



ASX PRELIMINARY HALF-YEAR REPORT

Engenco Limited

ASX Listing Code : EGN

ABN : 99 120 432 144

31 December 2014

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

This information should be read in conjunction with the 30 June 2014 Annual Report.

Appendix 4D

ENGENCO LIMITED AND ITS CONTROLLED ENTITIES HALF-YEAR ENDED 31 DECEMBER 2014 RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue / Profit	Movement	Change (%)	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue from ordinary activities	↑	1.6%	69,385	68,260
Reported net profit / (loss) after tax for the period	↑	53.2%	(3,444)	(7,361)
Net profit / (loss) after tax for the period attributable to members	↑	53.4%	(3,348)	(7,186)
Underlying trading profit / (loss) after tax	↑	35.7%	(3,092)	(4,810)

Note - Underlying trading profit / (loss) is a non-IFRS financial measure, which has not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group. A reconciliation of net profit / (loss) after tax and underlying trading profit / (loss) after tax for the current and prior periods is included in the Review of Operations of the interim financial statements.

Dividends	Amount Per Security Cents	Franked Amount per Security Cents
Dividends paid in respect of prior period:		
Interim dividend	0.0	0.0
Dividends declared in respect of current period:		
Interim dividend *	0.0	0.0
* No interim dividend was declared		

Net Tangible Assets	31 Dec 2014	31 Dec 2013
Net tangible assets per ordinary share: (Dec 2014: 310,891,432 shares) (Dec 2013: 310,891,432 shares)	\$0.23	\$0.27

Equity-Accounted Investee	31 Dec 2014	31 Dec 2013
Percentage of equity owned:		
DataHawk Pty Ltd	50%	50%

ENGENCO LIMITED AND ITS CONTROLLED ENTITIES
INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 December 2014

Contents

Directors' Report.....	2
Lead Auditor's Independence Declaration	5
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Interim Financial Statements	10
Note 1 – Significant Accounting Policies	10
Note 2 – Earnings Per Share	12
Note 3 – Issued Capital	12
Note 4 – Operating Segments	13
Note 5 – Assets Pledged as Security	19
Note 6 – Restructuring Costs	19
Note 7 – Contingent Liabilities	19
Note 8 – Income Tax Expense	19
Note 9 – Events Subsequent to Reporting Date	19
Note 10 – Related Party Transactions	20
Note 11 – Equity-Accounted Investee	20
Directors' Declaration	21
Independent Auditor's Review Report	22
Corporate Directory	24

These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Engenco Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The directors present their report, together with the condensed consolidated interim financial statements of the Group, being Engenco Limited ("the Company") and its controlled entities for the half year ended 31 December 2014 and the auditor's review report thereon.

Names of Directors

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

Dale Elphinstone (Non-Executive Director / Chairman)	Full period
Vincent De Santis (Non-Executive Director)	Full period
Donald Hector (Non-Executive Director)	Full period
Ross Dunning (Non-Executive Director) ¹	Full period
Kevin Pallas (Managing Director) ¹	Appointed to the board on 17 December 2014

¹ Ross Dunning retired as Interim Managing Director on 31 January 2015 and returned to the position of Non-Executive Director. Kevin Pallas was appointed as Managing Director and CEO on 1 February 2015.

Review of Operations

The Group recorded a net loss after tax for the 6 months ended 31 December 2014 of \$3,444,000 compared to a loss of \$7,361,000 in the corresponding period last financial year. The result represents another improvement even though markets remain very subdued, with revenue growing by a relatively small 1.6% compared to the same period last year. Competitive forces remained strong in the face of the continued decline in activity in key Australian market sectors including mining, construction and resources. Customers are persisting in cost reductions by limiting expense on maintenance, repair and overhaul of their assets, as well as on new equipment investments. The rollingstock rental market remained depressed due to being oversupplied.

Total Momentum and Gemco Rail were most affected by the tough market conditions in the resources sector which has had flow-on effects in the rail industry leading to some lost revenues. Drivetrain Power & Propulsion (Drivetrain), Centre for Excellence in Rail Training (CERT), Convair Engineering (Convair) and Greentrains all recorded improved revenue.

