Annual Financial Report

Engenco Limited

ACN 120 432 144
30 June 2016

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Directors' Report

The directors present their report, together with the consolidated financial statements of the Group, comprising of Engenco Limited ("the Company") and its controlled entities for the financial year ended 30 June 2016 and the auditor's report thereon.

Directors

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

Vincent De Santis
Non-Executive Director (Chairman) [1]
B.Com LLB (Hons)

Appointed:	19 July 2010
Special Responsibilities	Member of Audit Committee
Summary of equity holdings at 30 June 2016:	300,003 ordinary shares

[1] Vince was appointed to the position of Chairman on 24 March 2016.

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.

Dale Elphinstone
Non-Executive Director [2]
FAICD

Appointed:	19 July 2010
Summary of equity holdings at 30 June 2016:	*202,249,018 ordinary shares*

[2] Dale held the position of Chairman at the beginning of the financial year and resigned from this position on 24 March 2016. He retains his position of Non-Executive Director.

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

Donald Hector
Independent Non-Executive Director
BE (Chem), PhD, FAICD, FIEAust, FIChemE

Appointed:	2 November 2006
Special Responsibilities:	Chairman of Audit Committee
Summary of equity holdings at 30 June 2016:	113,163 ordinary shares

Donald 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. Donald is also a director of Gelion Technologies Pty Ltd, a company commercialising newly-invented battery technology and is President of the Chemistry Foundation at the University of Sydney. Donald served as Non-Executive Chairman of Engenco Limited until 19 July 2010.

Ross Dunning AC
Non-Executive Director
BE (Hons), B.Com, FCILT, FAIM, FIE Aust, FIRSE, MAICD

Appointed:	8 November 2010
Special Responsibilities:	Member of Audit Committee
Summary of equity holdings at 30 June 2016:	104,000 ordinary shares

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 is a member of The Council of St John's College within the University of Queensland. He also serves on the Advisory Board of Indec Pty Ltd.

Kevin Pallas
Managing Director & CEO
BCom, MAICD

Appointed:	17 December 2014
Special Responsibilities:	None
Summary of equity holdings at 30 June 2016:	20,000 ordinary shares

Kevin possesses senior management and leadership experience through a 24 year career in engineering, mining supplies, metals and manufacturing industries. Holding a Bachelor of Commerce degree, Kevin specialised in the areas of financial and cost accounting systems' design and development, and operational and commercial management for a number of multinationals in South Africa, New Zealand, Singapore and Australia prior to joining the Group in 2007. He served in the position of Chief Financial Officer from 1 March 2013 to 31 January 2015. During the recent development of the Group Kevin has been a key player in structuring the finance and administration functions as well as driving strategic planning and business improvement initiatives. Kevin's extensive knowledge of the Engenco core businesses has greatly contributed to the recent restructuring of the Group. In February 2015 Kevin was appointed Managing Director and Chief Executive Officer.

Company Secretary

Stephen Bott
LLB, B.Juris, Dip. General Insurance

Appointed: 26 March 2015

Stephen has over 25 years' legal experience. Prior to commencing with Engenco, Stephen has held a number of in-house legal and senior leadership roles in retail, power generation and supply, and FMCG companies including manufacturing after commencing his legal career at the industrial law firm Rennick & Gaynor in the Latrobe Valley.

Graeme Campbell
FCA, BSc

Appointed: 1 February 2015

Graeme started his career in audit with PricewaterhouseCoopers in the United Kingdom and has over 19 years of finance experience in different industry sectors. He has held a number of senior finance roles with blue chip companies in the UK including Shepherd Group, Premier Farnell and R&R Ice Cream. Graeme holds a Bachelor of Science in Mathematics from the Imperial College of Science, Technology and Medicine in London. He is a fellow of the Institute of Chartered Accountants in England and Wales.

Changes in Directors and Executives Subsequent to Year End

There have been no changes in directors and executives subsequent to 30 June 2016.

Meetings of Directors

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

	Directors' Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Vincent De Santis	12	11	4	4
Dale Elphinstone	12	12	-	-
Donald Hector	12	12	4	4
Ross Dunning	12	12	4	4
Kevin Pallas	12	12	-	-

Principal Activities

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

- Maintenance, repair and overhaul of heavy duty engines, powertrain 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 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 over 400 people and operates from more than twenty locations in five countries.

Operating and Financial Review

Overview of the Group

Drivetrain Power and Propulsion (Drivetrain)

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

Drivetrain is organised around the following business streams:

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

Services include:

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

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

Gemco Rail

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

Services include:

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

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

Total Momentum

Total Momentum offers a range of workforce provisioning services from providing skilled individuals to fully-supervised and equipped crews to carry out rail track construction, maintenance and upgrades.

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

Operating out of branches in Forrestfield WA, Norwood SA, Thornton NSW and Port Melbourne VIC, Total Momentum's strategic presence is well placed to service the rail and resource sectors.

Centre for Excellence in Rail Training (CERT)

CERT is a registered training organisation (RTO) that provides responsive, flexible and innovative training, assessment and recertification services to the Australian rail industry. CERT delivers nationally accredited and industry-based training programs on a regular basis, and provides customised courses to suit individual business needs.

The business has training centres in Perth, Port Hedland, Sydney, Newcastle, Ipswich, Norwood and Melbourne with the flexibility to train on-site Australia wide.

Convair Engineering (Convair)

Convair designs and manufactures tankers for the transportation of dry bulk products by road and rail. The business provides repairs, maintains and supplies spare parts for all makes of dry bulk tankers and offers distribution, service and repair of compressors and ancillary equipment used in the support of dry bulk materials handling.

Convair is an agent for Feldbinder Spezialfahrzeugwerke GmbH of Germany, supplementing the company's range of products with aluminium dry bulk tankers and stainless steel liquid tankers.

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

Operating Results

The Group reported a net profit after tax, including non-controlling interests, of $4,140,000 for the year ended 30 June 2016. The consolidated result for the year is summarised as follows:

	2016	2015
	$000	$000
Revenue from continuing operations	**132,764**	**126,968**
EBITDA from continuing operations [2]	**6,722**	**129**
EBIT from continuing operations [1]	**2,636**	**(4,851)**
Profit / (loss) after tax from continuing operations	**2,497**	**(5,947)**
Profit / (loss) from discontinued operations, net of tax	**1,643**	**(26,723)**
Net operating cash flow	**11,054**	**4,567**
Net assets	**49,094**	**44,869**
Net debt	**5,368**	**15,852**

[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 the financial year ended 30 June 2016, significant progress was made in the performance of the Group including:

- Reported after tax profit for the period of $4,140,000
- Net cash generation of $11,054,000
- Net debt reduced by $10,484,000.

Total consolidated revenue improved for the overall Group as well as its continuing operations. The sale of the majority of Greentrains rollingstock assets led to the classification of this segment, for accounting purposes, as a discontinued operation. This is explained in Note 2 of the consolidated financial statements herein. Most of the Group's core businesses experienced challenging market conditions characterised by delayed decision-making and ongoing subdued demand. However, the Group was able to achieve a far better revenue outcome than in recent years. The trading results continue the trend of improvement year-on-year, providing a good platform for the future.

As a consequence of an improved EBITDA margin, and a judicious capital expenditure programme coupled with close management of working capital, cash-generation of $11,054,000 was one of the highlights for the year. This enabled the Group to reduce its net debt which in turn resulted in lower finance costs compared to the previous year.

Profit from continuing operations after tax for the year was $2,497,000 compared to a loss of $5,947,000 in the previous year. Additionally, a profit of $1,643,000 was recorded for the Greentrains discontinued operation in the year. This was materially assisted by the reversal of prior asset impairment charges that was triggered as a consequence of the sale of most of the locomotive fleet and associated spares. The Group achieved a consolidated net profit after tax for the period of $4,140,000 compared to a loss of $32,670,000 in the comparative year.

Review of Principal Businesses

The improvement in total revenue for Drivetrain Power and Propulsion was driven mainly by completion of gas compression projects as the business focusses on sales to major energy sector customers. Drivetrain's Mobile Powertrain segment performed reasonably well in an inconsistent market affected by a slump in mining equipment maintenance expenditure and the very low levels of manufacturing activity by mining equipment suppliers. Sweden-based Hedemora Turbo & Diesel benefitted from improved sales of diesel engine spares and services to defence customers but the HS Turbocharger product range is yet to reach its potential.

Gemco Rail's performance in the year was much improved. Sales activities in all areas of the business were well focussed and the results of restructure and productivity improvements in prior periods began to manifest themselves. The quality and value of revenues and earnings was consequently enhanced. There was further site consolidation in New South Wales as the Greentrains fleet no longer required support by Gemco Rail, also resulting in some impairment of specific locomotive inventory. During the year, the wagon rental market remained depressed, but some revenue from this stream started to flow as new lease contracts commenced. The Forrestfield facility, near Perth, operated close to its current capacity for a large portion of the year with a mix of work ranging from general wagon and locomotive maintenance to rollingstock upgrades and locomotive technology platform installations. The volume of wheelset and bearing refurbishment work for northwest miners increased and the Product Sales business began to win some significant supply contracts. In the Dynon facility, in Melbourne's West, locomotive maintenance activity increased to levels not previously enjoyed as upgrades to the facility and the development of a flexible and skilled workforce has increasingly appealed to customers.

The performance of Total Momentum in the year reflects a focus on the higher value-added end of rail skills provisioning with the hiring out of well trained and carefully screened personnel, particularly in the locomotive driver and protection officer skills areas. The provision of a flexible, high quality labour pool has proven to be an attractive model to customers, who are mainly major rail operators. Total Momentum's more streamlined operational structure led to good operating leverage resulting in improved profitability, albeit on lower revenue in the year.

CERT, the Group's training business, encountered some obstacles in the year regarding revenue generation as government-funded training opportunities began to reduce. However, the business still performed well, expanding the scope of training services to generate new revenue streams.

The depressed locomotive rental market provided little opportunity to rent out any part of the Greentrains locomotive fleet. An opportunity to sell the majority of the fleet and associated spare parts arose during the year, and a decision was taken to conclude the sale which resulted in a reversal of previous periods' asset impairments. The cash generated from the sale was used to pay down Group debt.

Convair experienced a depressed and highly price-competitive market during the year with most customers operating on very low capital expenditure budgets. This had the effect of sales being made at very tight margins even though efficiency gains resulted in a lower manufacturing cost per tanker produced. A focus on the provision of maintenance services and spare parts supply helped to boost revenue and margin but the slump in overall demand led to an unsatisfactory profit result for Convair.

Significant Changes in the State of Affairs

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

Likely Developments

The Drivetrain Mobile Powertrain (MPT) business has branch facilities located in every Australian mainland State and New Zealand, and supplies genuine parts and maintenance services for heavy off-road and mining vehicles, trucks and defence equipment. Mining machinery operators remain under severe cost pressures, particularly in the coal sector, and lower maintenance activity is expected in this regard. However, the total tonnage of ore mined in Australia remains near record levels giving rise to expected ongoing maintenance requirements, albeit that the mode appears to have moved from preventative to breakdown. MPT is thus well positioned to meet customers' requirements through the flexible and responsive service offerings delivered through its comprehensive branch network, deep technical know-how and large range of genuine spare parts inventory holdings.

