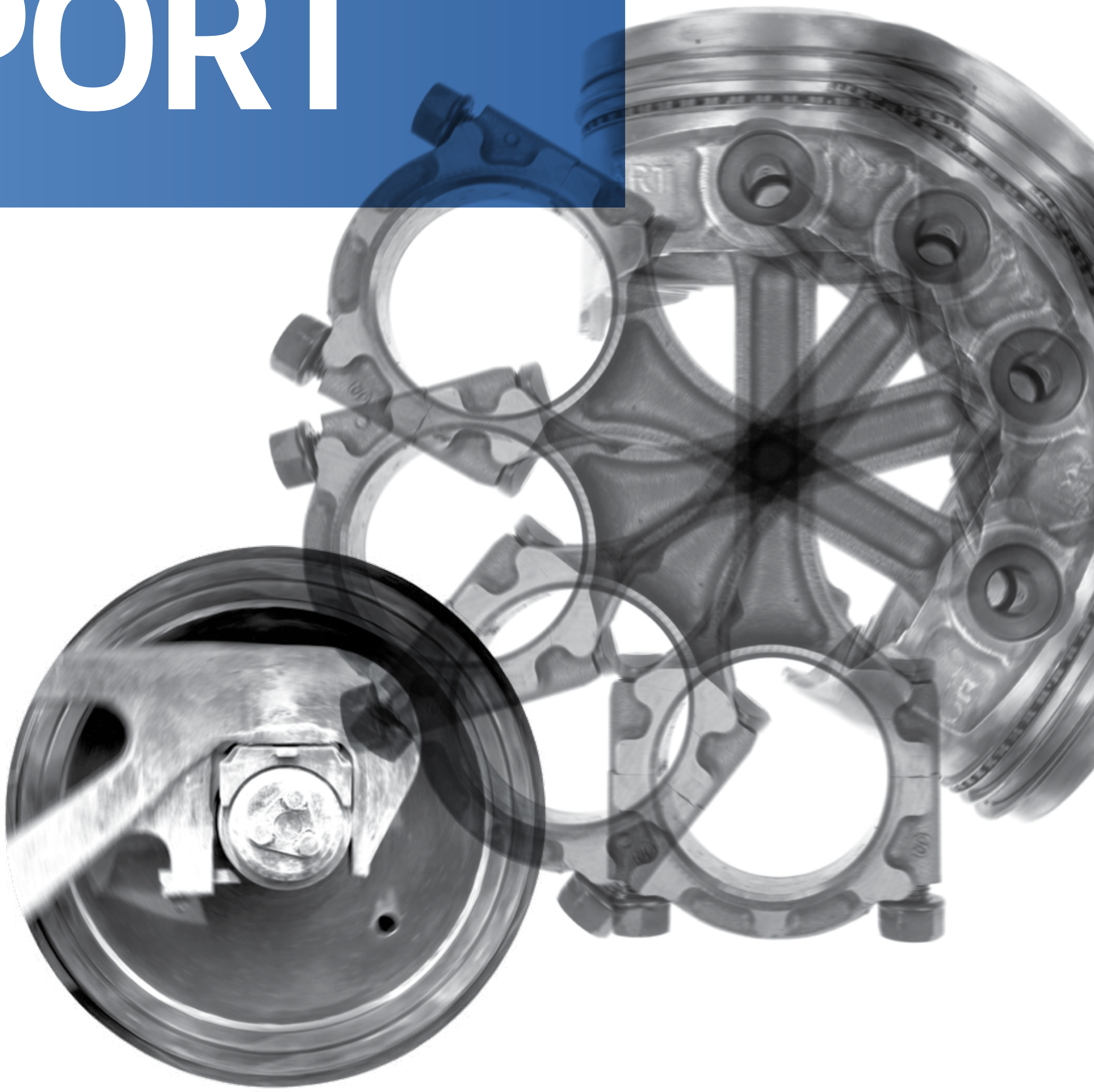
Engenco

ANNUAL REPORT

2012



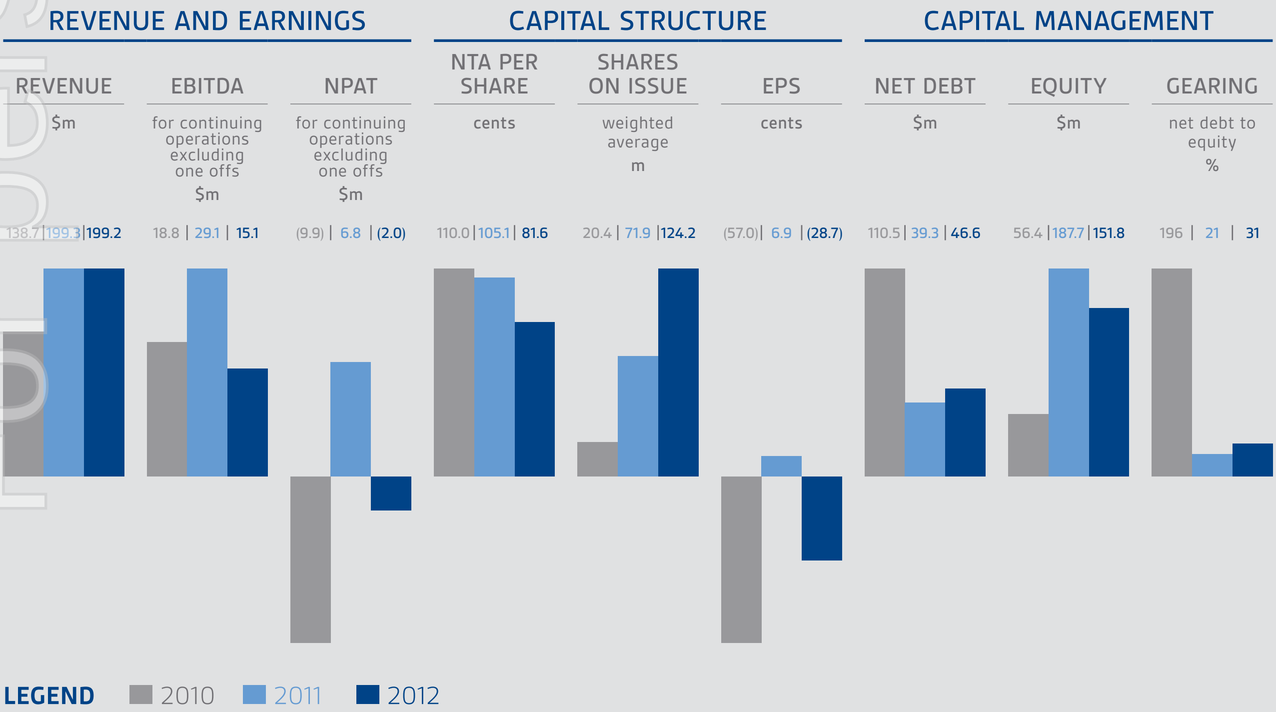
ENGENCO IS AN ASX LISTED ENGINEERING GROUP BUILT ON SOLID TECHNICAL CAPABILITIES. OUR BUSINESSES OPERATE ACROSS AUSTRALIA, EUROPE, ASIA AND THE AMERICAS SERVICING COMPANIES IN THE RESOURCES, RAIL, TRANSPORT, DEFENCE, MARITIME AND POWER GENERATION INDUSTRIES.

OUR VISION: WE WILL BE A LEADING SUPPLIER OF TECHNICAL PRODUCTS AND SOLUTIONS TO THE TRANSPORT, RESOURCES AND DEFENCE MARKETS DELIVERING SUPERIOR VALUE AND RETURNS.

