21,064	1,723	102	68,128
Reconciliation of segment revenue to Group revenue								
Inter-segment elimination							(1,111)	(1,111)
TOTAL GROUP REVENUE								67,017
SEGMENT EBITDA	3,447	1,157	556	620	2,977	611	(4,593)	4,775
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:								
Depreciation and amortisation	(388)	(42)	(103)	(16)	(1,148)	(801)	(337)	(2,835)
Finance costs	(33)	(11)	(5)	-	(3)	(634)	(170)	(856)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	3,026	1,104	448	604	1,826	(824)	(5,100)	1,084

Note 4 - Operating Segments (cont'd)

6 months ended 31 December 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 revenue	26,821	4,247	7,294	8,986	18,411	3,555	9	69,323
Inter-segment revenue	131	36	-	111	1,641	50	-	1,969
Interest revenue	1	-	24	-	-	2	35	62
TOTAL SEGMENT REVENUE	26,953	4,283	7,318	9,097	20,052	3,607	44	71,354
Reconciliation of segment revenue to Group revenue								
Inter-segment elimination							(1,969)	(1,969)
TOTAL GROUP REVENUE								69,385
SEGMENT EBITDA	1,053	1,155	1,038	753	678	2,445	(4,087)	3,035
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:								
Depreciation and amortisation	(482)	(41)	(75)	(138)	(1,306)	(2,186)	(547)	(4,775)
Finance costs	(29)	(10)	(6)	(22)	(4)	(762)	(402)	(1,235)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	542	1,104	957	593	(632)	(503)	(5,036)	(2,975)

Note 4 - Operating Segments (cont'd)

(ii) Segment Assets

as at 31 December 2015

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	Greentrains $000	All Other $000	Consol. Group $000
ASSETS								
Segment assets (excl. capital expenditure, investments and intangibles)	**57,690**	**6,051**	**15,230**	**4,686**	**26,741**	**3,913**	**(11,650)**	**102,661**
Capital expenditure	**15**	**2**	**53**	**1**	**276**	**363**	**59**	**769**
Investments	**7**	**-**	**-**	**-**	**-**	**-**	**201**	**208**
Intangibles	**-**	**-**	**-**	**-**	**-**	**-**	**888**	**888**
Reconciliation of segment assets to Group assets:								
Segment eliminations								**(9,481)**
Unallocated items:								
Deferred tax assets								**222**
TOTAL ASSETS	**57,712**	**6,053**	**15,283**	**4,687**	**27,017**	**4,276**	**(10,502)**	**95,267**

as at 30 June 2015

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	Greentrains $000	All Other $000	Consol. Group $000
ASSETS								
Segment assets (excl. capital expenditure, investments and intangibles)	50,809	5,800	14,941	6,025	24,883	4,296	(12,139)	94,615
Capital expenditure	360	12	532	28	368	1,288	186	2,774
Investments	7	-	-	-	-	-	202	209
Intangibles	-	-	-	-	-	-	1,119	1,119
Reconciliation of segment assets to Group assets:								
Segment eliminations								(9,254)
Unallocated items:								
Deferred tax assets								181
TOTAL ASSETS	51,176	5,812	15,473	6,053	25,251	5,584	(10,632)	89,644

Note 4 - Operating Segments (cont'd)

(iii) Segment Liabilities

as at 31 December 2015

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
LIABILITIES								
Segment liabilities	**75,481**	**166**	**4,558**	**2,381**	**86,962**	**27,016**	**(139,895)**	**56,669**
Reconciliation of segment liabilities to Group liabilities:								
Segment eliminations								**(9,481)**
Unallocated items:								
Deferred tax liabilities								**829**
TOTAL LIABILITIES	**75,481**	**166**	**4,558**	**2,381**	**86,962**	**27,016**	**(139,895)**	**48,017**

as at 30 June 2015

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
LIABILITIES								
Segment liabilities	72,946	202	4,715	3,004	87,021	27,500	(142,471)	52,917
Reconciliation of segment liabilities to Group liabilities:								
Segment eliminations								(9,254)
Unallocated items:								
Deferred tax liabilities								1,112
TOTAL LIABILITIES	72,946	202	4,715	3,004	87,021	27,500	(142,471)	44,775

Note 5 – Assets Pledged as Security

Property, Plant and Equipment of $21,302,000 (30 June 2015: $23,168,000) was pledged as security as part of the Group's total financing arrangements as at the reporting date.

Note 6 – Restructuring Costs

During the period to 31 December 2015, restructuring costs relating to a property lease exit and staff termination costs of $244,000 (2014: $352,000) were incurred.

Note 7 – 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 31 December 2015 is $1,361,551 (June 2015: $1,640,381).

Other than the above, there has been no material change in contingent liabilities since the 2015 Annual Report.

Note 8 – Income Tax Expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim reporting period.

The Group's consolidated effective tax rate for the six months ended 31 December 2015 was a 72.0% benefit (for the six months ended 31 December 2014: (15.8%)). The change in effective tax rate was caused mainly by the utilisation of carried forward tax losses within overseas entities.