Drivetrain's Turbocharger, Power and Compression (TPC) business operates from most of the Australian branch network and services the power generation and gas industries through the provision of machinery and equipment, maintenance services as well as specialist consumables and spare parts. Although additional orders for gas compressor packages are currently being executed for new customers, low global energy prices and the consequent pressures that this has put on the Australian gas sector have resulted in very few new capital projects with much activity being deferred. However, Australian gas production is bound to ramp up significantly in due course and TPC will pursue the capital sales and maintenance revenue that follows.

The business in Sweden is leveraging its well-known brand and long history in the large diesel engine industry and now trades as Hedemora Turbo & Diesel. Having completed the streamlining of the operation, the business supports the global population of Hedemora Diesel engines from Sweden, with Drivetrain providing specialist additional support for the Australian submarine application. With the delay in anticipated completion of the replacement submarine programme, Hedemora and Drivetrain expect to support the Collins Class through its life extension programme. The HS range of Hedemora Turbochargers are manufactured in Sweden and supported through a network of appointed agents and service centres in most regions of the world. This includes Drivetrain and Gemco Rail in Australia. Penetration into the locomotive and marine retrofit market has been slow but is expected to improve on the back of a number of new and more efficient products.

Gemco Rail has completed the rationalisation and modernisation of its facilities network and is now entrenched as a leading independent maintainer of rollingstock in Australia. The wheel, bearing and bogie shops in Perth and the Dynon facility have undergone progressive upgrades, which now provide greater productivity and flexibility. Further investments have been approved which are expected to provide even greater efficiency gains and a more rapid response to customer requirements in the new financial year. The provision of fleet maintenance services is expected to grow as our customers' freight task and network grows. As this develops, Gemco Rail's facility footprint will be reviewed and may be expanded to meet the demand. Agency agreements with major global manufacturers of rollingstock and locomotive components are being strengthened and sales volumes of these consumable items are expected to experience continued growth. Overall, the market remains competitive and cost sensitive and future successes will be founded on our commitment to continuous productivity improvement and innovative customer care.

As anticipated in the last few reporting periods, the provision of track protection officers and locomotive drivers is likely to be the focus for Total Momentum in the foreseeable future. There are signs of renewed infrastructure maintenance activity in New South Wales and South Australia particularly, for which Total Momentum is well positioned. Although the recent construction phase of activity in the North-West region of Australia has ramped down, there are still opportunities in the mining operations activities as track maintenance projects become due. The streamlined, lean management structure of the business and its ability to leverage resources from the rest of the Group gives Total Momentum a unique position in the specialist workforce provisioning industry.

CERT is focussing on the provision of high quality, flexibly delivered and fully compliant training to the rail and allied industries. Recent expansion of the course scope has seen CERT begin delivery of training in the forklift and "high-risk" training areas and the establishment of a facility in Port Hedland to address training requirements for miners and industry in the region. CERT's Melbourne facility has also recently been relocated and expanded to cope with growth in the Victorian market.

The majority of the Greentrains locomotive fleet was sold during the year, and the business will be curtailed as the Australian locomotive rental market remains very oversupplied.

Convair's journey of lean manufacturing continues, with costs and waste constantly driven out of the process. This has maintained the competitiveness of Convair road tankers in the face of imports from low cost off-shore manufacturers, allowing customers to choose the higher quality and more efficient Australian-made product. Demand for tankers, components, spares and maintenance services is expected to remain mixed, although a reasonable order book is currently in hand.

The Group has established a stable platform for growth and is recognised as a quality participant in each of its market segments. Performance in the new financial year is therefore expected to continue on a positive trajectory.

Dividends

The directors have decided not to declare a final dividend.

Events Subsequent to Reporting Date

The Group extended its $2,000,000 multi-option facility with the Commonwealth Bank of Australia on 18 August 2016. This facility now matures on 30 June 2018.

The Group extended the maturity of its $9,000,000 revolving line of credit facility from Elph Pty Ltd (Elph) on 25 August 2016 with this facility now maturing on 30 April 2018.

In conjunction with the extension of the maturity date, the Group has also negotiated with Elph to increase the limit of this facility from $9,000,000 to $15,000,000 and has entered into binding agreements with Elph to effect this change, subject to the satisfaction of certain conditions precedent, including obtaining regulatory approval. The Group will utilise part of the enlarged facility to acquire the loan currently owed to Elph by Greentrains (Greentrains Loan Facility). This loan, which matures on 30 September 2016, is supported by a guarantee from the Company and its wholly owned Australian subsidiaries in favour of Elph. Once the conditions precedent are satisfied and these planned changes are in place, the Group's external funding arrangements are expected to be more streamlined and will enable any surplus funds to be applied more effectively to manage the Group's finance costs. Further, the Company's guarantee given in respect to the Greentrains Loan Facility will also be extinguished. The directors have reasonable expectation that the conditions precedent will be satisfied before the Greentrains Loan Facility matures.

On 28 April 2016, the Group entered into an asset sale agreement to sell the majority of its locomotive fleet to Holdco Holdings Pty Ltd, the holding company of Southern Shorthaul Railroad Pty Ltd. A selection of associated locomotive spare parts were also included in the transaction. The transaction was completed on 26 July 2016. All monies received from the locomotive fleet sale were applied to the reduction of related party loan principal.

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 2016.

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

Indemnification and Insurance of Officers

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

Non-Audit Services

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

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

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

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

	2016 $
SERVICES OTHER THAN AUDIT AND REVIEW OF FINANCIAL STATEMENTS:	
Other Assurance Services	
Controls assurance services	17,420
Other Services	
Taxation compliance services	9,215
	26,635
AUDIT AND REVIEW OF FINANCIAL STATEMENTS	**384,151**
TOTAL PAID TO KPMG	**410,786**

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' Report for the financial year ended 30 June 2016.

Rounding Off

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

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

Performance Conditions Linked to Remuneration

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

Consequences of Performance on Shareholder Wealth

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

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

	2012 $	2013 $	2014 $	2015 $	2016 $
Revenue	199,197,000	176,088,000	140,273,000	133,834,000	135,318,000
NPAT attributable to members	(35,683,000)	(87,731,000)	(11,257,000)	(27,593,000)	3,828,000
Dividends paid	-	-	-	-	-
EBIT	(27,055,000)	(79,642,000)	(8,836,000)	(30,128,000)	5,503,000
Operating income growth [1]	(253%)	(194%)	89%	(241%)	n/a
Share price at year-end	$0.41*	$0.14	$0.12	$0.10	$0.10
Change in share price	$0.32	($0.27)	($0.02)	($0.02)	$0.00
Capital employed [2]	156,653,000	93,306,000	80,348,000	46,448,000	49,988,000
Return on capital employed [3]	(17%)	(85%)	(11%)	(65%)	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] Operating income growth is the movement in EBIT year-on-year

[2] Capital employed is total assets less current liabilities

[3] Return on capital employed is EBIT over capital employed

Remuneration Report - Audited (cont'd)

Non-Executive Directors

Total compensation for all non-executive directors was last voted upon by shareholders at the 2015 Annual General Meeting. The base fee for the Chairperson is $174,400 per annum. Base fees for other non-executive directors do not exceed $80,000 per annum.

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

Non-executive directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation.

Remuneration Report - Audited (cont'd)

Directors' and Executive Officers' Remuneration Details for Year Ended 30 June 2016

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

		Short-Term					Post-Employment	Other Long-Term			
		Salary and Fees $	Non-Monetary Benefits $	Other Benefits $	STI Cash Bonus $	Sub-Total $	Super-annuation Benefit $	Long Service Leave $	Termination Benefits $	**Total $**	% Remuner-ation Performance Related
DIRECTORS											
NON-EXECUTIVE DIRECTORS											
V De Santis	**2016**	**45,100**	-	-	-	**45,100**	-	-	-	**45,100**	-
Chairman [1]	2015	-	-	-		-	-	-	-	-	-
D Elphinstone	**2016**	**130,800**	-	-	-	**130,800**	-	-	-	**130,800**	-
Chairman [1]	2015	174,400	-	-	-	174,400	-	-	-	**174,400**	-
V De Santis	**2016**	**64,500**	-	-		**64,500**	-	-	-	**64,500**	-
	2015	86,000	-		-	86,000	-	-	-	**86,000**	-
D Elphinstone	**2016**	**20,000**	-	-	-	**20,000**	-	-	-	**20,000**	
	2015	-	-	-	-	-	-	-	-	-	
D Hector [2]	**2016**	**92,000**	-	-	-	**92,000**	**8,740**	-	-	**100,740**	-
	2015	92,000	-	-	-	92,000	8,740	-	-	**100,740**	-
R Dunning [3]	**2016**	**51,269**	-	-	-	**51,269**	**42,901**	-	-	**94,170**	-
	2015	34,731	-	-	-	34,731	3,299	-	-	**38,030**	-
SUB – TOTAL NON-EXECUTIVE DIRECTORS' REMUNERATION	**2016**	**403,669**	-	-	-	**403,669**	**51,641**	-	-	**455,310**	-
	2015	387,131	-	-	-	387,131	12,039	-	-	**399,170**	-
EXECUTIVE DIRECTORS											
R Dunning [3]	**2016**	-	-	-	-	-	-	-	-	-	-
Interim Managing Director	2015	320,971	-	-	-	320,971	11,192	-	-	**332,163**	-
K Pallas [4]	**2016**	**356,164**	-	-	-	**356,164**	**33,835**	**7,030**	-	**397,029**	-
Managing Director & CEO	2015	143,836	-	-	-	143,836	13,664	11,999	-	**169,499**	-
SUB-TOTAL EXECUTIVE DIRECTORS' REMUNERATION	**2016**	**356,164**	-	-	-	**356,164**	**33,835**	**7,030**	-	**397,029**	-
	2015	464,807	-	-	-	464,807	24,856	11,999	-	**501,662**	-
TOTAL DIRECTORS' REMUNERATION	**2016**	**759,833**	-	-	-	**759,833**	**85,476**	**7,030**	-	**852,339**	-
	2015	851,938	-	-	-	851,938	36,895	11,999	-	**900,832**	-

Remuneration Report - Audited (cont'd)

Directors' and Executive Officers' Remuneration Details for Year Ended 30 June 2016 (cont'd)