RESULTS SUMMARY

		2012	2011*
KEY FINANCIALS			
Revenue **	$'m	**199.2**	199.3
Profit / (loss) after tax – attributable to members (including discontinued operations)	$'m	**(35.7)**	4.9
Profit / (loss) after tax **	$'m	**(2.0)**	6.6
Total assets	$'m	**254.3**	275.6
Net assets	$'m	**151.8**	187.7
Financial liabilities	$'m	**62.2**	53.4
Net debt	$'m	**46.5**	39.3
Shareholders equity	$'m	**151.8**	187.7
KEY SHARE DATA			
Earnings per share from continuing operations	cents	**(28.72)**	9.27
Net tangible assets per share	cents	**79.1**	105.1
KEY RATIOS			
Return on shareholders' equity **	%	**(1.3)%**	3.5%
Gearing (net debt to equity)	%	**31%**	21%

* The 30 June 2011 comparatives have been restated in accordance with the disclosure in Note 1(w) in the financial statements.
** Attributable to members, excluding discontinued operations and one-off adjustments.



HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

- Underlying trading loss of $2.0M, delivering a net loss after tax of $35.7M inclusive of one-off adjustments, down from $4.9M profit the previous year
- Disappointing profit result on back of tight margin mix
- Full asset review completed resulting in one-off adjustments of $33.7M
- Cash position of -$2.2M following total debt pay-down of $5.2M
- Revenue streams from core business remains stable and sustainable

OPERATIONAL HIGHLIGHTS

- New senior management team in place and group functions established for legal, procurement and HR & IR
- Core business improvement initiatives and operational efficiencies continue to be pursued
- All major parts of the business operational on SAP ERP system
- Strategic planning process resulting in detailed actionable initiatives
- Continued focus on Make Safe initiative resulted in significant safety improvement

THE COMPANY REMAINS COMMITTED TO A STRATEGY OF PURSUING BUSINESS IN BOTH THE RAIL & ROAD AND POWER AND PROPULSION BUSINESS SEGMENTS.

OUR FOCUS IS DEVELOPING CURRENT CORE BUSINESS CAPABILITY AND IMPROVING OPERATING EFFICIENCY WITHIN THE BUSINESSES WE OWN BY LEVERAGING THE GROUP STRUCTURE.

CHAIRMAN'S REPORT

While the financial results were disappointing after last year's improved performance, we still made great strides on our path to turn the business around. Our position in key market sectors and geographic footprint plus improving operational efficiency leaves us well positioned for growth and profitability.

On behalf of the Board of Engenco Limited, I am pleased to present the Company's 2012 Annual Report. The last financial year has been challenging and although we have not met the targets we set ourselves in terms of financial returns, we have made significant progress in our efforts to turn the company around. Experience tells us that business improvement does not come easily and is not necessarily a linear growth path, but we are on track with what we said would be a 3-5 year journey.

FINANCIAL PERFORMANCE AND BALANCE SHEET

Whilst our revenue remained flat year on year, our mix of sales shifted to a higher proportion of sales from the lower margin businesses and product lines. This shift and some still unprofitable legacy contracts resulted in the business suffering an operating loss. The gearing position deteriorated but is still at a reasonable level and the company continued to meet all obligations to pay down bank debt.

A critical review of our balance sheet towards the end of the year, facilitated by our new SAP ERP and reporting system, led us to make further write-downs centred mainly around inventories, namely older inoperative locomotives and associated spares; slow moving or obsolete stock in Drivetrain; and other items related to goodwill impairment and provisions. These adjustments are further to the write-down of two years ago, and are based on a deeper understanding of the business and its assets, and in the case of rail related assets an emphasis on providing a newer mix of rollingstock to customers in future, rather than investing in rebuilding aged equipment.

CORPORATE GOVERNANCE

The Company and Board are committed to establishing and maintaining the highest levels of corporate governance standards. The establishment of a corporate office in Melbourne was completed during the year. A new CEO was appointed in the latter part of the year, along with a CFO. This, together with the establishment of a permanent in-house legal counsel and the subsequent initiatives being deployed across the business units, are major accomplishments for the past year in these areas.

There is continuity at Board level, and continued strong engagement between the Board and the management team.

We also established an internal audit function to ensure processes are being adhered to, and assist with further process improvement opportunities across the group.

STRATEGY

The Company remains committed to a strategy of pursuing business in both the Rail & Road and Power and Propulsion business segments, with a focus on developing current core business capability and improving operating efficiency within the businesses we own, by leveraging the group structure.

The business structure continues to be refined to meet this strategy. Our consolidation of footprint in W.A. was completed with a net reduction of 5 locations.

We advanced our quest to gain visibility into the business and ensure consistency of measurement, reporting and analysis with Gemco Rail coming online with SAP in April 2012. This now means that the majority of the business is fully operational on a single, centralised system. Apart from realising system maintenance cost savings, this has allowed establishment of centralized reporting, and reduced the time spent preparing information to allow for faster analysis and more informed decision making.

The focus on our core businesses continues as we go into the new financial year. Within our Drivetrain business, we have announced our intention to withdraw from the Philippines and South America, as well as exit the non-profitable fleet fluid connectors revenue stream in Australia. Our working strategy groups are concentrating on growing core business segments, and operationally we have strong focus on efficiency measures and making the necessary improvements to achieve a much more profitable outcome.

We understand that markets can be volatile but we believe we have good exposure to strong sectors of the economy, both in Australia and overseas.

OUTLOOK

The outlook for the next financial year is one of reasonable growth, particularly supported from the Rail & Road segment driven by general uplift in the freight task linked to GDP growth; and increased market participation as our various business units gain more share of existing customer spend and win new customers through improved service offerings. The Australian rail market in particular is going through an era of change and although not rapid, it is creating opportunities for companies such as Engenco which are independent and customer focused.

Our Power and Propulsion business is expected to remain steady with revenue growth in some areas likely to be offset by the planned exit from some revenue streams. This growth will largely occur without additional overhead or capacity, so we will be able to leverage existing investment. This, together with process improvements around initiatives such as 'lean' facility management, small investments in tooling, leveraging the SAP enterprise system, and better managing pricing and labour efficiency, will all help to improve results. In addition we have made significant improvements in managing customer contracts, customer service measures and reviewing customer reliability data which will all lead to a better experience for our customers, and help to secure our future relationship with them.

PEOPLE

We are committed to developing the people we have to a point that we have the best fit, and can offer a safe and supportive work environment. Through the past few years the Company has progressively established a strong management team. The appointment of CEO, CFO, Legal Counsel and HR Management during the year past means that the team is almost complete and we have a strong mixture of those with long experience with the Company and those who bring an injection of new ideas and expertise from the outside.

Our customers are loyal and have confidence in the future of a much improved Engenco that can be a strong partner for them, to help achieve their business goals.

Our suppliers, both current and future, are also a critical part of our business. We have open and productive relationships with the majority of these and are working on new business opportunities with a number of them. We have some long standing relationships that have endured for many years, and some new partners who we are looking forward to growing with us.

The other two groups of people who are critical to our future are our shareholders and our employees. Like our suppliers and customers, many have been with us a long time, others have only joined us recently. We appreciate your loyalty, support and confidence.

You can be assured of our total commitment in striving to reward your investment as shareholders with a suitable return as we grow the business to the level we know it can achieve, and for our group of employees, with a rewarding place to develop and build a career.

Dale Elphinstone
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Industrial customers are looking for service and product providers who are willing to understand their business objectives and then find ways to help them achieve their goals. Companies who can help make customers successful will enjoy success themselves and that is the path that Engenco is on.

OVERVIEW

I joined Engenco because of the opportunity to lead a company that has strengths in core segments of the industrial economy, strong brands and the commitment of the Board, employees and shareholders to growth. I have a strong conviction that industrial customers are looking for service and product providers who are willing to understand their business objectives and then find ways to help them achieve their goals. Companies who can help make customers successful will enjoy success themselves and that is the path that Engenco is on.