The resultant consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) excluding significant items was \$3,387,000 (H1 2014: \$1,975,000). Most major cost saving and restructuring initiatives were completed in the half, particularly those relating to site consolidations. Involuntary staff terminations were minimal as the right-sizing of the business nears completion.

Compared to the first half last year, consolidated earnings of the Group before interest and tax (EBIT) excluding significant items showed a marked improvement as did the reported net result, albeit on a relatively small revenue increase.

	H1 2015 \$000	H1 2014 \$000
Revenue	69,385	68,260
EBITDA excluding significant items ²	3,387	1,975
EBIT excluding significant items ¹	(1,388)	(3,273)
Reported net profit / (loss) after tax for the period	(3,444)	(7,361)
Underlying trading loss ³	(3,092)	(4,810)

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

² EBITDA is EBIT before depreciation and amortisation.

³ Underlying trading loss is net loss after tax excluding significant items.

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

The table below shows the reconciliation of net profit / (loss) after tax to underlying trading loss:

	H1 2015 \$000	H1 2014 \$000
Profit / (loss) after tax for the period	(3,444)	(7,361)
Significant Items:		
Impairment of inventory	-	552
Impairment of accounts receivable	-	465
Onerous contract provision	-	276
Staff termination costs	-	1,258
Restructuring costs	352	-
Underlying trading loss ³	(3,092)	(4,810)

³ Underlying trading loss is net loss after tax excluding significant items.

Drivetrain businesses showed some good recovery in revenue streams which is reflective of a more efficient, aggressive and customer responsive marketing effort. Some encouraging sales were also recorded in the gas compression sector. Stronger relationships with key agency partners and suppliers have been developed which has helped entrench Drivetrain's position not only in the energy sector but also in the off-highway components, spare parts and maintenance markets. However, competition is very strong as suppliers respond to the continued downturn in mining based construction and services related activity, and these conditions are expected to endure for the foreseeable future. The Swedish business performed reasonably well but also experienced subdued conditions in the diesel engine service and parts supply business, somewhat balanced by improving turbocharger business prospects. The cost saving and management rationalisation measures recently implemented in Australia were clearly appropriate and have certainly been key to the improved profit performance of the business.

It was a challenging period for Gemco Rail and Total Momentum given the difficult conditions again being experienced by most players in the Australian rail bulk freight, rail infrastructure and rollingstock maintenance sectors. Gemco Rail's revenue and profitability were negatively impacted by lower rental income from maintained rollingstock, but there were encouraging signs and improved prospects in the locomotive maintenance and wheelset servicing business. In Total Momentum, the focus on better quality labour hire opportunities resulted in a slightly better profit result compared to the previous year although on lower revenue.

Gemco Rail is leveraging its position and is increasingly being recognised as a high quality, independent rail maintenance alternative in this market. Further modernisation and productivity improvement investments are underway in the Forrestfield and Dynon facilities. Second half revenue and profitability is likely to be better than the first half but timing and scale is dependent on the success of a range of work that is likely to follow the current phase of tendering activity.

CERT's performance is particularly pleasing and the rail competency and skills training business is taking advantage of the opportunities that have been developed over the last few years, including participation in government funded programmes. Continued investment in courseware development as well as in relevant training and compliance technology tools is placing CERT ahead of its competitors as the national regulatory framework becomes even more complex. CERT's strong business performance is expected to continue in the foreseeable future.

Greentrains' leasing revenue improved marginally as a result of penetration into the refurbished locomotive rental market, and through lower rental abatement as the fleet reliability responds positively to focused heavy maintenance investments. The rollingstock rental market remains oversupplied however and consequently the generally uncertain conditions remains challenging to the industry.

Convair's revenue result is reflective of an improved environment and customers recommencing capital expenditure programmes. Convair continues to differentiate itself by offering innovative pressurised dry bulk tanker solutions whilst remaining cost competitive at the quality end of the market. Highly efficient manufacturing techniques and continuous improvement initiatives have ensured good profitability outcomes in the Epping based facility, which has now been expanded to include dedicated repairs and maintenance capacity. The improved prospects are expected to continue in the second half.