		Short-Term					Post-Employment	Other Long-Term			
		Salary and Fees $	Non-Monetary Benefits $	Other Benefits $	STI Cash Bonus $	Sub-Total $	Super-annuation Benefit $	Long Service Leave $	Termination Benefits $	**Total $**	% Remuner-ation Performance Related
EXECUTIVES											
K Pallas [4]	**2016**	-	-	-	-	-	-	-	-	-	-
Chief Financial Officer	2015	188,295	-	-	-	188,295	17,888	4,334	-	**210,517**	-
G Campbell: appointed 1 Feb 2015	**2016**	**241,216**	-	-	-	**241,216**	**18,783**	-	-	**259,999**	-
Chief Financial Officer/Company Secretary	2015	97,414	-		-	97,414	9,254	-	-	**106,668**	-
S Bott: appointed 26 Mar 2015	**2016**	**128,971**	-	-	-	**128,971**	**31,029**	-	-	**160,000**	-
Legal Counsel/Company Secretary	2015	25,016	-	-	-	25,016	4,538	-	-	**29,554**	-
G Thorn	**2016**	**323,557**	-	**6,430**	-	**329,987**	**31,348**	-	-	**361,335**	-
Executive General Manager – Rail	2015	303,189	17,905	18,337	-	339,431	30,545	-	-	**369,976**	-
J Källström: appointed 1 Feb 2016	**2016**	**48,224**	-	-	-	**48,224**	**4,822**	-	-	**53,046**	-
General Manager – Hedemora Turbo & Diesel (Sweden)	2015	-	-	-	-	-	-	-	-	-	-
D Bentley	**2016**	**237,079**	-	**11,700**	-	**248,779**	**31,577**	**4,844**	-	**285,200**	-
General Manager – Drivetrain TPC	2015	237,302	-	20,820	-	258,122	23,143	4,826	-	**286,091**	-
P Gale	**2016**	**217,308**	-	**2,696**	-	**220,004**	**20,388**	**4,237**	-	**244,629**	-
General Manager – Drivetrain MPT	2015	199,380	-	14,686	-	214,066	20,380	7,455	-	**241,901**	-
P Swann	**2016**	**226,027**	-	**28,353**	-	**254,380**	**35,000**	**3,158**	-	**292,538**	-
General Manager – Convair	2015	224,735	-	31,253	-	255,988	38,398	5,109	-	**299,495**	-
M Haigh	**2016**	**157,817**	**92,792**	**1,950**	-	**252,559**	**34,921**	**3,474**	-	**290,954**	-
General Manager – CERT	2015	164,234	8,211	24,227	-	196,672	17,005	6,449	-	**220,126**	-
R Edwards [5]	**2016**	**76,390**	-	-	-	**76,390**	**7,257**	**1,463**	-	**85,110**	-
General Manager – Momentum/Greentrains	2015	224,854	-	-	-	224,854	21,361	4,920	-	**251,135**	-

Remuneration Report - Audited (cont'd)

Directors' and Executive Officers' Remuneration Details for Year Ended 30 June 2016 (cont'd)

		Short-Term					Post-Employment	Other Long-Term			
		Salary and Fees $	Non-Monetary Benefits $	Other Benefits $	STI Cash Bonus $	Sub-Total $	Super-annuation Benefit $	Long Service Leave $	Termination Benefits $	**Total** $	% Remuner-ation Performance Related
FORMER											
G Northeast: retired 24 May 2016	**2016**	**135,263**	**-**	**-**	**-**	**135,263**	**37,171**	**-**	**-**	**172,434**	**-**
General Manager – DTSE & DTUSA	2015	155,829	-	-	-	155,829	39,397	-	-	195,226	-
TOTAL EXECUTIVE OFFICERS' REMUNERATION	**2016**	**1,791,852**	**92,792**	**51,129**	**-**	**1,935,773**	**252,296**	**17,176**	**-**	**2,205,245**	**-**
	2015	1,820,248	26,116	109,323	-	1,955,687	221,909	33,093	-	2,210,689	-
TOTAL DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION [6]	**2016**	**2,551,685**	**92,792**	**51,129**	**-**	**2,695,606**	**337,772**	**24,206**	**-**	**3,057,584**	**-**
	2015	2,672,186	26,116	109,323	-	2,807,625	258,804	45,092	-	3,111,521	-

1 V De Santis was appointed Chairman on 24 March 2016. D Elphinstone returned to the position of Non-Executive Director effective the same date. Fees for the services of V De Santis and D Elphinstone are paid via agreements with Elphinstone Group (Aust) Pty Ltd which is a related party of the Company.
2 Fees to D Hector are paid via an agreement with Grassick SSG Pty Ltd which is a related party of the Company.
3 R Dunning resigned as Interim Managing Director on 31 January 2015 and returned to the position of Non-Executive Director effective 1 February 2015.
4 K Pallas was appointed as Managing Director & CEO (previously Chief Financial Officer) on 1 February 2015. He was appointed to the Board effective 17 December 2014.
5 R Edwards was appointed Group HR & Safety Manager (previously General Manager – Momentum/Greentrains) on 1 November 2015.
6 The prior year comparatives have been restated to exclude the total remuneration paid to J Pas and B Thom since they left the Group in the previous reporting period.

Loans to Key Management Personnel and their Related Parties

The balance of loans to key management personnel and their related parties outstanding as at 30 June 2016 is $NIL (2015: $NIL).

Remuneration Report - Audited (cont'd)

Service Contracts

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

	Terms of Agreement	Termination Benefit
V De Santis	Ongoing director agreement	N/A - Non-Executive Director
D Elphinstone	Ongoing director agreement	N/A - Non-Executive Director
D Hector	Ongoing director agreement	N/A - Non-Executive Director
R Dunning	Ongoing director agreement	N/A - Non-Executive Director
K Pallas	Permanent employment contract	8 weeks' pay
G Campbell	Permanent employment contract	8 weeks' pay
S Bott	Permanent employment contract	4 weeks' pay
G Thorn	Permanent employment contract	8 weeks' pay
J Källström	Permanent employment contract	3 months' pay
D Bentley	Permanent employment contract	12 months' pay
P Gale	Permanent employment contract	3 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
G Northeast	Permanent employment contract	3 months' pay

Options and Rights Over Equity Instruments Granted

In the 2015 and 2016 financial years no executive directors, non-executive directors or key management personnel had any options or rights.

Other Transactions with Key Management Personnel

A number of key management personnel, or their relates 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:

2016	Balance 1 July 2015	Received as compensation	Other changes*	**Balance 30 June 2016**
V De Santis	300,003	-	-	**300,003**
D Elphinstone	202,249,018	-	-	**202,249,018**
D Hector	113,163	-	-	**113,163**
R Dunning	104,000	-	-	**104,000**
K Pallas	20,000	-	-	**20,000**
G Campbell	-	-	-	**-**
S Bott	-	-	-	**-**
G Thorn	-	-	**10,000**	**10,000**
G Northeast	18,983	-	-	**18,983**
D Bentley	-	-	-	**-**
P Gale	-	-	-	**-**
P Swann	25,275	-	-	**25,275**
M Haigh	-	-	-	**-**
R Edwards	-	-	-	**-**
J Källström	-	-	-	**-**

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

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

Vincent De Santis
Chairman

Dated 26 August 2016

Directors' Declaration

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

   a. the consolidated financial statements and notes that are set out on pages 21 to 78 and the Remuneration Report on pages 10 to 16 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 2016 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 2016.

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

Signed in accordance with a resolution of the directors:

Vincent De Santis
Chairman

Dated 26 August 2016

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 financial year ended 30 June 2016 there have been:

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

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

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
26 August 2016

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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 2016, and 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 31 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 control 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 accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and 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.*

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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 2016 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.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Engenco Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
26 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Note	Consolidated Group 2016 $000	Consolidated Group 2015* $000
Revenue	2	132,764	126,968
Other income	2	1,454	2,013
Changes in inventories of finished goods and work in progress		(3,251)	(4,922)
Raw materials and consumables used		(58,258)	(48,544)
Employee benefits expense	3	(45,008)	(52,287)
Depreciation and amortisation expense		(4,086)	(4,980)
Reversal / (impairment) of property, plant and equipment		41	-
Reversal / (impairment) of inventory		(1,954)	(1,734)
Finance costs	3	(426)	(730)
Subcontract freight		(1,257)	(1,259)
Repairs and maintenance		(1,148)	(1,751)
Insurances		(1,424)	(1,532)
Rent and outgoings		(6,832)	(8,838)
Vehicle expenses		(272)	(318)
Fuel		(172)	(218)
Foreign exchange movements		143	(40)
Other expenses		(7,964)	(6,894)
Share of profit / (loss) of equity-accounted investee, net of tax	13	(140)	(515)
PROFIT / (LOSS) BEFORE INCOME TAX		2,210	(5,581)
Income tax benefit / (expense)	4	287	(366)
PROFIT / (LOSS) FROM CONTINUING OPERATIONS		2,497	(5,947)
DISCONTINUED OPERATIONS			
Profit / (loss) from discontinued operations, net of tax	7	1,643	(26,723)
TOTAL PROFIT / (LOSS) FOR THE PERIOD		4,140	(32,670)
Profit / (loss) attributable to:			
Owners of the Company		3,828	(27,593)
Non-controlling interest		312	(5,077)
		4,140	(32,670)

*2015 comparatives have been restated for the current year classifications of continuing and discontinued operations

Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

for the year ended 30 June 2016

	Note	**Consolidated Group 2016 $000**	Consolidated Group 2015* $000
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas subsidiaries		**85**	112
Other comprehensive income for the period, net of tax		**85**	112
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**4,225**	(32,558)
Total comprehensive income attributable to:			
Owners of the Company		**3,913**	(27,481)
Non-controlling interest		**312**	(5,077)
		4,225	(32,558)
EARNINGS PER SHARE		**Cents**	Cents*
Basic earnings per share (cents per share)	8	**1.23**	(8.88)
Diluted earnings per share (cents per share)	8	**1.23**	(8.88)
From continuing operations:			
Basic earnings per share (cents per share)	8	**0.80**	(1.91)
Diluted earnings per share (cents per share)	8	**0.80**	(1.91)

*2015 comparatives have been restated for the current year classifications of continuing and discontinued operations

The notes on pages 26 to 78 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

as at 30 June 2016

	Note	Consolidated Group 2016 $000	Consolidated Group 2015 $000
CURRENT ASSETS			
Cash and cash equivalents	9	**11,517**	4,798
Trade and other receivables	10	**18,865**	26,932
Inventories	11	**26,195**	29,445
Other current assets	17	**3,134**	1,070
Assets held for sale	30	**6,300**	-
TOTAL CURRENT ASSETS		**66,011**	62,245
NON-CURRENT ASSETS			
Financial assets	12	**7**	46
Equity-accounted investee	13	**106**	163
Property, plant and equipment	15	**18,489**	25,890
Deferred tax assets	20	**125**	181
Intangible assets	16	**657**	1,119
TOTAL NON-CURRENT ASSETS		**19,384**	27,399
TOTAL ASSETS		**85,395**	89,644
CURRENT LIABILITIES			
Trade and other payables	18	**11,284**	15,242
Financial liabilities	19	**16,885**	20,650
Current tax liabilities	20	**537**	455
Provisions	21	**6,701**	6,849
TOTAL CURRENT LIABILITIES		**35,407**	43,196
NON-CURRENT LIABILITIES			
Provisions	21	**421**	467
Deferred tax liabilities	20	**473**	1,112
TOTAL NON-CURRENT LIABILITIES		**894**	1,579
TOTAL LIABILITIES		**36,301**	44,775
NET ASSETS		**49,094**	44,869
Issued capital	22	**302,260**	302,260
Reserves		**689**	604
Retained earnings / (accumulated losses)		**(248,066)**	(251,894)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**54,883**	50,970
Non-controlling interest		**(5,789)**	(6,101)
TOTAL EQUITY		**49,094**	44,869