The previous interim Managing Director, Vince De Santis had done an excellent job of leading the group through a significant period of change before I joined. It has been a major benefit to have Vince still playing an active role in the Company and this continuity of leadership has been invaluable to me and the other new members of the executive management team as we transitioned to the new structure.

Although the financial results have been below our expectations for the year, we have continued to implement a series of initiatives which will be important in setting the foundation for future growth and achieving a much better financial outcome this year. At the group level these achievements include:

1. Our safety record continued to improve in the 2012 financial year. By continuing to make the safety of our people an absolute priority in all of our operations we have seen outstanding results, including the halving of LTI rates over a two year period. Our 'Make Safe' safety initiative represents the Group's safety culture which we intend to foster and use to continue to strive for excellence in this critical area.

2. Completing the introduction of SAP into Gemco at the end of the 3rd quarter, means that we now have the majority of the business on a single ERP system. There are numerous improvements flowing from this, from small items such as reducing the month end reporting timeline, to larger changes such as centralising reporting to a single step process whereas in the past Business Units reported results and then a consolidation was required. Whilst the introduction was relatively smooth from an IT perspective, the extra visibility did highlight a number of business process issues that we were able to quickly address. This and a new standardised approach to business budgeting, measurement and reporting will allow us to leverage the greater transparency we now have and bring further benefits in this year and beyond.

3. Completing the staffing of the group functions in the corporate office. Critical amongst these roles were:

   a. Legal function. With this resource in place we were able to support development of standards around contract management, property leasing and tender submissions which will minimise risk for the Company today and in future. We were able to also fully understand a number of legacy disputes that will increase the chance of successful resolution from an Engenco perspective in future.

   b. Human Resource function. With this resource in place to lead the resources in individual business units we have made a number of improvements in managing our people. Early wins include the introduction of a standardised performance planning and measurement system, supporting management through enterprise bargaining agreements and adopting a centralised salary management approach.

   c. Procurement function. Whilst only commenced in Q4, having this function for the first time within the group is showing great promise for the 2013 year. Significant opportunities are being quickly identified in areas of travel management, utilities and fuels and lubricants. Quick action in these areas are expected to contribute to an improved result this year.

4 Further refining our long term vision through a disciplined strategic planning process. The executive team were engaged in a number of working sessions through the year to further refine the strategies of the business. Whilst the process is ongoing, key outcomes are to confirm the focus on building the core businesses within current segments and related products and services. The major projects have now been assigned to operational teams to develop to actionable tasks.

FINANCIAL PERFORMANCE

The financial results did not meet our expectations, particularly after the profitable result recorded in 2011. Although we were pleased that our revenue from core operations remains stable, the mix of sales shifted to lower margin lines, and the last quarter lift from some high margin product lines did not materialize as expected. This resulted in an underlying trading loss of $2M.

A critical review of the balance sheet at year end led us to reduce carrying values and resulted in one-off adjustments of $33.7M, bringing the announced result to a loss of $35.7M.

These write downs centred mainly around inventories, namely older locomotives and associated spares in Gemco; slow moving or obsolete stock in Drivetrain; and other items related to goodwill impairment, plant and equipment and provisions.

The Company is now confident that the balance sheet reflects the true value of assets. It is worth noting that the Greentrains fleet was not adjusted during this process, with a recent independent review supporting the valuations of this fleet.

THE OUTLOOK FOR THE 2013 FINANCIAL YEAR IS FOR POSITIVE CASH GENERATION, DUE TO IMPROVED MARGINS AND BETTER WORKING CAPITAL MANAGEMENT

The cash position did deteriorate by a net $5.2M dollars during the year, but it is significant that the Company continued to meet all debt reduction obligations. The high cost of funding and lower margins contributed to the reduced cash generation. Gearing levels increased during the year but remain at a manageable 31%. The outlook for the 2013 financial year is for positive cash generation, due to improved margins and better working capital management through tighter processes that are centrally controlled.

As per previous market updates the Company did breach banking covenants throughout the year. Whilst obviously disappointing, management has maintained close communications with lenders who have remained supportive of the business but like management and the Board, they are expecting much improved results in the coming year.

OPERATIONS OVERVIEW

Drivetrain made some significant advances during the year. As an Authorised Service Centre for EMD we were able to win some significant refurbishment contracts on EMD engine installations which will carry into FY13.

In the USA we took another positive step in our plan to grow the HST turbocharger business. We completed our test cell in Ohio and gained United States EPA approval under emissions standards for our 4000 horsepower turbo to be used in the locomotive engine market which will open up both retrofit and new application opportunities.

In the Gastrain Power and Compression business we were able to grow the base maintenance, repair and overhaul (M.R.O.) business, whilst successfully completing some large co-generation and tri-generation projects in N.S.W and S.A. As reported earlier in the year we also signed an exclusive distribution agreement for the region with Sage Energy, a Canadian compression package provider. Drivetrain expanded and upgraded its service network in Auckland, Singapore, Adelaide and Newcastle as part of our ongoing commitment to provide customers with best in class service and support.

Within Gemco we made significant improvement in facilities, with the investment in capital equipment for Forrestfield, and improvements in tooling and equipment levels in some of the service workshops. We were pleased to see the level of service work grow, particularly in the instances where Gemco won the opportunity to service equipment of rail operators who have their own capability. This is an important demonstration of our ability to provide a quality of service level via a well located network that others are willing to use.

The Greentrains fleet was well utilized throughout the year with a strong lease portfolio in place, and the additional ability to meet customers' short term rental requirements. We also successfully refinanced the fleet during the year. We have completed an updated valuation of the rolling stock within Greentrains and were pleased the results supported current valuations.

The labour hire business of Momentum was down on volume compared with previous years whilst waiting on some contracts but by year end these were in place and the forward outlook is stronger.

Our rail training group C.E.R.T. continued to provide great service to customers and continued to grow strongly.