Continued focus on working capital management as well as a judicious capital expenditure programme and improved EBITDA resulted in a satisfactory consolidated Group cash generating performance.

The Group's recovery to a profitable position has been slowed somewhat mainly due to external factors and the generally soft market conditions, however the Company's performance continues to trend in the right direction. The board and management are determined to continue the work being done and remain confident of the future prospects for the Group.

Events Subsequent to Reporting Date

On 17 December 2014, the Company announced that Ross Dunning would retire from the position as Interim Managing Director effective 31 January 2015. Kevin Pallas was appointed to the position of Managing Director and Chief Executive Officer effective 1 February 2015.

Other than the above, there has not arisen, in the interval between 31 December 2014 and the date of this report, any item, transaction or event which would have a material effect on the condensed consolidated interim financial statements of the Group at 31 December 2014.

Rounding of Amounts

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

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 5, and forms part of the Directors' Report for the half year ended 31 December 2014.

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

On behalf of the Directors



Dale Elphinstone

Non-Executive Director (Chairman)

26 February 2015

Lead Auditor's Independence Declaration



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

To: the directors of Engenco Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
26 February 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Liability limited by a scheme approved under Professional Standards Legislation.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half year ended 31 December 2014

	Note	Consolidated Group 31 Dec 14 \$'000	Consolidated Group 31 Dec 13 \$'000
Revenue		69,385	68,260
Other income		611	1,400
Changes in inventories of finished goods and work in progress		(1,379)	(467)
Raw materials and consumables used		(26,673)	(27,568)
Employee benefits expense		(26,987)	(30,119)
Depreciation and amortisation expense		(4,775)	(5,248)
Finance costs		(1,235)	(1,061)
Subcontract freight		(712)	(904)
Repairs and maintenance		(975)	(644)
Insurances		(861)	(916)
Rent and outgoings		(4,320)	(4,089)
Vehicle expenses		(176)	(352)
Fuel		(120)	(137)
Foreign exchange movements		(15)	168
Other expenses		(4,411)	(5,092)
Share of loss of equity-accounted investee, net of tax	11	(332)	(116)
PROFIT / (LOSS) BEFORE INCOME TAX		(2,975)	(6,885)
Income tax expense	8	(469)	(476)
PROFIT / (LOSS) FOR THE PERIOD		(3,444)	(7,361)
<i>Profit / (loss) attributable to:</i>			
Owners of the Company		(3,348)	(7,186)
Non-controlling interest		(96)	(175)
		(3,444)	(7,361)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of overseas subsidiaries		112	1,100
Other comprehensive income for the period, net of tax		112	1,100
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(3,332)	(6,261)
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		(3,236)	(6,086)
Non-controlling interest		(96)	(175)
		(3,332)	(6,261)
EARNINGS PER SHARE		Cents	Cents
<i>FROM CONTINUING OPERATIONS</i>			
Basic earnings per share (cents per share)	2	(1.08)	(2.31)
Diluted earnings per share (cents per share)	2	(1.08)	(2.31)

The notes on pages 10 to 20 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 December 2014

	Note	Consolidated Group 31 Dec 14 \$'000	Consolidated Group 30 Jun 14 \$'000
CURRENT ASSETS			
Cash and cash equivalents		4,899	4,370
Trade and other receivables		25,306	29,947
Inventories		32,989	34,368
Current tax receivables		-	14
Other current assets		2,217	1,231
TOTAL CURRENT ASSETS		65,411	69,930
NON-CURRENT ASSETS			
Financial assets		24	34
Equity-accounted investee		312	359
Property, plant and equipment		54,171	57,407
Deferred tax assets		244	185
Intangible assets		1,549	1,979
TOTAL NON-CURRENT ASSETS		56,300	59,964
TOTAL ASSETS		121,711	129,894
CURRENT LIABILITIES			
Trade and other payables		15,368	16,618
Financial liabilities		21,412	22,819
Current tax liabilities		693	409
Provisions		7,094	9,700
TOTAL CURRENT LIABILITIES		44,567	49,546
NON-CURRENT LIABILITIES			
Financial liabilities		90	202
Provisions		1,758	1,518
Deferred tax liabilities		1,201	1,201
TOTAL NON-CURRENT LIABILITIES		3,049	2,921
TOTAL LIABILITIES		47,616	52,467
NET ASSETS		74,095	77,427
Issued capital	3	302,260	302,260
Reserves		604	492
Retained earnings / (accumulated losses)		(227,649)	(224,301)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		75,215	78,451
Non-controlling interest		(1,120)	(1,024)
TOTAL EQUITY		74,095	77,427