The notes on pages 26 to 78 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

Consolidated Group	Issued Capital Ordinary Shares $000	Retained Earnings / (Accumulated Losses) $000	Foreign Currency 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
Profit / (loss)	-	(27,593)	-	(27,593)	(5,077)	(32,670)
Other comprehensive income	-	-	112	112	-	112
TOTAL COMPREHENSIVE INCOME	-	(27,593)	112	(27,481)	(5,077)	(32,558)
BALANCE AT 30 JUNE 2015	302,260	(251,894)	604	50,970	(6,101)	44,869
BALANCE AT 1 JULY 2015	**302,260**	**(251,894)**	**604**	**50,970**	**(6,101)**	**44,869**
Profit / (loss)	**-**	**3,828**	**-**	**3,828**	**312**	**4,140**
Other comprehensive income	**-**	**-**	**85**	**85**	**-**	**85**
TOTAL COMPREHENSIVE INCOME	**-**	**3,828**	**85**	**3,913**	**312**	**4,225**
BALANCE AT 30 JUNE 2016	**302,260**	**(248,066)**	**689**	**54,883**	**(5,789)**	**49,094**

The notes on pages 26 to 78 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Note	**Consolidated Group 2016 $000**	Consolidated Group 2015 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**155,887**	151,920
Payments to suppliers and employees		**(143,020)**	(144,834)
Interest received		**51**	49
Finance costs		**(1,650)**	(2,176)
Income tax received / (paid)		**(214)**	(392)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	25(b)	**11,054**	4,567
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**997**	1,184
Purchase of non-current assets		**(1,789)**	(2,702)
Investment in equity-accounted investee		**-**	(250)
Proceeds from sale of investment		**222**	-
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		**(570)**	(1,768)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(3,336)**	(1,408)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		**(3,336)**	(1,408)
Net increase / (decrease) in cash and cash equivalents		**7,148**	1,391
Cash (net of bank overdrafts) at beginning of financial year		**4,158**	2,767
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR	25(a)	**11,306**	4,158

The notes on pages 26 to 78 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2016

Note 1 – Significant Accounting Policies

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

Reporting Entity

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

Basis of Accounting

Statement of Compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 26 August 2016.

Functional and Presentation Currency

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

Use of Judgements and Estimates

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

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

Note 1 – Significant Accounting Policies (cont'd)

Use of Judgements and Estimates (cont'd)

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the year ending 30 June 2016 is included in the following notes:

- Note 4 – Income Tax Expense and Note 20 – Tax Assets and Liabilities. Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by taxable authorities in relevant jurisdictions.
- Note 10 – Trade and Other Receivables. Trade receivables are reviewed and impaired where significant uncertainty is identified as to the recoverability of amounts due, and where the amounts to which the uncertainty relates can be quantified.
- Note 11 – Inventories. Inventory and WIP value are determined using the net realisable value, where the cost is in excess of this value.
- Note 15 – Property, Plant and Equipment. The recoverable amount of certain wagons (part of 'property, plant and equipment') is determined using an external valuation report which utilises multiple valuation techniques with a primary focus on depreciated replacement cost approach. Impairment is recognised when the carrying amount exceeds the recoverable amount. Where rollingstock is held by the Group, but the leasing opportunities are limited due to market conditions, the assets are held at salvage value.

Basis of Measurement

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

Going Concern

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

As at 30 June 2016, all of the Group's borrowings were classified as current as they were due for repayment within 12 months subsequent to 30 June 2016:

- The Group extended its $2,000,000 multi-option facility (bank overdraft facility and bank guarantees) with the Commonwealth Bank of Australia (CBA) on 18 August 2016. This facility expires on 30 June 2018.

- The Group extended its funding facility (Elph Funding Facility) with Elph Pty Ltd (Elph) on 25 August 2016. This facility expires on 30 April 2018. 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 covenant and secured by certain assets of the Group. The covenant was complied with at all times during the financial year ended 30 June 2016. In addition, the Group negotiated an increase of the Elph Funding Facility limit from $9,000,000 to $15,000,000, subject to the satisfaction of certain conditions precedent including obtaining regulatory approval.

- Greentrains Limited (an 81% owned subsidiary of Engenco Limited) also has a debt facility with Elph (Greentrains Loan Facility). The Greentrains Loan Facility is secured by the assets owned by Greentrains Limited and certain rail wagon assets owned by Gemco Rail Pty Ltd. As at 30 June 2016, the Greentrains Loan Facility was non-recourse to the Group's other assets. The Greentrains Loan Facility has requirements for quarterly fixed principal repayments which have been met. Under the Greentrains Loan Facility, Engenco Limited has granted an unsecured guarantee and indemnity to Elph in respect of all monies owing under the Greentrains Loan Facility. During the financial year, repayments against the principal of the related party loan to Elph of $1,500,000 were made by Engenco Limited under the parent company guarantee. The Greentrains Loan Facility expires not earlier than 30 September 2016 or such other date as the parties may agree in writing. The Group plans to settle the remaining outstanding debt on the current maturity date using the Group's cash reserves and the available Elph Funding Facility. Subsequent to 30 June 2016, proceeds in the order of $5,172,000 from the locomotive fleet sale by Greentrains Limited were remitted to Elph and applied to the loan principal.

Note 1 – Significant Accounting Policies (cont'd)

Going Concern (cont'd)

The ability of the Group to remain within the limits and covenant terms of its funding arrangements will be determined by operational trading results and cash flows from operations. The Group generated a profit after tax from continuing operations of $2,497,000 for the year ended 30 June 2016 and a net operating cash flow from continuing operations of $9,627,000. The directors have assessed the forecast trading results and cash flows for the Group. These forecasts are necessarily based on best estimate assumptions at the date of the financial report, and are subject to influences and events outside the control of the Group, including the current operating environment which presents challenges in terms of volatile demand patterns and price pressures.

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

- operate within the limits and covenant terms under the current CBA and Elph financing facilities for at least the next 12 months from the date of the financial report; and
- continue profitable and cash-generating performance in the 12 months from the date of the financial report.

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(i)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities (see Note 1(h)).

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and 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 date of acquisition.

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

Subsidiaries

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

Note 1 – Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

Loss of control

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

Interests in equity-accounted investees

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

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

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

Transactions eliminated on consolidation

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

(b) 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.

(c) Income Tax

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

Current tax

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

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

Note 1 – Significant Accounting Policies (cont'd)

(c) Income Tax (cont'd)

Deferred tax

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

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

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

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

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

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

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

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.

(d) 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.

(e) Construction Contracts in Progress

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date (see Note 1(o)) less progress billings and recognised losses.

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

Note 1 – Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipment

Recognition and measurement

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent Expenditure

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

Depreciation

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

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

Class of 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.

(g) 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

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

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

Note 1 – Significant Accounting Policies (cont'd)

(g) Leases (cont'd)

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.

(h) Financial Instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: other financial liabilities.

Non-derivative financial assets and financial liabilities – Recognition and derecognition

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Non-derivative financial assets – Measurement

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets are initially measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities – Measurement

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

Note 1 – Significant Accounting Policies (cont'd)

(i) Impairment

Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

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

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

Note 1 – Significant Accounting Policies (cont'd)

(i) Impairment (cont'd)

Non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

(j) Intangible Assets and Goodwill

Recognition and measurement

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

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

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

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

Subsequent expenditure

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

Note 1 – Significant Accounting Policies (cont'd)

(j) Intangible Assets and Goodwill (cont'd)

Amortisation

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

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

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

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

(k) Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

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

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

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

Foreign operations

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

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

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

Note 1 – Significant Accounting Policies (cont'd)

(l) 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 reporting date, then they are discounted.

(m) 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.

Site Restoration

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

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 1(i)).

(n) 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.

Note 1 – Significant Accounting Policies (cont'd)

(o) Revenue

Sale of goods

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

Rendering of services

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

Construction contracts

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

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

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

Rental income

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

(p) 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.

(q) 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.

(r) Finance Income and Finance Costs

The Group's finance income and finance costs include:

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

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

(s) Government Grants

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

Note 1 – Significant Accounting Policies (cont'd)

(t) Share Capital

Ordinary shares

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

(u) 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.

(v) Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution, and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(w) Comparative Figures

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

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

(x) Rounding of Amounts

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

(y) New Accounting Standards and Interpretations

New accounting standards adopted

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

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

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

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.

Note 1 – Significant Accounting Policies (cont'd)

(y) New Accounting Standards and Interpretations (cont'd)

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.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statement
AASB 9 *Financial Instruments*	AASB 9, published in July 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.
AASB 15 *Revenue from Contracts with Customers*	AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 *Revenue*, AASB 11 *Construction Contracts*, and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.
AASB 16 *Leases*	AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. It replaces existing lessee accounting guidance in AASB 117 *Leases*. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

Note 1 – Significant Accounting Policies (cont'd)

(y) New Accounting Standards and Interpretations (cont'd)

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

- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 11)*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*
- *Equity Method in Separate Financial Statements (Amendments to IAS 27)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and IAS 28)*
- *Annual Improvements to IRFSs 2012-2015 Cycle*
- *Investment Entities: Applying the Consolidation Exception (Amendments to AASB 10, AASB 12 and IAS 28)*
- *Disclosure Initiative (Amendments to IAS1).*

Note 2 – Revenue and Other Income

	Continuing Operations		Discontinued Operation		Total Consolidated Group	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
SALES REVENUE						
Sales of goods and services	132,261	126,846	-	60	132,261	126,906
Lease rental income	370	-	2,554	6,803	2,924	6,803
TOTAL SALES REVENUE	132,631	126,846	2,554	6,863	135,185	133,709
OTHER REVENUE						
Interest received – external	133	122	-	3	133	125
TOTAL OTHER REVENUE	133	122	-	3	133	125
TOTAL REVENUE	132,764	126,968	2,554	6,866	135,318	133,834
OTHER INCOME						
Gain on disposal of property, plant and equipment	138	369	-	-	138	369
Rental income	-	737	-	-	-	737
Other gains	1,316	907	296	-	1,612	907
TOTAL OTHER INCOME	1,454	2,013	296	-	1,750	2,013