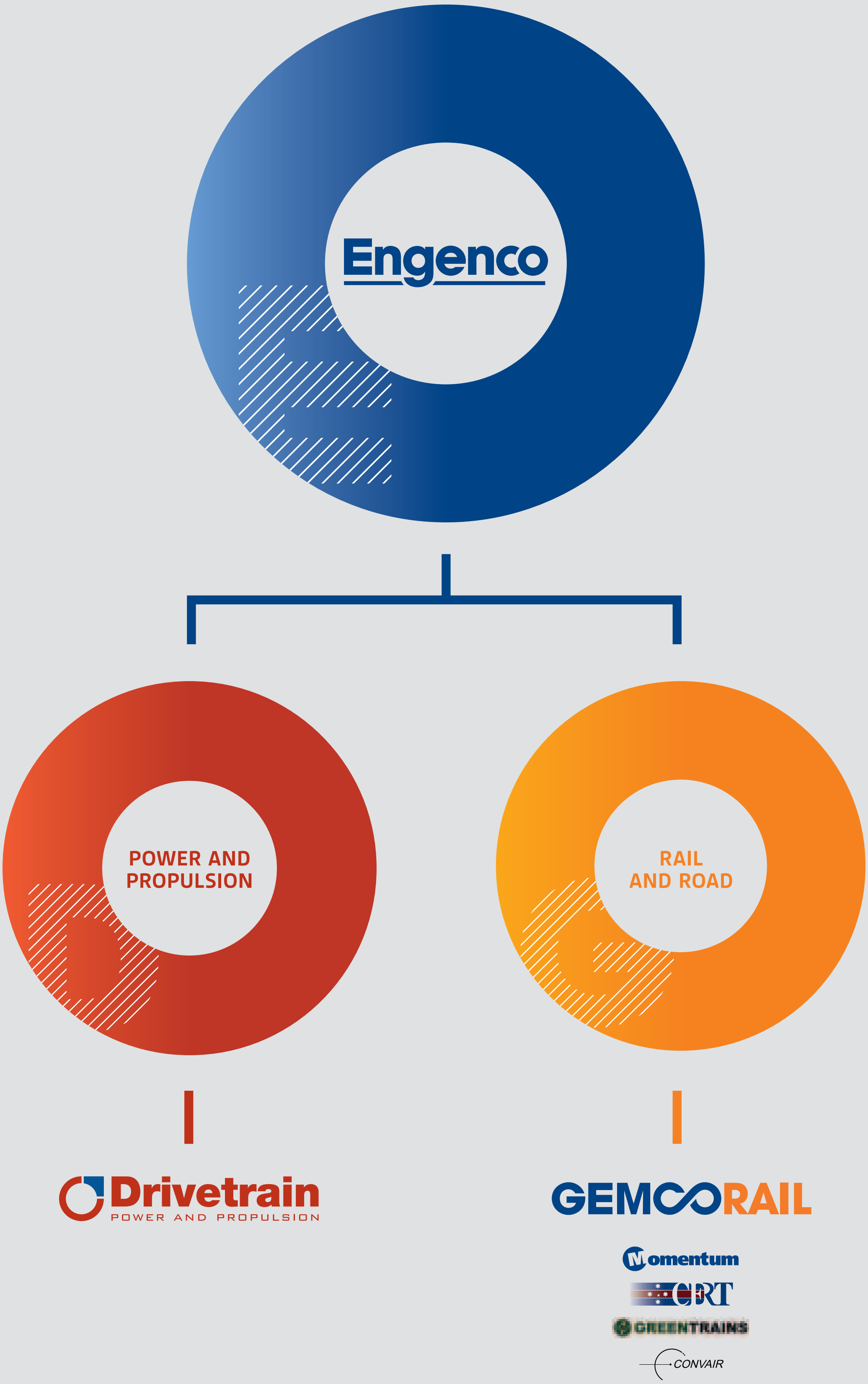
In the road sector, our dry bulk tanker business, Convair continues to perform well and with the adoption of 'lean' principles is becoming more efficient and producing better results each quarter.

We are looking forward to the coming year and are expecting a material improvement in results.

Dennis Quinn
Chief Executive Officer

WE HAVE CONTINUED TO IMPLEMENT A SERIES OF INITIATIVES WHICH WILL BE IMPORTANT IN SETTING THE FOUNDATION FOR FUTURE GROWTH

OUR BUSINESSES



DRIVETRAIN POWER AND PROPULSION

Drivetrain's services span the complete engineering product lifecycle: design, application engineering, troubleshooting, supply and service, and through-life support programmes for heavy mobile powertrain systems, large frame turbochargers, heavy diesel and gas power generation and gas compression equipment.

Drivetrain is organised around the following business streams:

- Mobile Powertrain
- Turbo, Power and Compression

Services include:

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

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

GEMCO RAIL

Gemco has been a well-known supplier of quality products and services to the rail sector for many years. Building on this solid reputation and experience the business specialises in providing fleet management services to national rail operators, and in the manufacture, refurbishment and overhaul of rail equipment. Gemco 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. The Company 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 complimented by a county-wide footprint including workshops on main lines in Victoria, South Australia and New South Wales.

MOMENTUM

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.

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

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

Operating out of branches in Forrestfield, Port Hedland, Norwood, Thornton, Clyde and Williamstown – 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, Sydney, Newcastle and Melbourne with the flexibility to train on-site anywhere in the country.

GREENTRAINS

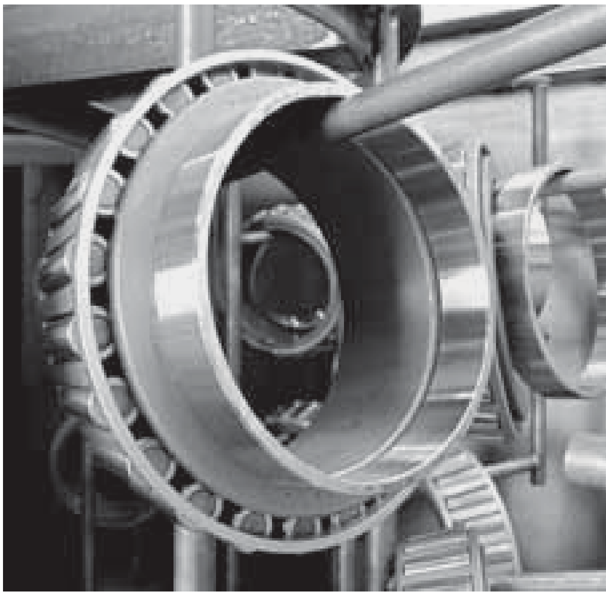
Greentrains provides a range of locomotives and wagons for lease to the Australian rail industry, with the added benefit of a packaged maintenance solution provided by Gemco Rail.

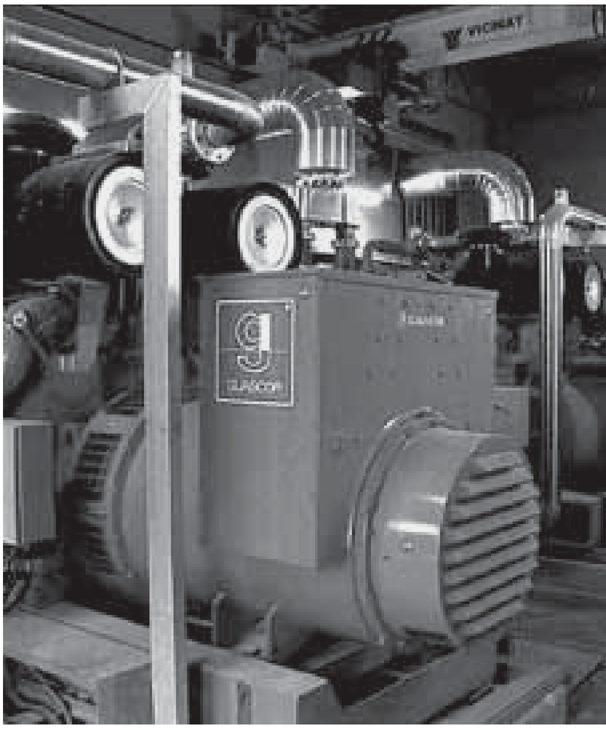
CONVAIR

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

Convair are agents for Feldbinder Spezialfahrzeugwerke Gmbh of Germany, supplementing the range of products with aluminium dry bulk tankers and stainless steel liquid tankers.

With it's plant based in Melbourne, Convair services customers throughout Australia and in New Zealand.





BOARD AND MANAGEMENT

A stable, experienced Board and the appointments of CEO, CFO and Legal Counsel during the year has rounded out a strong management team.

DALE ELPHINSTONE

Non-Executive Director (Chairman)

Mr Elphinstone is the Executive Chairman of the Elphinstone Group which he founded in 1975. Mr Elphinstone has considerable experience in the engineering, manufacturing and heavy machinery industries and among other things is one of the longest serving Caterpillar dealer principals in Australia having acquired the Caterpillar dealership in Victoria and Tasmania in 1987. He was a director of Caterpillar subsidiary, Caterpillar Underground Mining Pty Ltd until December 2008. Mr Elphinstone was also a director of formerly publicly listed companies Queensland Gas Company Limited from October 2002 to November 2008 and National Hire Group Limited from February 2008 to December 2011.

VINCENT DE SANTIS

Non-Executive Director

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 also Mr Elphinstone's alternate on the boards of Queensland Gas Company Limited and National Hire Group Limited. Immediately prior to joining the Elphinstone Group, Vince was a Senior Associate in the Energy Resources & Projects work group of national law firm Corrs Chambers Westgarth in Melbourne.