The notes on pages 10 to 20 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the half year ended 31 December 2014

Consolidated Group	Issued Capital Ordinary Shares \$'000	Retained Earnings / (Accumula- ted Losses) \$'000	Foreign Currency Translation Reserve \$'000	Sub-Total \$'000	Non- Controlling Interest \$'000	Total Equity \$'000
BALANCE AT 1 JULY 2013	302,260	(213,044)	591	89,807	(778)	89,029
Total comprehensive income for the period	-	(7,186)	1,100	(6,086)	(175)	(6,261)
TOTAL COMPREHENSIVE INCOME	-	(7,186)	1,100	(6,086)	(175)	(6,261)
BALANCE AT 31 DECEMBER 2013	302,260	(220,230)	1,691	83,721	(953)	82,768

Consolidated Group	Issued Capital Ordinary Shares \$'000	Retained Earnings / (Accumula- ted 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
Total comprehensive income for the period	-	(3,348)	112	(3,236)	(96)	(3,332)
TOTAL COMPREHENSIVE INCOME	-	(3,348)	112	(3,236)	(96)	(3,332)
BALANCE AT 31 DECEMBER 2014	302,260	(227,649)	604	75,215	(1,120)	74,095

The notes on pages 10 to 20 are in integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

for the half year ended 31 December 2014

	Consolidated Group 31 Dec 14 \$'000	Consolidated Group 31 Dec 13 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	75,438	81,455
Payments to suppliers and employees	(70,826)	(77,325)
Interest received	27	58
Finance costs	(1,235)	(1,061)
Income tax received / (paid)	(239)	(230)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	3,165	2,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	553	303
Purchase of non-current assets	(1,419)	(1,030)
Investment in equity-accounted investee	(250)	(542)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(1,116)	(1,269)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	-
Repayment of borrowings	(109)	(1,478)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	(109)	(1,478)
Net increase / (decrease) in cash and cash equivalents	1,940	150
Cash (net of bank overdrafts) at beginning of period	2,767	4,191
CASH (NET OF BANK OVERDRAFTS) AT END OF PERIOD	4,707	4,341

Reconciliation of Cash and Cash Equivalents

	31 Dec 14 \$'000	31 Dec 13 \$'000
<i>Cash at the end of the financial period as shown in the Condensed Consolidated Statement of Cash Flows is reconciled to items in the Condensed Consolidated Statement of Financial Position as follows:</i>		
Cash and cash equivalents	4,899	4,969
Bank overdrafts (disclosed in current 'Financial Liabilities')	(192)	(628)
	4,707	4,341

As at reporting date, where the Group has the legally enforceable right of set-off and intention to settle on a net basis within the CBA facility, the Group has set-off bank overdrafts of \$16,147,000 (2013: \$15,580,000) against cash and cash equivalents of \$18,394,000 (2013: \$17,289,000) resulting in a net cash position of \$2,247,000 (2013: \$1,709,000).

The notes on pages 10 to 20 are an integral part of the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements for the half year ended 31 December 2014

Note 1 – Significant Accounting Policies

Reporting Entity

Engenco Limited (the “Company”) is a for-profit company domiciled in Australia. These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group primarily is involved in the delivery of a diverse range of engineering services and products.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2014 are available upon request from the Company’s registered office at Level 22, 535 Bourke Street, Melbourne, VIC 3000 or at www.engenco.com.au.