Note 3 – Expenses

	Continuing Operations		Discontinued Operation		Total Consolidated Group	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
FINANCE COSTS						
Interest – external	33	268	-	-	33	268
Interest – related parties	-	-	1,224	1,445	1,224	1,445
Other finance costs	393	462	-	1	393	463
TOTAL FINANCE COSTS	426	730	1,224	1,446	1,650	2,176
EMPLOYEE BENEFITS EXPENSE						
Wages and salaries	38,734	45,269	-	-	38,734	45,269
Annual leave expense	1,882	2,743	-	-	1,882	2,743
Long service leave expense	555	410	-	-	555	410
Termination costs	555	205	-	-	555	205
Defined contribution plan	3,282	3,660	-	-	3,282	3,660
TOTAL EMPLOYEE BENEFITS EXPENSE	45,008	52,287	-	-	45,008	52,287
RENTAL EXPENSE ON OPERATING LEASES						
Minimum lease payments	5,249	7,055	-	13	5,249	7,068
TOTAL RENTAL EXPENSE ON OPERATING LEASES	5,249	7,055	-	13	5,249	7,068

Note 4 – Income Tax Expense

	Consolidated Group 2016 $000	Consolidated Group 2015* $000
(a) The components of tax expense / (benefit) comprise:		
Current income tax expense / (benefit)		
- Current income tax expense / (benefit)	342	472
- Adjustment for prior years	(46)	(21)
Deferred income tax expense / (benefit)		
- Origination and reversal of temporary differences	(583)	(85)
Income tax expense / (benefit) on continuing operations reported in the Statement of Profit or Loss and OCI	(287)	366
(b) A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit / (loss) before tax from continuing operations	2,210	(5,581)
At the Company's statutory domestic income tax rate of 30% (2015: 30%)	663	(1,674)
Add / (Less) tax effect of:		
- Foreign tax rate adjustment	(134)	(66)
- Losses for which no deferred tax asset is recognised	423	1,121
- Utilisation of tax losses not previously recognised	(804)	(14)
- Other assessable items	-	139
- Other non-allowable items	562	173
- Adjustment for prior years	(24)	(21)
- Movements in unrecognised temporary differences	(973)	708
Income tax expense / (benefit)	(287)	366

*2015 comparatives have been restated for the current year classifications of continuing and discontinued operations

Note 5 – Parent Entity Disclosures

As at, and throughout the financial year ended, 30 June 2016 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.

	2016 $000	2015 $000
(a) Financial Position of Parent Entity at year end		
ASSETS		
Current assets	**4,177**	404
Non-current assets	**34,691**	60,793
TOTAL ASSETS	**38,868**	61,197
LIABILITIES		
Current liabilities	**22,912**	14,713
Non-current liabilities	**274**	1,614
TOTAL LIABILITIES	**23,186**	16,327
NET ASSETS	**15,682**	44,870
EQUITY		
Issued capital	**302,260**	302,260
Accumulated losses	**(286,578)**	(257,390)
TOTAL EQUITY	**15,682**	44,870
(b) Result of Parent Entity		
Profit / (loss) for the year	**(29,188)**	(33,602)
Other comprehensive income	**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	**(29,188)**	(33,602)

(c) Parent Entity Guarantees in respect of the debts of its subsidiaries

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

(d) Parent Entity Contingent Liabilities

At 30 June 2016, the parent entity has no significant contingent liabilities (2015: Nil).

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

At 30 June 2016, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2015: Nil).

Note 6 – Auditor's Remuneration

	Consolidated Group 2016 $	Consolidated Group 2015 $
Audit and Review Services		
Auditors of the Company		
- KPMG Australia – audit and review of financial statements	**325,000**	325,000
- KPMG Overseas – audit and review of financial statements	**59,151**	50,497
Other auditors		
- Audit and review of financial statements	**-**	-
TOTAL AUDIT AND REVIEW SERVICES	**384,151**	375,497
Other Assurance Services		
Auditors of the Company		
- KPMG Australia – in relation to controls assurance services	**17,420**	-
TOTAL OTHER ASSURANCE SERVICES	**17,420**	-
Other Services		
Auditors of the Company		
- KPMG Australia – in relation to taxation compliance services	**5,000**	-
- KPMG Overseas – in relation to taxation compliance services	**4,215**	6,600
TOTAL OTHER SERVICES	**9,215**	6,600

Note 7 – Discontinued Operation

On 28 April 2016, the Group entered into an asset sale agreement to sell the majority of its locomotive fleet to Holdco Holdings Pty Ltd, the holding company of Southern Shorthaul Railroad Pty Ltd. A selection of associated locomotive spare parts were also included in the transaction. This asset sale agreement has led to the Greentrains segment being classified as a discontinued operation as at 30 June 2016 (refer to Note 24 – Operating Segments for full Balance Sheet impact).

The Greentrains segment was not previously classified as a discontinued operation. The comparative Consolidated Statement of Profit or Loss and OCI has been restated to show the discontinued operation separately from continuing operations.

(a) Results of Discontinued Operation

	2016 $000	2015 $000
Revenue	2,554	6,866
Other income	296	-
Reversal / (impairment) of property, plant and equipment	2,652	(24,434)
Expenses	(3,859)	(9,155)
RESULTS FROM OPERATING ACTIVITIES	1,643	(26,723)
Income tax	-	-
PROFIT / (LOSS) FROM DISCONTINUED OPERATION, NET OF TAX	1,643	(26,723)
Basic earnings per share (cents)	0.43	(6.96)
Diluted earnings per share (cents)	0.43	(6.96)

(b) Cash Flows from / (used in) Discontinued Operation

	2016 $000	2015 $000
Net cash from / (used in) operating activities	1,427	944
Net cash from / (used in) investing activities	191	(1,105)
Net cash from / (used in) financing activities	(1,668)	(941)
NET CASH FLOWS FOR THE YEAR	(50)	(1,102)

Note 8 – Earnings Per Share

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

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

2015 comparatives have been restated for the current year classifications of continuing and discontinued operations.

		Consolidated Group 2016 $000	Consolidated Group 2015 $000
(a)	**RECONCILIATION OF EARNINGS TO PROFIT OR LOSS**		
	Profit / (loss) for the year	4,140	(32,670)
	(Profit) / loss for the year, attributable to non-controlling interest	(312)	5,077
	Earnings used to calculate basic EPS	3,828	(27,593)
	Earnings used in the calculation of dilutive EPS	3,828	(27,593)
(b)	**RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS**		
	Profit / (loss) for the year from continuing operations	2,497	(5,947)
	(Profit) / loss for the year, attributable to non-controlling interest in respect of continuing operations	-	-
	Earnings used to calculate basic EPS from continuing operations	2,497	(5,947)
	Earnings used in the calculation of dilutive EPS from continuing operations	2,497	(5,947)
(c)	**RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM DISCONTINUED OPERATIONS**		
	Profit / (loss) for the year from discontinued operations	1,643	(26,723)
	(Profit) / loss for the year, attributable to non-controlling interest in respect of discontinued operations	(312)	5,077
	Earnings used to calculate basic EPS from discontinued operations	1,331	(21,646)
	Earnings used to in the calculation of dilutive EPS from discontinued operations	1,331	(21,646)
		No. '000	No. '000
(d)	**WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATING BASIC EPS**	310,891	310,891
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	310,891	310,891

Note 9 – Cash and Cash Equivalents

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
CASH AT BANK AND IN HAND	11,517	4,798
	11,517	4,798

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 $20,956,922 (2015: $17,916,395) against cash and cash equivalents of $24,909,385 (2015: $20,312,020) resulting in a net positive cash position of $3,952,463 (2015: $2,395,625).

Note 10 – Trade and Other Receivables

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
CURRENT		
Trade receivables	18,327	24,966
Provision for impairment of receivables	(368)	(530)
Total trade receivables	17,959	24,436
Accrued income	780	962
Sundry receivables	126	1,534
Total other receivables	906	2,496
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	18,865	26,932

(a) Provision for Impairment of Receivables

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

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

	Consolidated Group			
2016	Opening Balance 1 Jul 2015 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30 Jun 2016 $000
Current trade receivables	(530)	71	91	(368)
	(530)	71	91	(368)
2015	Opening Balance 1 Jul 2014 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30 Jun 2015 $000
Current trade receivables	(279)	(621)	370	(530)
	(279)	(621)	370	(530)

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

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

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

	Consolidated Group						
	Gross Amount	Past Due and Impaired	Past due but not impaired				Within initial trade terms
			< 30 days	31 – 60 days	61 – 90 days	> 90 days	
	$000	$000	$000	$000	$000	$000	$000
2016							
Trade receivables	**18,327**	**368**	**3,757**	**1,143**	**923**	**1,469**	**10,667**
Other receivables	**906**	**-**	**-**	**-**	**-**	**-**	**906**
Total	**19,233**	**368**	**3,757**	**1,143**	**923**	**1,469**	**11,573**
2015							
Trade receivables	24,966	530	6,063	1,518	1,371	887	14,597
Other receivables	2,496	-	-	-	-	-	2,496
Total	27,462	530	6,063	1,518	1,371	887	17,093

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 2016	Consolidated Group 2015
	$000	$000
CURRENT		
At cost:		
- Work in progress	**4,152**	3,518
- Finished goods	**10,535**	17,658
	14,687	21,176
At net realisable value:		
- Work in progress	**-**	-
- Finished goods	**11,508**	8,269
	11,508	8,269
TOTAL INVENTORY	**26,195**	29,445

The Group has completed a comprehensive review of the carrying value of certain locomotive-related inventory. As a result of the review, inventory has been impaired by $1,954,000 (2015: $2,390,000).

During the year, inventories valued at $788,319 were reclassified as Assets Held for Sale (refer to Note 30 – Assets Held for Sale).

Note 12 – Financial Assets

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
NON CURRENT		
Shares in listed companies	**-**	39
Loans receivable – other	**7**	7
TOTAL FINANCIAL ASSETS	**7**	46

Note 13 – Equity-Accounted Investee

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
NON CURRENT		
Interest in joint venture	**106**	163
TOTAL EQUITY-ACCOUNTED INVESTEE	**106**	163

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 ($139,500) (2015: loss of $515,000). During the year ended 30 June 2016, no dividends were received from the investment in DataHawk (2015: 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.