Note 9 – Events Subsequent to Reporting Date

There has not arisen, in the interval between 31 December 2015 and the date of this report, any item, transaction or event which would have a material effect on the condensed consolidated interim financial statements of the Group at 31 December 2015.

Note 10 – Related Party Transactions

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

(a) Transactions with key management personnel

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 period. 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.

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:

		Income / (Cost) for the period ended		Payable as at	
		31 Dec 15	31 Dec 14	**31 Dec 15**	30 Jun 15
Related Party	**Director**	**$**	$	**$**	$
Elph Pty Ltd[1]	V De Santis/D Elphinstone	**(672,630)**	(761,880)	**-**	107,295
Elphinstone Pty Ltd[2]	V De Santis/D Elphinstone	**(156,857)**	(305,004)	**59,276**	73,009
William Adams Pty Ltd[3]	V De Santis/D Elphinstone	**(11,309)**	(5,519)	**10,205**	-
United Equipment Pty Ltd[4]	D Elphinstone	**(151,702)**	(38,982)	**44,021**	32,173
Grassick SSG Pty Ltd[5]	D Hector	**(57,162)**	(60,073)	**10,438**	20,490
Energy Power Systems Australia Pty Ltd[6]	D Elphinstone	**-**	-	**-**	4,480

[1] Interest was incurred and paid to Elph Pty Ltd in relation to the related party loan with Greentrains Limited. Line Fees were also incurred and paid to Elph Pty Ltd in relation to the related party funding facility with the Group.

[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). Vincent De Santis is a director of Elphinstone Pty Ltd. Dale Elphinstone is also Chairman of this entity. Effective 5 February 2016, Elphinstone Pty Ltd was renamed to Elphinstone Group (Aust) Pty Ltd.

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

[4] Goods were purchased from and sold to United Equipment Pty Ltd during the period. Dale Elphinstone is a director of this entity.

[5] Director fees and travel expense reimbursements were paid to Grassick SSG Pty Ltd for the services of Donald Hector (Non-Executive Director). Donald Hector is the Principal of this entity.

[6] Goods were purchased from Energy Power Systems Australia Pty Ltd during the previous financial year. Dale Elphinstone is a director of this entity.

(b) Other related party transactions

The Group has the following loans to/from related parties as at the reporting date:

Related Party Transaction	As at 31 Dec 15 $'000	As at 30 Jun 15 $'000
Loans to/from other related parties:		
Loans from Elph Pty Ltd	(18,309)	(19,809)

At the reporting date, the related party loan from Elph Pty Ltd to Greentrains Limited was on arm's length terms and maturing no earlier than 30 September 2016.

Note 11 – Equity-Accounted Investee

DataHawk Pty Ltd (DataHawk) is the only joint arrangement in which the Group participates. DataHawk is not publicly listed. DataHawk is structured as a separate vehicle and the Group has a 50% interest in the net assets of DataHawk. Accordingly, the Group has classified its interest in DataHawk as a joint venture. The total value contributed to DataHawk, in the form of a long-term loan, is $792,075. The loan is fully repayable no later than 30 June 2017.

The Group's share of loss in DataHawk for the period was $73,500 (2014: loss of $332,000). During the period ended 31 December 2015, no dividends were received from the investment in DataHawk (2014: $NIL).

Given the current phase of extremely low activity in the rail infrastructure sector, costs in DataHawk will be curtailed for the immediate future so as to minimise operating overheads until such time as capital sales of rail surveying technology is expected to recommence.

Directors' Declaration

In the opinion of the directors of Engenco Limited ("the Company"):

1. The condensed consolidated interim financial statements and notes, as set out on pages 6 to 21, are in accordance with the *Corporations Act 2001* including:
   a. Giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the six months ended on that date; and
   b. Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Dale Elphinstone

Non-Executive Director (Chairman)

Dated in Melbourne this 25th day of February 2016

Independent Auditor's Review Report

Independent auditor's review report to the members of Engenco Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Engenco Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 11 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 interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Engenco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Engenco Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Without modification to the conclusion set out above, we draw attention to note 1 in the interim financial report regarding the going concern basis of preparation of the interim 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 interim financial report.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne

25 February 2016

Corporate Directory

Corporate Office

Engenco Limited
Level 22
535 Bourke Street
Melbourne VIC 3000

T: +61 (0)3 8620 8900
F: +61 (0)3 8620 8999

investor.relations@engenco.com.au
www.engenco.com.au

Registered Office

Engenco Limited
Level 22
535 Bourke Street
Melbourne VIC 3000

T: +61 (0)3 8620 8900
F: +61 (0)3 8620 8999

Directors

Dale Elphinstone
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
Non-Executive Director

Kevin Pallas
BCom, MAICD
Managing Director/CEO

Company Secretary

Stephen Bott
LLB, B.Juris, Dip. General Insurance
Legal Counsel/Company Secretary

Graeme Campbell
FCA, BSc
Chief Financial Officer/Company Secretary

Auditors

KPMG
147 Collins Street
Melbourne VIC 3000

T: +61 (0)3 9288 5555
F: +61 (0)3 9288 6666

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

T: +61 (0)8 9315 2333
F: +61 (0)8 9315 2233