DONALD HECTOR

Non-Executive Director

Don has 18 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. Don is a Non-Executive Chairman of SEMF Pty Ltd, a multidisciplinary engineering consulting firm. He is also a Council member of one of Sydney's leading independent schools. Don served as Non-Executive Chairman of Engenco Limited until 21 July 2010.

ROSS DUNNING AC

Non-Executive Director

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, Downer EDI Limited, Government owned corporations in Queensland and New South Wales and on unlisted public companies. Ross currently serves as a director of Queensland Energy Resources Limited, chairman of Port of Townsville Limited and is a member of The Council of St John's College within the University of Queensland.

DENNIS QUINN

Chief Executive Officer

Dennis was appointed in February 2012 and brings with him extensive knowledge and executive management experience. Previously holding executive positions with CNH Global NV and Case Corporation, Dennis also holds a Bachelor of Engineering – Ag (Hons) from Melbourne University, as well as a Master in Arts in Marketing from Macquarie University.

Dennis' most recent position was as Managing Director and General Manager of the Cummins South Pacific division of Cummins Inc.

KEVIN PALLAS

Chief Operating Officer

Kevin possesses senior management and leadership experience through a 22 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.

PETER COOMBE

Chief Financial Officer

A member of the Institute of Chartered Accountants of England and Wales, Peter gained his professional qualification with Price Waterhouse (now PwC) in London. After joining Billiton Plc, Peter moved to Australia due to the BHP Billiton merger after being part of the transaction team. Since then Peter has held senior positions within Fosters Group and Telstra, most recently holding the CFO position for an international automotive parts group. Peter commenced as CFO of Engenco in January 2012.

ANNA YOUNG

Company Secretary and Corporate Counsel

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

PETER SWANN

Convair – GM

Peter is a mechanical engineer who has been involved in the design and manufacture of pneumatic tankers for over 30 years.

He has extensive training in business management and lean manufacturing. An original member of the business that was started in 1993, Peter he has overseen the development of the company and has lead Convair since its acquisition in 2004.

GLENN PARRETT

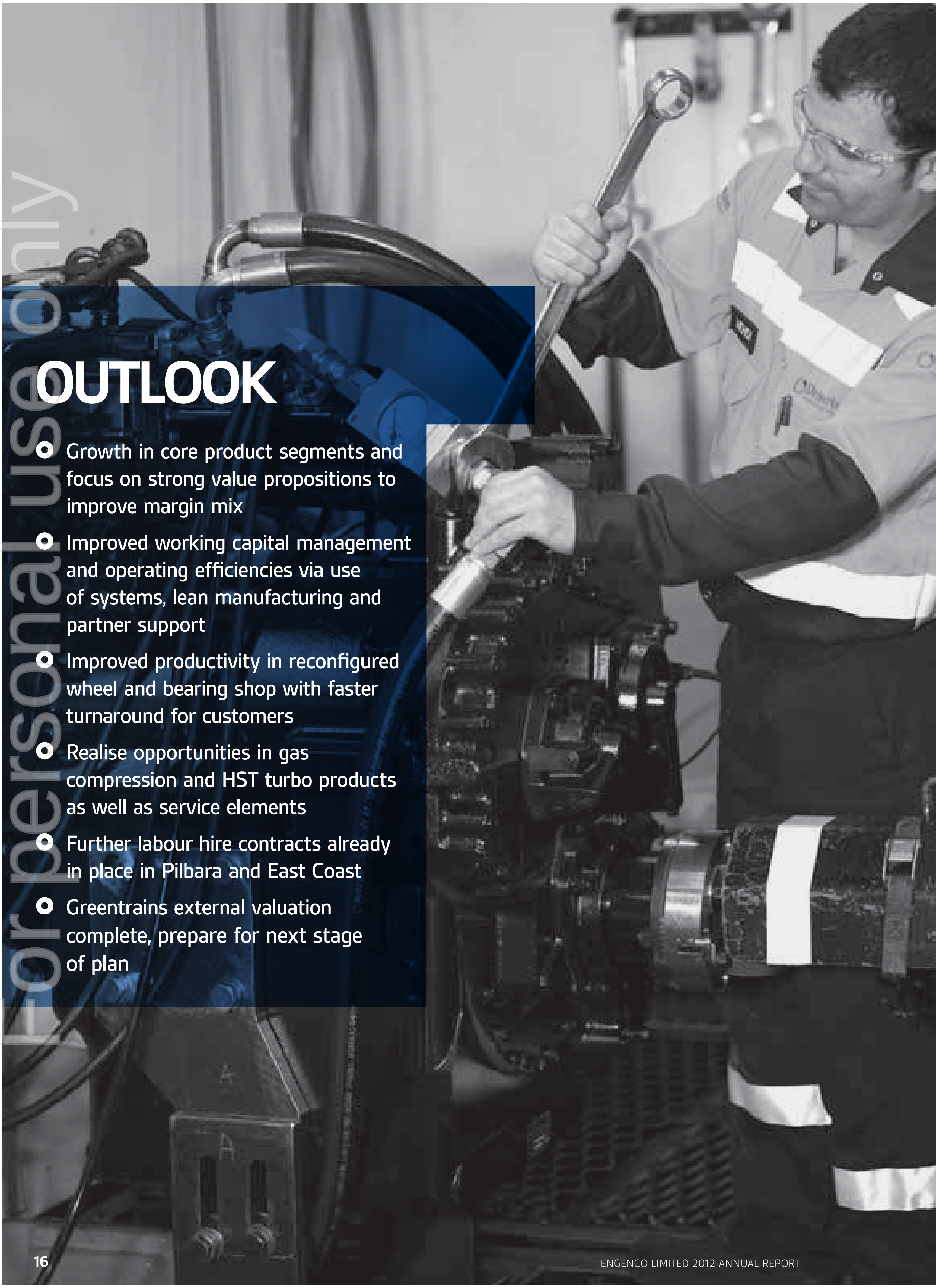
Power and Propulsion Segment – CEO

More than 17 years experience delivering against total business plan responsibility, including as General Manager and Managing Director of engineering sales and service businesses. Extensive experience in application engineering, technical sales, project and business management in the power and propulsion segment.

GEOFF THORN

Rail Segment – GM

Geoff Thorn is joining Engenco as the General Manager Rail in October 2012, leading the Gemco, Momentum, CERT and Greentrains business units. Geoff has significant General Management experience across sales, manufacturing and operations management and joins Engenco from TE Connectivity (formerly Tyco Electronics), where he held senior sales and operations roles across Australasia and Central Asia. Geoff has seventeen years of rail experience with the State Rail Authority of NSW, Morrison Knudsen and Clyde Engineering (now Downer EDI Rail) in a variety of engineering and manufacturing management roles.



OUTLOOK

- Growth in core product segments and focus on strong value propositions to improve margin mix
- Improved working capital management and operating efficiencies via use of systems, lean manufacturing and partner support
- Improved productivity in reconfigured wheel and bearing shop with faster turnaround for customers
- Realise opportunities in gas compression and HST turbo products as well as service elements
- Further labour hire contracts already in place in Pilbara and East Coast
- Greentrains external valuation complete, prepare for next stage of plan

FINANCIAL STATEMENTS AND OTHER REPORTS

CORPORATE GOVERNANCE STATEMENT

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

ROLE OF THE BOARD

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

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

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

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

EXECUTIVE DELEGATION

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

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

BOARD STRUCTURE

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

The names of the independent directors of the Company are:

D Hector, R Dunning

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

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

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

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

MEETINGS OF THE BOARD

The Board meets on a regular pre-determined basis or more frequently as required. On the invitation of the Board, members of senior management attend and make presentations at board meetings. In addition to the formal meetings the Board regularly meets to consider important issues affecting the Company.

The number of meetings held and attended by each of the directors for the financial year ended 30 June 2012 is set out in the Directors' Report.