Note 14 – Controlled Entities

Note: Subsidiaries are indented beneath their parent entity	Country of Incorporation	Date of Control	Percentage Owned 2016	Percentage Owned 2015
• **Engenco Limited**	Australia			
▪ Convair Engineering Pty Ltd	Australia	1 Jul 06	100	100
▪ Engenco Logistics Pty Ltd	Australia	1 Jul 06	100	100
• Asset Kinetics Pty Ltd	Australia	1 Jul 06	100	100
▪ Engenco Investments Pty Ltd	Australia	18 Apr 07	100	100
• Australian Rail Mining Services Pty Ltd	Australia	30 Apr 07	100	100
• Centre for Excellence in Rail Training Pty Ltd	Australia	30 Apr 07	100	100
• EGN Rail Pty Ltd	Australia	30 Apr 07	100	100
• EGN Rail (NSW) Pty Ltd	Australia	30 Apr 07	100	100
• Midland Railway Company Pty Ltd	Australia	30 Apr 07	100	100
• Momentum Rail (Vic) Pty Ltd	Australia	30 Apr 07	100	100
• Momentum Rail (WA) Pty Ltd	Australia	30 Apr 07	100	100
• Sydney Railway Company Pty Ltd	Australia	30 Apr 07	100	100
• Greentrains Limited [1]	Australia	17 Jul 09	81	81
* Greentrains Leasing Pty Ltd	Australia	18 Jun 08	100	100
▪ Drivetrain Power and Propulsion Pty Ltd	Australia	1 Jul 06	100	100
• Drivetrain Australia Pty Ltd	Australia	1 Jul 06	100	100
* DTPP Energy Pty Ltd	Australia	25 May 10	100	100
* Drivetrain Philippines Inc	Philippines	1 Jul 07	100	100
* Drivetrain Singapore Pte Ltd	Singapore	1 Jul 07	100	100
* Drivetrain Limited	New Zealand	1 Jul 07	100	100
* Drivetrain USA Inc	USA	31 Dec 08	100	100
○ Hyradix Inc	USA	31 Dec 08	100	100
* Hedemora Investments AB	Sweden	1 Jul 06	100	100
○ Hedemora Turbo & Diesel AB (formerly 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 2016 $000	Consolidated Group 2015 $000
LAND AND BUILDINGS		
Freehold land:		
- At cost	53	53
Total Land	53	53
Buildings:		
- At cost	806	812
- Less accumulated depreciation	(577)	(553)
Total Buildings	229	259
TOTAL LAND AND BUILDINGS	282	312
PLANT AND EQUIPMENT		
Plant and equipment:		
- At cost	82,028	78,188
- Accumulated depreciation and impairment	(59,436)	(54,771)
- Transfer to Assets Held for Sale	(5,512)	-
Total Plant and Equipment	17,080	23,417
Leasehold improvements:		
- At cost	2,966	3,552
- Accumulated depreciation	(2,166)	(1,792)
Total Leasehold Improvements	800	1,760
Leased plant and equipment:		
- Capitalised leased assets	1,247	1,271
- Accumulated depreciation	(920)	(870)
Total Leased Plant and Equipment	327	401
TOTAL PLANT AND EQUIPMENT	18,207	25,578
TOTAL PROPERTY, PLANT AND EQUIPMENT	18,489	25,890

(a) Security

Property, Plant and Equipment of $17,195,000 (2015: $23,168,000) was pledged as security as part of the Group's total financing arrangements as at the reporting date.

Note 15 – Property, Plant and Equipment (cont'd)

(b) Reconciliation of Carrying Amounts

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

	Consolidated Group					
	Freehold Land $000	Buildings $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Plant and Equipment $000	Total $000
BALANCE AT 1 JULY 2014	53	292	1,971	54,536	555	57,407
Additions	-	-	357	2,415	2	2,774
Disposals	-	-	(190)	(1,067)	-	(1,257)
(Impairment) / reversal of impairment	-	-	-	(24,434)	-	(24,434)
Depreciation expense	-	(33)	(378)	(8,033)	(156)	(8,600)
BALANCE AT 30 JUNE 2015	53	259	1,760	23,417	401	25,890
Additions	**-**	**-**	**259**	**1,650**	**-**	**1,909**
Disposals	**-**	**(6)**	**(945)**	**(403)**	**(24)**	**(1,378)**
(Impairment) / reversal of impairment	**-**	**-**	**100**	**2,593**	**-**	**2,693**
Transfer to assets held for sale	**-**	**-**	**-**	**(5,512)**	**-**	**(5,512)**
Depreciation expense	**-**	**(24)**	**(374)**	**(4,665)**	**(50)**	**(5,113)**
BALANCE AT 30 JUNE 2016	**53**	**229**	**800**	**17,080**	**327**	**18,489**

Property, plant and equipment was impaired by $24,434,000 in the previous financial year.

(c) Impairment Loss and Subsequent Reversal

In previous reporting periods, the carrying value of rollingstock property, plant and equipment had been impaired following comprehensive impairment and valuation reviews. On 28 April 2016, Greentrains Limited entered into an asset sale agreement to sell the majority of its locomotive fleet to Holdco Holdings Pty Ltd. As at 30 June 2016 the locomotive fleet was classified as assets held for sale. The assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell. The remeasurement of the property, plant and equipment assets upon the reclassification to assets held for sale resulted in a reversal of impairment of $2,651,998.

Note 16 – Intangible Assets

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
OTHER IDENTIFIABLE INTANGIBLES		
Cost:		
Opening balance	**12,959**	12,959
Additions	**-**	-
Closing balance	**12,959**	12,959
Accumulated amortisation:		
Opening balance	**(11,840)**	(10,980)
Amortisation for the year	**(462)**	(860)
Closing balance	**(12,302)**	(11,840)
Net book value	**657**	1,119
TOTAL INTANGIBLE ASSETS		
At cost	**12,959**	12,959
Accumulated amortisation and impairment	**(12,302)**	(11,840)
Net book value	**657**	1,119

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

Note 17 – Other Assets

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
CURRENT		
Other current assets	**2,274**	32
Prepayments	**860**	1,038
TOTAL CURRENT OTHER ASSETS	**3,134**	1,070

Note 18 – Trade and Other Payables

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
CURRENT		
Unsecured liabilities:		
Trade payables	**9,638**	11,966
Sundry payables and accrued expenses	**1,586**	1,517
Deferred income	**60**	1,759
TOTAL TRADE AND OTHER PAYABLES	**11,284**	15,242

Note 19 – Financial Liabilities

	Note	Consolidated Group 2016 $000	Consolidated Group 2015 $000
CURRENT			
Secured liabilities:			
Bank overdrafts	25(a)	211	640
Lease liability	23(a)	-	201
Loans from related parties	28(b)	16,674	19,809
TOTAL CURRENT FINANCIAL LIABILITIES		16,885	20,650

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 29 – Financial Risk Management.

(a) Collateral Provided

Bank facility

The bank facility of $2,000,000 with the Commonwealth Bank of Australia (CBA) is secured by a cash deposit into a secured bank account. The facility was extended on 18 August 2016 and now matures on 30 June 2018.

Related party debt and facility

The related party debt with Elph Pty Ltd (Elph) is secured by first registered fixed and floating charges over assets owned by Greentrains Limited and certain rail wagon assets owned by Gemco Rail Pty Ltd.

The Group has a funding facility of $9,000,000 with Elph which remained undrawn during the financial year ended 30 June 2016. A financial covenant agreed between the Group and Elph is:

i. **Debt Service Cover Ratio,** (the ratio of EBITDA, less capital expenditure and any change to working capital, to gross interest expense) to be greater than 2.0 times.

On 25 August 2016 the Group agreed an extension to 30 April 2018. It also negotiated a limit increase to $15,000,000 of the funding facility with Elph Pty Ltd, subject to certain conditions precedent.

Defaults and breaches

There were no defaults or breaches during the year ended 30 June 2016 on any of the above mentioned facilities.

Lease liabilities

Lease liabilities are secured by underlying leased assets.

(b) Debt Facilities and Credit Standby Arrangements

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

	Facility Available 2016 $000	Facility Used 2016 $000	Maturity Dates 2016	Facility Available 2015 $000	Facility Used 2015 $000	Maturity Dates 2015	Interest Basis
- Working Capital Multi Option Facility	2,000*	1,417	Nov-16	13,000	1,973	Oct-15	Floating
- Swedish Overdraft Facility (SEK)	1,897	-	Dec-16	1,879	634	Dec-15	Floating
- Greentrains Loan Facility	16,674	16,674	Sep-16	19,809	19,809	Sep-15	Floating
- Elph Funding Facility	9,000	-	Oct-16	-	-	-	Fixed
- Leases	-	-	-	201	201	Various	Fixed
	29,571	18,091		34,889	22,617		

* Comprises net bank overdrafts, off balance sheet bank guarantees and business credit cards of $2,000,000, and other trade products.

Note 20 – Tax Assets and Liabilities

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
CURRENT		
Income tax payable	537	455
TOTAL	537	455

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	1,201	-	(89)	-	-	-	1,112
Balance at 30 June 2015	1,201	-	(89)	-	-	-	1,112
Other	1,112	-	(639)	-	-	-	473
Balance at 30 June 2016	1,112	-	(639)	-	-	-	473
Deferred tax assets:							
Provisions	189	-	(11)	-	-	-	178
Accruals	-	-	7	-	-	-	7
Losses	-	-	-	-	-	-	-
Other	(4)	-	-	-	-	-	(4)
Balance at 30 June 2015	185	-	(4)	-	-	-	181
Provisions	178	-	(36)	-	-	-	142
Accruals	7	-	(7)	-	-	-	-
Losses	-	-	-	-	-	-	-
Other	(4)	-	(13)	-	-	-	(17)
Balance at 30 June 2016	181	-	(56)	-	-	-	125

The Company has estimated carry forward operating tax losses of $119,159,128 at June 2016 (2015: $107,769,949) 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 Contracts $000	Restruc-turing $000	Other $000	Total $000
BALANCE AT 1 JULY 2015	1,865	2,641	71	290	335	2,114	7,316
Provisions raised	555	1,882	570	13	651	756	4,427
Transfers in / (out)	-	-	130	-	(130)	-	-
Provisions used	(271)	(1,929)	(71)	(75)	(408)	(1,867)	(4,621)
BALANCE AT 30 JUNE 2016	**2,149**	**2,594**	**700**	**228**	**448**	**1,003**	**7,122**
Current	**1,728**	**2,594**	**700**	**228**	**448**	**1,003**	**6,701**
Non-current	**421**	**-**	**-**	**-**	**-**	**-**	**421**
BALANCE AT 30 JUNE 2016	**2,149**	**2,594**	**700**	**228**	**448**	**1,003**	**7,122**

(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

Restructuring provisions include make-good costs and redundancies announced before the reporting date.

Other provisions

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

Note 22 – Issued Capital and Reserves

(a) Share Capital

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
310,891,432 (2015: 310,891,432) fully paid ordinary shares with no par value	**302,260**	302,260
	302,260	302,260

Ordinary shares

	2016 No.	2015 No.
At beginning of reporting period	**310,891,432**	310,891,432
At reporting date	**310,891,432**	310,891,432

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

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

(b) Nature and Purpose of Reserves

Foreign currency translation reserve

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

(c) Dividends

The directors have decided not to declare a final dividend.

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
(a) DECLARED AND PAID		
Final dividend of Nil (2015: Nil) cents per share	**-**	-
(b) FRANKING CREDIT BALANCE		
Amount of franking credits available to shareholder of Engenco Limited for subsequent financial years are:		
Franking account balance as at the end of the financial year at 30% (2015: 30%)	**11,253**	11,253

Note 23 – Capital and Leasing Commitments

LEASES AS LESSEE	Note	Consolidated Group 2016 $000	Consolidated Group 2015 $000
(a) Finance Lease Commitments			
Payable - minimum lease payments:			
- not later than 12 months		-	211
Minimum lease payments		-	211
Future finance charges		-	(10)
Present value of minimum lease payments	19	-	201
(b) Operating Lease Commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Payable - minimum lease payments			
- not later than 12 months		4,087	5,238
- between 12 months and 5 years		12,575	14,711
- greater than 5 years		7,707	12,229
		24,369	32,178

The Group's finance lease commitments related 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 2016, $5,249,000 was recognised as an expense in the Statement of Profit or Loss and OCI in respect of operating leases (2015: $7,068,000).