Basis of Preparation

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

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2014. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Engenco Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

These interim financial statements were approved by the Board of Directors on 26 February 2015.

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

Significant Accounting Policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 30 June 2014. The following changes will also be reflected in the Group’s consolidated financial statements for the year ended 30 June 2015.

Changes in Accounting Policies

The Group has adopted all new standards and amendments to standards required for adoption effective 1 July 2014. The standards adopted did not have an impact on the amounts reported in the Group’s interim financial statements.

New Accounting Standards and Interpretations Issued but Not Yet Effective

There are a number of new accounting standards and interpretations issued but not yet effective in the Group’s current financial year. These new accounting standards and interpretations are not early-adopted by the Group.

Going Concern

The half year financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity, and the realisation of assets and the settlement of liabilities in the ordinary course of business without the necessity to curtail or dispose of a material part of the operations.

At the time of issuing this report, the Group has available debt facilities (bank overdraft facility and bank guarantees) with the Commonwealth Bank of Australia (CBA) which are due to expire on 31 October 2015, and then subject to annual review. As at 31 December 2014, Engenco Limited (excluding Greentrains Limited and Drivetrain Sweden AB) was within its loan covenants with CBA.

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

Going Concern (cont'd)

Greentrains Limited (an 81% owned subsidiary of Engenco Limited) has a debt facility with a related party, Elph Pty Ltd (Elph). Elph Pty Ltd and Elph Investments Pty Ltd together hold 65.05% of the issued ordinary shares in Engenco Limited. The facility is secured by assets owned by Greentrains Limited and rail wagon assets owned by Gemco Rail Pty Ltd (a 100%-owned subsidiary of Engenco Limited). The facility is non-recourse to the Group's other assets. The Elph debt facility has requirements for quarterly fixed principal repayment and the facility is due to expire on 30 September 2015. By mutual agreement between Elph and Greentrains Limited during the period, the December 2014 quarterly principal repayment was made on 5 January 2015. The Elph debt facility is also subject to termination events linked to covenants.

Based on current management forecasts, Greentrains Limited will not be able to meet all of the covenants under the Elph debt facility and variations to covenants or breach waivers may be required to be sought from Elph.

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

- Renegotiate and extend the Group's major facilities;
- Renegotiate the Elph facility covenants or, if required, obtain waivers for covenant breaches under this facility; and
- Achieve sufficient cash flows from operations.

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

After making enquiries, and considering the uncertainties described above, the directors are satisfied that the Group will have sufficient cash and undrawn facilities to continue to operate and pay its debts as and when they fall due for at least the 12 month period from the date of signing this interim financial report. For these reasons, the directors have determined that it is appropriate for the Group to continue to adopt the going concern basis in preparing this financial report, and no adjustments have been made to the carrying value and classification of assets and the amount and classification of liabilities that may be required if the Group does not continue as a going concern.

Use of Judgements and Estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

Note 2 – Earnings Per Share

	Consolidated Group 31 Dec 14 \$'000	Consolidated Group 31 Dec 13 \$'000
(a) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS		
Profit / (loss) for the period	(3,444)	(7,361)
Attributable to non-controlling interest	96	175
Earnings used to calculate basic EPS	(3,348)	(7,186)
Earnings used in the calculation of dilutive EPS	(3,348)	(7,186)
(b) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS		
Profit / (loss) from continuing operations	(3,444)	(7,361)
Attributable to non-controlling equity interest in respect of continuing operations	96	175
Earnings used to calculate basic EPS from continuing operations	(3,348)	(7,186)
Earnings used in the calculation of dilutive EPS from continuing operations	(3,348)	(7,186)
(c) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE HALF YEAR USED IN CALCULATING BASIC EPS	No. '000	No. '000
Weighted average number of options outstanding	310,891	310,891
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	-	-
	310,891	310,891

Note 3 – Issued Capital

	Consolidated Group 31 Dec 14 \$'000	Consolidated Group 30 Jun 14 \$'000
310,891,432 (30 June 2014: 310,891,432) fully paid ordinary shares	302,260	302,260
	302,260	302,260