BOARD MEMBERSHIP

Appointment

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

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

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

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

Retirement and Re-election

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

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

Board Access to Information and Independent Advice

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

Conflicts of Interest

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

Performance Evaluation

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

REWARD AND REMUNERATION

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

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

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

COMMITTEES

Currently the Board of Engenco Limited has formed a separate Audit Committee to assist it in exercising its responsibilities. Given the size and stage of development of the Company, the Board has not formed a Nomination or Remuneration Committee which is a departure from ASX Corporate Governance Recommendations 2.4 and 8.2.

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

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

Audit Committee

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

The members of the Audit Committee at the date of this report are:

- D Hector (Non-Executive Director) – Chair of Audit Committee
- R Dunning (Non-Executive Director)
- A Young (Committee Secretary)

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

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

FINANCIAL REPORTING

Consistent with ASX Corporate Governance Recommendation 7.3, and in accordance with section 295A of the Corporations Act 2001, the Company's financial report preparation and approval process for the year ended 30 June 2012 involved both the Chief Executive Officer and Chief Financial Officer providing a written statement to the Board that, in their opinion:

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

AUDIT GOVERNANCE AND INDEPENDENCE

External Auditors

Bentleys is the Company's current external auditors. The performance of the external auditor is reviewed annually by the Audit Committee. Bentleys was appointed as the external auditor in 2006. It is currently the Company's policy that no non-audit services are provided by the external auditor to ensure independence is maintained. It is Bentleys' policy to rotate audit engagement partners on listed companies at least every five years.

Independence Declaration

The Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 ("CLERP 9") amendments to the Corporations Act 2001 require external auditors to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with CLERP 9 amendments and the rules of the professional accounting bodies.

Bentleys has provided such a declaration to the Audit Committee for the financial year ended 30 June 2012.

Attendance of External Auditors at Annual General Meetings

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

RISK IDENTIFICATION AND MANAGEMENT

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

SECURITIES TRADING POLICY

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

CONTINUOUS DISCLOSURE

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

COMMUNICATIONS WITH SHAREHOLDERS

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

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

DIVERSITY POLICY

The Company does not have a diversity policy, which is a departure from ASX Corporate Governance Recommendation 3.2. However, the Company is currently developing a diversity policy and reporting processes which will be approved by the Board and implemented in the following financial year.

The Company has appointed Ms A Young as Company Secretary. The Company has two women in senior positions.

DIRECTORS' REPORT

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company delivers a diverse range of engineering services and products through two business streams: Power and Propulsion; and Rail and Road. Engenco businesses specialise in:

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

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

The Company employs around 670 people operating from more than twenty locations in seven countries.

OPERATING RESULTS, REVIEW OF OPERATIONS FOR THE YEAR AND SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Operating Results

The Company recorded a net loss after tax including non-controlling interests of ($35.6) million for the year ended 30 June 2012.

	2012 $'m	2011 $'m
Revenue *	**199.2**	199.3
EBITDA*	**(16.0)**	29.7
EBIT*	**(27.1)**	19.5
NPAT attributable to members (including discontinued operations and one-off adjustments)	**(35.7)**	4.9
NPAT attributable to members (excluding discontinued operations and one-off adjustments)	**(2.0)**	6.6
Net operating cash flow	**(0.9)**	(25.6)
Net assets	**151.8**	187.7
Net debt	**46.5**	39.3

* Excludes discontinued operations.

Financial Position

The following table summarises the key elements of the net profit / (loss) after tax result adjusting for one-offs and discontinued operations.

	2012 $'m	2011 $'m
NPAT attributable to members (including discontinued operations and one-off adjustments)	**(35.7)**	4.9
Adjusted for the discontinued operations and one-off adjustments:		
Impairment of goodwill	**3.8**	-
Impairment of property, plant and equipment	**3.5**	-
Impairment of inventory	**19.9**	-
Impairment of accounts receivable	**4.0**	-
Deferred tax write off	**0.7**	-
Other one-off adjustments	**1.8**	-
Net loss after tax - FCD Logistics Pty Ltd	**-**	0.3
Net loss after tax – Eden Cryogenics LLC	**-**	1.4
NPAT attributable to members (excluding discontinued operations and one-off adjustments)	**(2.0)**	6.6

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Company occurred during the financial year:

- The refinancing of Engenco's Commonwealth Bank of Australia (CBA) banking facilities was completed on 1 August 2011 resulting in the Group renewing its existing finance facilities until 31 July 2013.
- The Greentrains Limited CBA banking facilities were novated to Elph Pty Ltd effective 28 June 2012.

DIVIDENDS

The directors have decided not to declare a final dividend.

AFTER BALANCE DATE EVENTS

There are no significant after balance date events.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company remains committed to a strategy of pursuing business in both the Rail & Road and Power & Propulsion business segments, with a focus on developing current core business capability and improving operating efficiency within the businesses we own, by leveraging the group structure.

The outlook for the next financial year is reasonable, particularly supported from the Rail & Road segment driven by general uplift in the freight task linked to GDP growth; and increased market participation as our various business units gain more share of existing customer spend and win new customers through improved service offerings. The Australian rail market in particular is going through an era of change and although not rapid, it is creating opportunities for companies such as Engenco who are independent and customer focused.

Our Power and Propulsion business is expected to remain steady with revenue growth in some areas likely to be offset by the planned exit from some revenue streams. This growth will largely occur without additional overhead or capacity, so we will be able to leverage existing investment. This, together with process improvements around intiatives such as 'lean' facility management, small investments in tooling, leveraging the SAP enterprise system, and better managing pricing and labour efficiency, will all help to improve results. In addition we have made signicifant improvements in managing customer contracts, customer service measures and reviewing customer reliability data which will all lead to a better experience for our customers, and help to secure our future relationship with them.

ENVIRONMENTAL ISSUES

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

The Group uses practices that minimise adverse environmental impacts and provides appropriate feedback on the Group's environmental performance to ensure compliance.

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

National Greenhouse and Energy Reporting Guidelines

The Group's environmental obligations are regulated under both Federal and State law. The Company is subject to the conditions imposed by the registration and reporting requirements of the National Greenhouse and Energy Reporting Act 2007, and is registered with the Greenhouse and Energy Data Office.

INFORMATION ON DIRECTORS

The following persons were the directors in office during the period 1 July 2011 to 30 June 2012 or in office as at the date of this report:

Dale Elphinstone

Non-Executive Director (Chairman)
FAICD

Appointed:	19 July 2010
Age:	61
Directorships held in other listed entities in the past three years:	Non-Executive Director, National Hire Group Limited, 2008 - December 2011
Summary of current equity holdings:	46,738,635 ordinary shares

Mr Elphinstone is the Executive Chairman of the Elphinstone Group which he founded in 1975. Mr Elphinstone has considerable experience in the engineering, manufacturing and heavy machinery industries and among other things is one of the longest serving Caterpillar dealer principals in Australia having acquired the Caterpillar dealership in Victoria and Tasmania in 1987. 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. Mr Elphinstone was also a director of ASX listed National Hire Group Limited until December 2011.

Vincent De Santis

Non-Executive Director (resigned as Interim Managing Director on 22 February 2012)
B.Com LLB (Hons)

Appointed:	19 July 2010
Age:	43
Directorships held in other listed entities in the past three years:	Alternate Director, National Hire Group Limited, 2008 - December 2011
Summary of current equity holdings:	120,001 ordinary shares

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 Mr Elphinstone's alternate on the board of Queensland Gas Company Limited and of National Hire Group Limited. Immediately prior to joining the Elphinstone Group, Vince was a Senior Associate in the Energy Resources & Projects work group of national law firm Corrs Chambers Westgarth in Melbourne.