(c) Contractual Commitments

At 30 June 2016, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2015: Nil).

LEASES AS LESSOR	Consolidated Group 2016 $000	Consolidated Group 2015* $000
(d) Operating Lease Receivables		
Receivable - minimum lease payments		
- not later than 12 months	1,219	1,673
- between 12 months and 5 years	725	541
- greater than 5 years	559	672
	2,503	2,886

*The 2015 comparatives have been restated to include asset leases to customers excluded from the prior year's financial report.

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

Note 24 – Operating Segments

Basis of Segmentation

Identification of Reportable Segments

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

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

Types of Products and Services by Segment

The chief operating decision maker considers the business from a Business Line perspective and 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.

(c) Convair Engineering (Convair)

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

(d) Total Momentum

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

(e) Gemco Rail

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

(f) Greentrains

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

(g) All Other

This includes the parent entity and consolidation / inter-segment 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 Managing Director/CEO as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions

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

(c) Segment assets

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

(d) Segment liabilities

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

(e) Unallocated items

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

- Deferred tax assets and liabilities.

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Note 24 - Operating Segments (cont'd)

Information about Reportable Segments

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

(i) Segment Performance

Year ended 30 June 2016

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	All Other	Sub-Total	Greentrains	Consolidated Group
	$000	$000	$000	$000	$000	$000	$000	$000	$000
REVENUE									
External revenue	57,137	8,355	13,213	9,694	44,118	114	132,631	2,554	135,185
Inter-segment revenue	169	35	-	15	1,362	255	1,836	-	1,836
Interest revenue	18	-	8	-	-	107	133	-	133
TOTAL SEGMENT REVENUE	57,324	8,390	13,221	9,709	45,480	476	134,600	2,554	137,154
Reconciliation of segment revenue to Group revenue									
Inter-segment elimination	-	-	-	-	-	(1,836)	(1,836)	-	(1,836)
TOTAL GROUP REVENUE							132,764		135,318
SEGMENT EBITDA excluding significant items	5,711	2,123	694	1,263	5,263	(8,332)	6,722	4,356*	11,078
Reconciliation of segment EBITDA excluding significant items to Group net profit / (loss) before tax:									
Depreciation and amortisation	(786)	(72)	(217)	(20)	(2,265)	(726)	(4,086)	(1,489)	(5,575)
Finance costs	(54)	(25)	(9)	(1)	(5)	(332)	(426)	(1,224)	(1,650)
Significant items:									
Intercompany loan debt forgiveness	4,568	-	-	-	-	(4,568)	-	-	-
NET PROFIT / (LOSS) BEFORE TAX	9,439	2,026	468	1,242	2,993	(13,958)	2,210	1,643	3,853

*Includes reversal of impairment of property, plant and equipment of $2,652,000

Note 24 – Operating Segments (cont'd)

Year ended 30 June 2015

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	All Other	Sub-Total	Greentrains	Consolidated Group
	$000	$000	$000	$000	$000	$000	$000	$000	$000
REVENUE									
External revenue	50,525	8,882	14,683	17,245	35,557	14	126,906	6,803	133,709
Inter-segment revenue	218	54	-	114	3,482	-	3,868	60	3,928
Interest revenue	3	-	35	-	8	76	122	3	125
TOTAL SEGMENT REVENUE	50,746	8,936	14,718	17,359	39,047	90	130,896	6,866	137,762
Reconciliation of segment revenue to Group revenue									
Inter-segment elimination	-	-	-	-	-	(3,928)	(3,928)	-	(3,928)
TOTAL GROUP REVENUE							126,968		133,834
SEGMENT EBITDA excluding significant items	1,708	2,820	1,734	1,293	2,737	(7,781)	2,511	4,293	6,804
Reconciliation of segment EBITDA excluding significant items to Group net profit / (loss) before tax:									
Depreciation and amortisation	(890)	(82)	(156)	(212)	(2,530)	(1,110)	(4,980)	(4,480)	(9,460)
Finance costs	(54)	(21)	(9)	(23)	(9)	(614)	(730)	(1,446)	(2,176)
Significant items:									
Restructuring costs	(443)	-	-	-	(205)	-	(648)	-	(648)
Impairment of inventory	-	-	-	-	(1,734)	-	(1,734)	(656)	(2,390)
Impairment of property, plant and equipment	-	-	-	-	-	-	-	(24,434)	(24,434)
NET PROFIT / (LOSS) BEFORE TAX	321	2,717	1,569	1,058	(1,741)	(9,505)	(5,581)	(26,723)	(32,304)

2015 comparatives have been restated for the current year classifications of continuing and discontinued operations.

Note 24 - Operating Segments (cont'd)

(ii) Segment Assets

As at 30 June 2016

Reportable Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	All Other	Sub-Total	Green-trains	Consolidated Group
	Continuing Operations							Discontinued Operation	
	$000	$000	$000	$000	$000	$000		$000	$000
ASSETS									
Segment assets (excl. capital expenditure, investments and intangibles)	44,889	7,481	15,931	3,446	27,080	(15,984)	82,843	5,884	88,727
Capital expenditure	424	21	216	4	476	325	1,466	443	1,909
Investments	7	-	-	-	-	106	113	-	113
Intangibles	-	-	-	-	-	657	657	-	657
Reconciliation of segment assets to Group assets:									
Segment eliminations	-	-	-	-	-	-	-	-	(6,136)
Unallocated Items:									
Deferred tax assets	-	-	-	-	-	-	-	-	125
TOTAL ASSETS	45,320	7,502	16,147	3,450	27,556	(14,896)	85,079	6,327	85,395

Note 24 - Operating Segments (cont'd)

As at 30 June 2015

Reportable Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green-trains	All Other	Consolidated Group
	$000	$000	$000	$000	$000	$000	$000	$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 24 - Operating Segments (cont'd)

(iii) Segment Liabilities

As at 30 June 2016

	Continuing Operations							Discontinued Operation	
Reportable Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	All Other*	Sub-Total	Green-trains	Consolidated Group
	$000	$000	$000	$000	$000	$000	$000	$000	$000
LIABILITIES									
Segment liabilities	57,343	693	5,403	505	86,333	(118,239)	32,038	9,926	41,964
Reconciliation of segment liabilities to Group liabilities:									
Segment eliminations	-	-	-	-	-	-	-	-	(6,136)
Unallocated Items:									
Deferred tax liabilities	-	-	-	-	-	-	-	-	473
TOTAL LIABILITIES	57,343	693	5,403	505	86,333	(118,239)	32,038	9,926	36,301

*The related party loan with Elph Pty Ltd of $16,674,000 has been disclosed as part of the 'All Other' segment in the current reporting period. This was previously disclosed as part of the 'Greentrains' segment, now classified as a Discontinued Operation. The related party loan is to be repaid through means of the Greentrains assets now disclosed as assets held for sale, and under the parent company guarantee with Engenco Limited.

Note 24 - Operating Segments (cont'd)

As at 30 June 2015

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green-trains	All Other	Consolidated 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 24 - Operating Segments (cont'd)

(iv) Geographical Information

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

Revenue	**Consolidated Group 2016 $000**	Consolidated Group 2015 $'000
Australasia	**126,413**	123,588
Europe	**8,851**	9,641
United States of America	**54**	605
TOTAL REVENUE	**135,318**	133,834

Assets	**Consolidated Group 2016 $000**	Consolidated Group 2015 $000
Australasia	**72,119**	69,705
Europe	**13,190**	18,403
United States of America	**86**	1,536
TOTAL ASSETS	**85,395**	89,644

(v) Major customers

Revenues from one customer of the Group's Drivetrain Power & Propulsion segment represented greater than 10% of the Group's total revenue in the current year.

Note 25 – Cash Flow Information

(a) Reconciliation of Cash at End of Financial Year

	Note	**Consolidated Group 2016 $000**	Consolidated Group 2015 $000
Cash and cash equivalents	9	**11,517**	4,798
Bank overdrafts	19	**(211)**	(640)
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR		**11,306**	4,158

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

	Consolidated Group 2016 $000	Consolidated Group 2015 $000
PROFIT (LOSS) AFTER INCOME TAX	**4,140**	(32,670)
Adjustments for non-cash items:		
- Depreciation	**5,113**	8,600
- Other Intangibles amortisation	**462**	860
- (reversal of) / impairment losses on property, plant and equipment	**(2,693)**	24,434
- (reversal of) / impairment losses on inventory	**1,954**	2,390
- Net finance costs	**1,599**	2,128
- Income tax expense / (benefit)	**(287)**	366
- Gain on sale of property, plant and equipment	**(138)**	(369)
	10,150	5,739
Changes in:		
- (Increase) / decrease in trade and other receivables	**4,794**	3,002
- (Increase) / decrease in prepayments	**177**	174
- (Increase) / decrease in inventories	**1,296**	2,532
- Increase / (decrease) in trade payables and accruals	**(3,357)**	(458)
- Increase / (decrease) in provisions	**(193)**	(3,902)
Cash provided by / (used in) operating activities	**12,867**	7,087
- Net interest paid	**(1,599)**	(2,128)
- Income taxes paid	**(214)**	(392)
CASH FLOW PROVIDED BY / (USED IN) OPERATIONS	**11,054**	4,567

Note 25 – Cash Flow Information (cont'd)

(c) Cash Flow from Discontinued Operation

	2016 $000
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	4,571
Payments to suppliers and employees	(1,921)
Interest received	1
Finance costs	(1,224)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	1,427
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of non-current assets	636
Purchase of non-current assets	(445)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	191
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of borrowings	(1,668)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(1,668)
Net increase / (decrease) in cash and cash equivalents	(50)
Cash at beginning of financial year	265
CASH AT END OF FINANCIAL YEAR	215

During the financial year, loan principal repayments of $1,500,000 were made by Engenco Limited to Elph Pty Ltd, a related party, under the parent company guarantee.

Note 26 – Net Tangible Assets

	2016 Cents	2015 Cents
Net tangible assets per ordinary share: (2016: 310,891,432 shares, 2015: 310,891,432 shares)	17.6	16.3

Note 27 – Events Subsequent to Reporting Date

The Group extended its $2,000,000 multi-option facility with the Commonwealth Bank of Australia on 18 August 2016. This facility now matures on 30 June 2018.

The Group extended the maturity of its $9,000,000 revolving line of credit facility from Elph Pty Ltd (Elph) on 25 August 2016 with this facility now maturing on 30 April 2018.

In conjunction with the extension of the maturity date, the Group has also negotiated with Elph to increase the limit of this facility from $9,000,000 to $15,000,000 and has entered into binding agreements with Elph to effect this change, subject to the satisfaction of certain conditions precedent, including obtaining regulatory approval. The Group will utilise part of the enlarged facility to acquire the loan currently owed to Elph by Greentrains (Greentrains Loan Facility). This loan, which matures on 30 September 2016, is supported by a guarantee from the Company and its wholly owned Australian subsidiaries in favour of Elph. Once the conditions precedent are satisfied and these planned changes are in place, the Group's external funding arrangements are expected to be more streamlined and will enable any surplus funds to be applied more effectively to manage the Group's finance costs. Further, the Company's guarantee given in respect to the Greentrains Loan Facility will also be extinguished. The directors have reasonable expectation that the conditions precedent will be satisfied before the Greentrains Loan Facility matures.