Ordinary Shares

	31 Dec 14 No.	31 Dec 13 No.
For the half year ended 31 December 2014		
At beginning of reporting period	310,891,432	310,891,432
At reporting date	310,891,432	310,891,432

Note 4 – Operating Segments

Segment Information

Identification of Reportable Segments

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

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

Types of Products and Services by Segment

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

(a) Drivetrain Power and Propulsion

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

(b) Centre for Excellence in Rail Training (CERT)

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

(c) Convair Engineering (Convair)

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

(d) Total Momentum

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

(e) Gemco Rail

Gemco Rail specialises in the 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.

(g) All Other

This includes the parent entity and consolidation / elimination adjustments.

Note 4 - Operating Segments (cont'd)

Segment Information (cont'd)

Basis of Accounting for Purposes of Reporting by Operating Segments

(a) Basis of reporting

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

(b) Inter-segment transactions

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

(c) Segment assets

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

(d) Segment liabilities

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

(e) Unallocated items

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

- Deferred tax assets and liabilities

Note 4 - Operating Segments (cont'd)

(i) Segment Performance

6 months ended 31 December 2014

Primary Reporting: Business Segments	Drivetrain Power & Propulsion \$000	CERT \$000	Convair \$000	Total Momentum \$000	Gemco Rail \$000	Greentrains \$000	All Other \$000	Consol. Group \$000
REVENUE								
External sales	26,821	4,247	7,294	8,986	18,411	3,555	9	69,323
Inter-segment sales	131	36	-	111	1,641	50	-	1,969
Interest revenue	1	-	24	-	-	2	35	62
TOTAL SEGMENT REVENUE	26,953	4,283	7,318	9,097	20,052	3,607	44	71,354
Reconciliation of segment revenue to Group revenue								
Inter-segment elimination							(1,969)	(1,969)
TOTAL GROUP REVENUE								69,385
SEGMENT EBITDA excluding significant items	1,405	1,155	1,038	753	678	2,445	(4,087)	3,387
Reconciliation of segment EBITDA excluding significant items to Group net profit / (loss) before tax:								
Depreciation and amortisation	(482)	(41)	(75)	(138)	(1,306)	(2,186)	(547)	(4,775)
Finance costs	(29)	(10)	(6)	(22)	(4)	(762)	(402)	(1,235)
Significant Items:								
Staff termination costs	-	-	-	-	-	-	-	-
Impairment of inventory	-	-	-	-	-	-	-	-
Onerous contract provisions	-	-	-	-	-	-	-	-
Impairment of accounts receivable	-	-	-	-	-	-	-	-
Restructuring	(352)	-	-	-	-	-	-	(352)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	542	1,104	957	593	(632)	(503)	(5,036)	(2,975)

Note 4 - Operating Segments (cont'd)

6 months ended 31 December 2013

Primary Reporting: Business Segments	Drivetrain Power & Propulsion \$000	CERT \$000	Convair \$000	Total Momentum \$000	Gemco Rail \$000	Greentrains \$000	All Other \$000	Consol. Group \$000
REVENUE								
External sales	22,808	3,481	6,685	10,389	21,786	3,026	27	68,202
Inter-segment sales	150	55	-	882	1,588	-	-	2,675
Interest revenue	6	-	18	-	-	2	32	58
TOTAL SEGMENT REVENUE	22,964	3,536	6,703	11,271	23,374	3,028	59	70,935
Reconciliation of segment revenue to Group revenue								
Inter-segment elimination							(2,675)	(2,675)
TOTAL GROUP REVENUE								68,260
SEGMENT EBITDA excluding significant items	636	678	686	774	1,421	1,473	(3,693)	1,975
Reconciliation of segment EBITDA excluding significant items to Group net profit / (loss) before tax:								
Depreciation and amortisation	(528)	(37)	(77)	(201)	(1,700)	(1,624)	(1,081)	(5,248)
Finance costs	(59)	(9)	(9)	-	(6)	(770)	(208)	(1,061)
Significant Items:								
Staff termination costs	(727)	-	(44)	-	(487)	-	-	(1,258)
Impairment of inventory	(552)	-	-	-	-	-	-	(552)
Onerous contract provisions	(276)	-	-	-	-	-	-	(276)
Impairment of accounts receivable	(465)	-	-	-	-	-	-	(465)
Restructuring	-	-	-	-	-	-	-	-
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(1,971)	632	556	573	(772)	(921)	(4,982)	(6,885)