Donald Hector

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

Appointed:	2 November 2006
Age:	62
Special Responsibilities:	Chairman of Audit Committee
Directorships held in other listed entities in the past three years:	None
Summary of current equity holdings:	23,665 ordinary shares

Don has 17 years' experience in senior executive management and CEO positions with industrial companies. He was Managing Director of Dow Corning Australia Pty Ltd, the Australian subsidiary of Dow Corning Corporation and was Managing Director of Asia Pacific Specialty Chemicals Ltd, an ASX-listed chemical company. Don is a non-executive Chairman of SEMF Pty Ltd, a multidisciplinary engineering consulting firm. He is also a Council member of one of Sydney's leading independent schools. Don served as Non-Executive Chairman of Engenco Limited until 21 July 2010.

Ross Dunning AC

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

Appointed:	8 November 2010
Age:	70
Special Responsibilities:	Member of Audit Committee
Directorships held in other listed entities in the past three years:	None
Summary of current equity holdings:	20,000 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, Downer EDI Limited, Government owned corporations in Queensland and New South Wales and on unlisted public companies. Ross currently serves as a director of Queensland Energy Resources Limited, chairman of Port of Townsville Limited and is a member of The Council of St John's College within the University of Queensland.

COMPANY SECRETARY

Anna Young

BSc, LLB (Hons), GCInfTech, LLM

Admitted to practice as a solicitor of the Supreme Court of Victoria and the High Court of Australia.
Registered Australian Trade Mark Attorney.

Appointed:	9 November 2011
Age:	33

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

Changes in Directors and Executives Subsequent to Year End

There have been no changes in directors and executives subsequent to year end.

MEETINGS OF DIRECTORS

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

	Directors' Meetings		Audit Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Dale Elphinstone	9	9	-	-
Vincent De Santis	9	8	-	-
Don Hector	9	9	3	3
Ross Dunning	9	9	3	3

INDEMNIFYING OFFICERS

The Company has indemnified and paid premiums to insure each of the following 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:

D Elphinstone, V De Santis, D Hector, R Dunning, D Quinn, P Coombe, K Pallas, A Young, G Parrett

OPTIONS

At the date of this report, there are no unissued ordinary shares of the Company under option.

During the year ended 30 June 2012, no ordinary shares of the Company were issued on the exercise of options granted.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

There were no non-audit services provided by the Company's external auditor.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 32 of the Directors' Report.

ROUNDING OF AMOUNTS

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars (unless otherwise indicated).

REMUNERATION REPORT - AUDITED

Remuneration Policy

This report details the nature and amount of remuneration for each director of the Company, and other key executives (including the most highly remunerated executives) who have strategic commercial impact upon the Company's activities.

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

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

- All executive directors and key executives receive a salary package comprised of a base salary, superannuation, and fringe benefits. In future, it is intended that packages will also include equity-based incentives.
- The Board will review executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.
- The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's profits, which are aligned with shareholder value. The developing remuneration policy will be designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- The executive directors and other key executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.
- All remuneration paid to directors and executives is valued at cost to the Company and expensed.
- The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.
- To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance Conditions Linked to Remuneration

The remuneration structure 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 Company and key management personnel are on a continuing basis.

Some of the key businesses emphasise payment for results by providing various cash bonus reward schemes based on internal KPIs of both financial and non-financial targets. The objective of the reward scheme is to both reinforce the short and long-term goals of the business and to provide a common interest between all staff. The basis of the bonus scheme is being developed across all entities of the Company; it may be displaced or complemented by an employee equity incentive plan.

Relationship between Remuneration Policy and Company Performances

There has been no relationship between previous company performance and the previous remuneration of key management personnel. Current remuneration policies are under review.

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

	2008	2009	2010	2011	2012
	$000	$000	$000	$000	$000
Revenue (including discontinued operations)	346,311	317,187	224,331	207,352	**199,197**
NPAT attributable to members *	22,012	(4,541)	(113,712)	4,905	**(35,683)**
Share price at year end **	$0.75	$0.20	$0.15	$0.09	**$0.50**
Dividends paid	5.00c	-	-	-	**-**

* Including discontinued operations and one-off adjustments.

** During November 2011 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.

Remuneration Details for Year Ended 30 June 2012

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

		Short-Term Benefits			Post-Employment Benefits		
		Cash, Salary & Commissions $	Non-Monetary Benefits $	Profit Share and Bonuses $	Super-annuation $	Termination Benefits $	Total $
EXECUTIVE DIRECTORS							
Mike Coote: resigned 22 Jul 2010	2012	-	-	-	-	-	-
Managing Director	2011	36,538	-	-	4,264	367,308	408,110
Don Patterson: resigned 22 Jul 2010	2012	-	-	-	-	-	-
Chief Executive Officer	2011	38,461	19,548	-	3,462	250,074	311,545
SUB – TOTAL	2012	-	-	-	-	-	-
	2011	74,999	19,548	-	7,726	617,382	719,655
NON-EXECUTIVE DIRECTORS							
Dale Elphinstone	2012	160,000	-	-	14,400	-	174,400
Chairman	2011	165,083	-	-	-	-	165,083
Vincent De Santis: appointed 19 Jul 2010	2012	21,753	-	-	-	-	21,753
	2011	-	-	-	-	-	-
Donald Hector	2012	92,000	-	-	8,280	-	100,280
	2011	93,411	-	-	8,407	-	101,818
Ross Dunning: appointed 8 Nov 2010	2012	86,000	-	-	7,740	-	93,740
	2011	47,961	-	-	4,912	-	52,873
SUB – TOTAL	2012	359,753	-	-	30,420	-	390,173
	2011	306,455	-	-	13,319	-	319,774
OTHER KEY MANAGEMENT							
D Quinn: appointed 22 Feb 2012	2012	128,400	-	-	6,215	-	134,615
Chief Executive Officer	2011	-	-	-	-	-	-
K Pallas	2012	228,794	20,000	-	20,592	-	269,386
Chief Operating Officer	2011	212,660	-	-	17,339	-	229,999
P Coombe: appointed 25 Jan 2012	2012	96,330	-	-	8,670	-	105,000
Chief Financial Officer	2011	-	-	-	-	-	-
G Jean: app 6 May 2011; res 25 Jan 2012	2012	107,200	-	-	9,648	-	116,848
Interim CFO / Company Secretary	2011	32,800	-	-	2,952	-	35,752
A Young: appointed 9 Nov 2011	2012	120,677	-	-	10,860	-	131,537
Company Secretary	2011	-	-	-	-	-	-
G Parrett	2012	343,017	95,497	75,000*	18,290	-	531,804
CEO – Drivetrain Power & Propulsion	2011	367,776	49,015	-	33,100	-	449,891
P Swann	2012	223,142	-	-	20,083	-	243,225
General Manager – Convair	2011	173,116	-	-	13,019	-	186,135
R Stampalia: resigned 6 May 2011	2012	-	-	-	-	-	-
CFO / Company Secretary	2011	204,652	4,289	-	17,864	-	226,805
W Manners: resigned 29 Feb 2012**	2012	291,054	-	-	14,503	-	305,557
CEO – Gemco Rail	2011	394,312	-	-	29,164	-	423,476
SUB – TOTAL	2012	1,538,614	115,497	75,000	108,861	-	1,837,972
	2011	1,385,316	53,304	-	113,438	-	1,552,058
TOTAL	2012	1,898,367	115,497	75,000	139,281	-	2,228,145
	2011	1,766,770	72,852	-	134,483	617,382	2,591,487

There have been no amounts paid in relation to other short-term, other post-employment or long-term benefits, equity-settled or cash-settled share-based payments during the current or prior year.

Fees to some non-executive directors are paid via consultancy agreements with entities outside the Company.

* Bonuses paid in 2012 were discretionary and referred to business performance in 2011.