On 28 April 2016, the Group entered into an asset sale agreement to sell the majority of its locomotive fleet to Holdco Holdings Pty Ltd, the holding company of Southern Shorthaul Railroad Pty Ltd. A selection of associated locomotive spare parts were also included in the transaction. The transaction was completed on 26 July 2016. All monies received from the locomotive fleet sale were applied to the reduction of related party loan principal.

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 2016.

Note 28 – Related Party Transactions

(a) Transactions with Key Management Personnel

(i) Key management personnel compensation

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

	2016 $	2015 $
Short-term employee benefits	**2,695,606**	3,044,466
Post-employment benefits	**337,772**	271,946
Termination benefits	**-**	38,447
Other long-term benefits	**24,206**	45,092
TOTAL	**3,057,584**	3,399,951

The prior year comparatives in the Remuneration Report have been restated to exclude the total remuneration paid to J Pas and B Thom since they left the Group in the previous reporting period. The 2015 comparatives in the table above have not been restated.

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

(ii) Key management personnel transactions

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

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

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

Note 28 – Related Party Transactions (cont'd)

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

Related Party	Director	Revenue / (Cost) for the year ended 30 June 2016 $	2015 $	Receivable / (Payable) as at 30 June 2016 $	2015 $
Elph Pty Ltd [1]	V De Santis/D Elphinstone	**(1,343,648)**	(1,445,446)	**-**	(107,295)
Elphinstone Group (Aust) Pty Ltd [2]	V De Santis/D Elphinstone	**(311,040)**	(620,105)	**(23,870)**	(73,009)
William Adams Pty Ltd [3]	V De Santis/D Elphinstone	**(25,879)**	(24,514)	**(4,141)**	-
United Equipment Pty Ltd [4]	V De Santis/D Elphinstone	**(283,955)**	(243,759)	**599**	(32,173)
Grassick SSG Pty Ltd [5]	D Hector	**(117,400)**	(131,265)	**(10.424)**	(20,490)
Energy Power Systems Australia Pty Ltd [6]	D Elphinstone	**-**	69,782	**-**	4,480
Specialised Vehicle Solutions Pty Ltd [7]	D Elphinstone	**1,068,906**	-	**24,564**	-
Southern Prospect Pty Ltd [8]	D Elphinstone	**1,811**	-	**1,992**	-

[1] Interest is charged by Elph Pty Ltd on its related party loan to Greentrains Limited. Line Fees were also incurred and paid to Elph Pty Ltd in relation to the related party funding facility with the Group. Vincent De Santis is a director of Elph Pty Ltd. Dale Elphinstone is also a director and the Chairman of this entity.

[2] Director fees and travel expense reimbursements were paid to Elphinstone Group (Aust) Pty Ltd for the services of Dale Elphinstone (Non-Executive Director) and Vincent De Santis (Chairman). Legal service fees were also paid to Elphinstone Group (Aust) Pty Ltd during the year. Vincent De Santis is a director of Elphinstone Group (Aust) Pty Ltd. Dale Elphinstone is also Chairman of this entity. Up until 5 February 2016, Elphinstone Group (Aust) Pty Ltd was known as Elphinstone Pty Ltd.

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

[4] Goods were purchased from and sold to United Equipment Pty Ltd 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 was a director of this entity until 9 March 2016 and was appointed an alternate director effective the same date.

[7] Goods were sold to Specialised Vehicle Solutions Pty Ltd during the year. Dale Elphinstone was appointed as a director of this entity from 1 June 2016.

[8] Goods were sold to Southern Prospect Pty Ltd during the year. Dale Elphinstone is the Chairman of this entity.

(b) Other related party transactions

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

Related Party Transaction	2016 $000	2015 $000
Current receivables (parent entity):		
Receivables from subsidiaries	**372**	**132**

Note 28 – Related Party Transactions (cont'd)

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

Related Party Transaction	2016 $000	2015 $000
Loans to/from subsidiaries (parent entity):		
Loans to subsidiaries	-	3,626
Loans from subsidiaries	-	(1,431)
Loans to/from other related parties:		
Loans from Elph Pty Ltd	(16,674)	(19,809)

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 $16,674,000 maturing not earlier than 30 September 2016.

Note 29 – 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 2016 $000	Consolidated Group 2015 $000
FINANCIAL ASSETS			
Cash and cash equivalents	9	11,517	4,798
Other assets	12	7	46
Trade and other receivables	10	18,865	26,932
		30,389	31,776
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost:			
- Trade and other payables	18	11,284	15,242
- Borrowings	19	16,885	20,650
		28,169	35,892

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.

Note 29 – Financial Risk Management (cont'd)

ii. Financial Risk Exposures and Management

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

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

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

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

a. Interest Rate Risk

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

Currently the Group's operations are financed using a mixture of fixed and floating rate debt. The Group 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 2016 $000**	Consolidated Group 2015 $000
FLOATING RATE INSTRUMENTS			
Bank Overdrafts		**211**	6
Swedish Overdraft Facility	19(b)	**-**	634
Greentrains Loan Facility	19(b)	**16,674**	19,809
Total		**16,885**	20,449

b. Liquidity Risk

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

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

The following tables 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.

Note 29 – Financial Risk Management (cont'd)

Financial Liability Maturity Analysis

	Consolidated Group							
	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
FINANCIAL LIABILITIES DUE FOR PAYMENT								
Bank overdrafts and loans	**16,885**	20,449	**-**	-	**-**	-	**16,885**	20,449
Trade and other payables (excluding estimated annual leave)	**11,284**	15,242	**-**	-	**-**	-	**11,284**	15,242
Finance lease liabilities	**-**	201	**-**	-	**-**	-	**-**	201
Total Expected Outflows	**28,169**	35,892	**-**	-	**-**	-	**28,169**	35,892

c. Currency Risk

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

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

d. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

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

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

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

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

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

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

Note 29 – Financial Risk Management (cont'd)

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			
	2016 Carrying Value $000	**2016 Fair Value $000**	2015 Carrying Value $000	2015 Fair Value $000
FINANCIAL ASSETS				
Cash and cash equivalents	**11,517**	**11,517**	4,798	4,798
Trade and other receivables	**18,865**	**18,865**	26,932	26,932
Other assets	**7**	**7**	46	46
	30,389	**30,389**	31,776	31,776
FINANCIAL LIABILITIES				
Trade and other payables	**11,284**	**11,284**	15,242	15,242
Lease liability	**-**	**-**	201	201
Loans and borrowings	**16,885**	**16,885**	20,449	20,449
	28,169	**28,169**	35,892	35,892

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

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

iv. Sensitivity Analysis

a. Interest Rate Risk and Currency Risk

The following 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.

Note 29 – Financial Risk Management (cont'd)

b. *Interest Rate Sensitivity Analysis*

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 2016 $000	Consolidated Group 2015 $000
CHANGE IN EARNINGS		
- Increase in interest rates by 100 basis points	(386)	(181)
- Decrease in interest rates by 100 basis points	386	181
CHANGE IN EQUITY		
- Increase in interest rates by 100 basis points	(386)	(181)
- Decrease in interest rates by 100 basis points	386	181

c. *Currency Risk Sensitivity Analysis*

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

	2016 $000	2015 $000
CHANGE IN EARNINGS		
- Improvement in AUD to SEK by 5%	(18)	(38)
- Decline in AUD to SEK by 5%	18	38
CHANGE IN EQUITY		
- Improvement in AUD to SEK by 5%	(491)	(945)
- Decline in AUD to SEK by 5%	491	945

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

v. Capital Management

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

The Group's debt and capital includes ordinary shares and financial liabilities. The gearing ratios as at 30 June 2016 and 2015 are as follows:

	2016 $000	2015 $000
Total Borrowings	16,885	20,650
Net Debt	5,368	15,852
Total Equity	49,094	44,869
TOTAL EQUITY AND NET DEBT	54,462	60,721
GEARING RATIO	11%	35%

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

Note 30 – Assets Held for Sale

On 28 April 2016, Greentrains Limited entered into an asset sale agreement to sell the majority of its locomotive fleet to Holdco Holdings Pty Ltd. A selection of associated locomotive spare parts owned by Gemco Rail Pty Ltd were also included in the transaction. As at 30 June 2016, the asset sale transactions were highly probably, and as such the locomotive fleet and locomotive spare parts are classified as assets held for sale. The assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell and comprised the following assets:

	$000
Property, Plant and Equipment	**5,512**
Inventories	**788**
ASSETS HELD FOR SALE	**6,300**

Note 31 – Contingent Liabilities

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

The Group has arranged for its bankers to guarantee its performance to third parties. The maximum amount of these guarantees at 30 June 2016 is $1,292,667 (2015: $1,640,381).

Shareholder Information

Additional Information for Listed Companies at 16 August 2016

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	514	0.06%	194,032
1,001 – 5,000	327	0.27%	856,262
5,001 – 10,000	146	0.36%	1,116,438
10,001 – 100,000	277	3.10%	9,626,340
100,001 – and over	102	96.21%	299,098,360
	1,366	100.00%	310,891,432

(b) The number of shareholdings held in less than marketable parcels (less than $500 in value) is 757.

(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	14,481,170	4.66%
6	Mr Clarence John Kelly, & Mrs Robyn Suzanne Kelly	3,655,000	1.18%
7	Mr Hugh William Maguire, & Mrs Susan Anna Maguire	2,455,311	0.79%
8	Mr Neville Leslie Esler, & Mrs Cheryl Anne Esler	2,396,925	0.77%
9	Marford Group Pty Ltd	2,243,680	0.72%
10	Mr Dennis Graham Austin, & Mrs Marilyn Alice Austin	1,512,000	0.49%
11	JP Morgan Nominees Australia Limited	1,350,790	0.43%
12	Mr Hugh William Maguire	1,300,000	0.42%
13	Neko Super Pty Ltd	1,238,312	0.40%
14	Mrs Margaret Jane Lindemann, & Mr Luke Charles Lindemann	1,000,000	0.32%
15	T B I C Pty Ltd	1,000,000	0.32%
16	Teele Family Super Pty Ltd	980,996	0.32%
17	P J M Super Pty Ltd	901,500	0.29%
18	Shymea Pty Ltd	900,000	0.29%
19	CFF Pty Ltd	758,619	0.24%
20	Simzam Nominees Pty Ltd	551,390	0.18%
		282,252,175	90.79%

(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 names of the Company Secretaries are:

Stephen Bott

Graeme Campbell

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 Information

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

Corporate Directory

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Directors

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

Dale Elphinstone
FAICD
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

Graeme Campbell
FCA, BSc
Chief Financial Officer / Company Secretary

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

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