Note 4 - Operating Segments (cont'd)

(ii) Segment Assets

as at 31 December 2014

Primary Reporting – Business Segments	Drivetrain Power & Propulsion \$000	CERT \$000	Convair \$000	Total Momentum \$000	Gemco Rail \$000	Greentrains \$000	All Other \$000	Consol. Group \$000
ASSETS								
Segment assets (excl. capital expenditure, investments and intangibles)	50,501	4,114	14,165	8,477	28,257	31,210	(10,704)	126,020
Capital expenditure	94	-	112	14	214	981	4	1,419
Investments	7	-	-	-	-	-	329	336
Intangibles	-	-	-	-	-	-	1,549	1,549
<i>Reconciliation of segment assets to Group assets:</i>								
Segment eliminations								(7,857)
<i>Unallocated items:</i>								
Deferred tax assets								244
TOTAL ASSETS	50,602	4,114	14,277	8,491	28,471	32,191	(8,822)	121,711

as at 30 June 2014

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

Note 4 - Operating Segments (cont'd)

(iii) Segment Liabilities

as at 31 December 2014

Primary Reporting – Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Greentrains	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
LIABILITIES								
Segment liabilities	72,132	116	4,131	5,907	89,132	27,886	(145,032)	54,272
<i>Reconciliation of segment liabilities to Group liabilities:</i>								
Segment eliminations								(7,857)
<i>Unallocated items:</i>								
Deferred tax liabilities								1,201
TOTAL LIABILITIES	72,132	116	4,131	5,907	89,132	27,886	(145,032)	47,616

as at 30 June 2014

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

Note 5 – Assets Pledged as Security

Total assets of Greentrains Limited of \$32,191,000 (30 June 2014: \$34,601,000), primarily relating to Property, Plant and Equipment, was pledged as security as part of the related party financing arrangement with Elph Pty Ltd as at the reporting date.

During the period additional Property, Plant and Equipment in the form of PQGY Wagons (from total assets of Gemco Rail Pty Ltd, a subsidiary of Engenco Limited) of \$11,312,000 was pledged as security as part of the Elph Pty Ltd financing arrangement as at the reporting date.

The Commonwealth Bank of Australia financing arrangement is secured by first registered fixed and floating charges over assets owned by Engenco Limited and other Australian Group members excluding Greentrains Limited and its subsidiary.

Note 6 – Restructuring Costs

During the period to 31 December 2014, restructuring costs relating to a number of property lease exits of \$352,000 (2013: \$NIL) were incurred.

Note 7 – Contingent Liabilities

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

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

The Group has arranged for its bankers to guarantee its performance to third parties. The maximum amount of these guarantees at 31 December 2014 is \$1,647,000 (June 2014: \$3,795,907).

Other than the above, there has been no material change in contingent liabilities since the 2014 Annual Report.

Note 8 – Income Tax Expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate for the six months ended 31 December 2014 was (15.8%) (for the 6 months ended 31 December 2013: (6.9%)). The change in effective tax rate was largely due to the improved performance of the Australian Tax Group, although still not in a tax payable position.

Note 9 – Events Subsequent to Reporting Date

On 17 December 2014, the Company announced that Ross Dunning would retire from the position as Interim Managing Director effective 31 January 2015. Kevin Pallas was appointed to the position of Managing Director and Chief Executive Officer effective 1 February 2015.

Other than the above, there has not arisen, in the interval between 31 December 2014 and the date of this report, any item, transaction or event which would have a material effect on the condensed consolidated interim financial statements of the Group at 31 December 2014.

Note 10 – Related Party Transactions

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

(a) Transactions with key management personnel

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

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

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

Related Party	Director	Income / (Cost) for the period ended		Receivable / (Payable) as at	
		31 Dec 14	31 Dec 13	31 Dec 14	30 Jun 14
		\$	\$	\$	\$
Elph Pty Ltd ¹	V De Santis/D Elphinstone	(761,880)	(770,145)	(128,060)	-
Elphinstone Pty Ltd ²	V De Santis/D Elphinstone	(305,004)	(370,954)	(74,063)	-
William Adams Pty Ltd ³	V De Santis/D Elphinstone	(5,519)	(37,065)	-	(6,677)
United Equipment Pty Ltd ⁴	D Elphinstone	(38,982)	8,464	12,695	(9,156)
Grassick SSG Pty Ltd ⁵	D Hector	(60,073)	(59,473)	(10,667)	(9,670)

¹ Interest was incurred and paid to Elph Pty Ltd in relation to the related party loan with Greentrains Limited.

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

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

⁴ Goods were purchased from United Equipment Pty Ltd during the period. Dale Elphinstone is a director of the company's parent entity.

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

(b) Other related party transactions

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

Related Party Transaction	As at 31 Dec 14 \$'000	As at 30 Jun 14 \$'000
Loans to/from other related parties:		
Loans from Elph Pty Ltd	(21,000)	(21,000)

At the reporting date, the related party loan from Elph Pty Ltd to Greentrains Limited was on arm's length terms, and maturing no earlier than 30 September 2015.

Note 11 – Equity-Accounted Investee

During the period ended 31 December 2014, Engenco Investments Pty Ltd (a subsidiary of Engenco Limited) contributed a further \$250,000 to their joint venture arrangement invested entity, DataHawk Pty Ltd. This contribution was made in the form of a long-term loan, fully repayable no later than 30 June 2017.

The Group's share of loss in its equity-accounted investment for the period was \$332,000 (2013: share of loss of \$116,000). During the period ended 31 December 2014 no dividends were received from the investment in DataHawk (2013: NIL). DataHawk Pty Ltd is not a publicly listed entity and consequently does not have a published price quotation.

Directors' Declaration

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

1. The condensed consolidated interim financial statements and notes, as set out on pages 6 to 20 are in accordance with the *Corporations Act 2001* including:
 - a. Giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - b. Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors,

A handwritten signature in black ink, appearing to be 'Dale Elphinstone', written over a horizontal line.

Dale Elphinstone

Non-Executive Director (Chairman)

26 February 2015

Independent Auditor's Review Report



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

Report on the financial report

We have reviewed the accompanying interim financial report of Engenco Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Engenco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Liability limited by a scheme approved under Professional Standards Legislation.



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
26 February 2015

Corporate Directory

Corporate Office

Engenco Limited

Level 22
535 Bourke Street
Melbourne VIC 3000

T: +61 (0)3 8620 8900

F: +61 (0)3 8620 8999

investor.relations@engenco.com.au

www.engenco.com.au

Registered Office

Engenco Limited

Level 22
535 Bourke Street
Melbourne VIC 3000

T: +61 (0)3 8620 8900

F: +61 (0)3 8620 8999

Directors

Dale Elphinstone

FAICD
Non-Executive Chairman

Vincent De Santis

BCom LLB (Hons)
Non-Executive Director

Donald Hector

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

Ross Dunning AC

BE(Hons), BCom, FCILT, FAIM, FIEAust, FIRSE, MAICD
Non-Executive Director

Kevin Pallas

BCom, MAICD
Managing Director/CEO

Company Secretary

Bridget Thom

BSc, LLB (Hons), GCInfTech, LLM
Company Secretary

Graeme Campbell

FCA, BSc
Chief Financial Officer/Company Secretary

Auditors

KPMG

147 Collins Street
Melbourne VIC 3000

T: +61 (0)3 9288 5555

F: +61 (0)3 9288 6666

Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway
Applecross WA 6153

T: +61 (0)8 9315 2333

F: +61 (0)8 9315 2233