** W Manners was retained as a consultant until August 2012.

Service Agreements

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

	Terms of Agreement	Termination Benefit
Dale Elphinstone	Ongoing director agreement	N/A - Non-Executive Director
Vincent De Santis	Ongoing director agreement	N/A - Non-Executive Director
Donald Hector	Ongoing director agreement	N/A - Non-Executive Director
Ross Dunning	Ongoing director agreement	N/A - Non-Executive Director
D Quinn	Permanent employment contract	3 months' pay
K Pallas	Permanent employment contract	6 months' pay
P Coombe	Permanent employment contract	8 weeks' pay
G Jean	Contractor through agency from 1 Jul 2011 to 25 Jan 2012	-
A Young	Permanent employment contract	8 weeks' pay
G Parrett	Permanent employment contract	12 months' pay
P Swann	Permanent employment contract	-
W Manners	Agreement terminated on resignation on 29 Feb 2012	-

Options and Rights Granted

In the 2011 and 2012 financial years no executive directors, non-executive directors or key management personnel have any options or rights granted.

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

Dale Elphinstone
Chairman

Dated this 27th Day of September 2012

DIRECTORS' DECLARATION

The directors of the Company declare that:

(a) the financial statements for Engenco Limited and accompanying notes, as set out in pages 35 to 95 are in accordance with the Corporations Act 2001 and:

   i. comply with Accounting Standards and the Corporations Regulations 2001;

   ii. are in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board; and

   iii. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date;

(b) the Chief Executive Officer and Chief Financial Officer have each declared that:

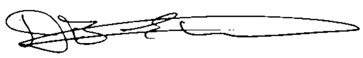
   i. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   ii. the financial statements and notes for the financial year comply with Accounting Standards; and

   iii. the financial statements and notes for the financial year give a true and fair view; and

(c) in the directors' opinion, 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.



Dale Elphinstone
Chairman

Dated this 27th Day of September 2012

AUDITOR'S INDEPENDENCE DECLARATION

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
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F +61 8 9226 4300
bentleys.com.au

To The Board of Directors

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

As lead audit director for the audit of the financial statements of Engenco Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Phil. J. Rix

PHILIP RIX CA
Director

DATED at PERTH this 27th day of September 2012

INDEPENDENT AUDITOR'S REPORT

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of Engenco Limited

We have audited the accompanying financial report of Engenco Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, 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 and fair presentation of the financial report 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 Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements 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 judgment, 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 and fair presentation of the financial report 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Members of Engenco Limited (Continued)

Bentleys

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

a. The financial report of Engenco Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of $35.599m during the year ended 30 June 2012. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to pages 30 of the directors' report of the year ended 30 June 2012. 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 Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Engenco Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

PHILIP RIX CA
Director

DATED at PERTH this 27th day of September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

		CONSOLIDATED GROUP	
		2012	2011
	Note	$'000	$'000
Revenue	2	**199,197**	199,295
Other income	2	**2,028**	2,240
Changes in inventories of finished goods and work in progress		**(13,201)**	7,238
Raw materials and consumables used		**(104,787)**	(92,484)
Employee benefits expense		**(55,504)**	(59,491)
Depreciation and amortisation expense		**(11,006)**	(10,160)
Goodwill written off	3	**(3,813)**	-
Impairment of property, plant and equipment	3	**(3,547)**	567
Finance costs	3	**(5,553)**	(9,458)
Subcontract freight		**(1,825)**	(1,960)
Repairs and maintenance		**(1,543)**	(1,697)
Insurances		**(1,913)**	(2,837)
Rent and outgoings		**(9,126)**	(9,659)
Vehicle expenses		**(477)**	(721)
Fuel		**(491)**	(580)
Foreign exchange movements		**(399)**	(332)
Other expenses		**(20,648)**	(9,871)
PROFIT / (LOSS) BEFORE INCOME TAX	3	**(32,608)**	10,090
Income tax expense	4(a)	**(2,991)**	(3,340)
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**(35,599)**	6,750
Profit / (loss) from discontinued operations after tax	5	**-**	(1,682)
PROFIT / (LOSS) FOR THE PERIOD		**(35,599)**	5,068
Profit / (loss) attributable to:			
Members of the parent entity		**(35,683)**	4,905
Non-controlling interest		**84**	163
		(35,599)	5,068
OTHER COMPREHENSIVE INCOME			
Foreign exchange reserve movement		**(290)**	122
Other comprehensive income for the period, net of tax		**(290)**	122
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(35,889)**	5,190
Total comprehensive income attributable to:			
Members of the parent entity		**(35,973)**	5,027
Non-controlling interest		**84**	163
		(35,889)	5,190
EARNINGS PER SHARE		**Cents**	Cents
From continuing and discontinued operations:			
Basic earnings per share (cents per share)	10	**(28.72)**	6.90
Diluted earnings per share (cents per share)	10	**(28.72)**	6.87
From continuing operations:			
Basic earnings per share (cents per share)	10	**(28.72)**	9.27
Diluted earnings per share (cents per share)	10	**(28.72)**	9.23
From discontinued operations:			
Basic earnings per share (cents per share)	10	**-**	(2.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

		CONSOLIDATED GROUP	
		2012	2011*
	Note	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	11	**15,644**	14,098
Trade and other receivables	12	**47,250**	46,782
Inventories	13	**44,710**	51,002
Other current assets	18	**1,868**	3,266
TOTAL CURRENT ASSETS		**109,472**	115,148
NON-CURRENT ASSETS			
Trade and other receivables	12	**513**	512
Inventories	13	**-**	6,909
Financial assets	14	**17**	145
Property, plant and equipment	16	**92,073**	94,471
Deferred tax assets	21	**8,344**	8,782
Intangible assets	17	**43,875**	49,661
TOTAL NON-CURRENT ASSETS		**144,822**	160,480
TOTAL ASSETS		**254,294**	275,628
CURRENT LIABILITIES			
Trade and other payables	19	**30,279**	22,232
Financial liabilities	20	**61,037**	31,895
Current tax liabilities	21	**1,972**	2,993
Short-term provisions	22	**4,352**	6,121
TOTAL CURRENT LIABILITIES		**97,640**	63,241
NON-CURRENT LIABILITIES			
Financial liabilities	20	**1,120**	21,478
Long-term provisions	22	**1,996**	1,927
Deferred tax liabilities	21	**1,745**	1,300
TOTAL NON-CURRENT LIABILITIES		**4,861**	24,705
TOTAL LIABILITIES		**102,501**	87,946
NET ASSETS		**151,793**	187,682
EQUITY			
Issued capital	23	**275,342**	275,342
Reserves		**3,756**	3,290
Non-controlling interest		**3,006**	2,922
Retained earnings / (accumulated losses)		**(130,311)**	(93,872)
TOTAL EQUITY		**151,793**	187,682

* The 30 June 2011 comparatives have been restated in accordance with the disclosure in Note 1(w).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group	Issued Capital Ordinary Shares $000	Retained Earnings/ (Losses) $000	Non-controlling Interest $000	Foreign Currency Translation Reserve $000	Profit Reserved Foreign Deferred Tax Reserve $000	Option Reserves $000	Total $000
BALANCE AT 1 JULY 2010	152,808	(97,485)	2,759	(1,074)	2,758	192	59,958
Shares issued during the year	127,788	-	-	-	-	-	127,788
Transaction costs	(3,511)	-	-	-	-	-	(3,511)
Cancellation of shares	(1,743)	-	-	-	-	-	(1,743)
Total comprehensive income for the period	-	4,905	163	122	-	-	5,190
SUB-TOTAL	275,342	(92,580)	2,922	(952)	2,758	192	187,682
Transfer profit reserve on foreign deferred tax	-	(1,292)	-	-	1,292	-	-
BALANCE AT 30 JUNE 2011	275,342	(93,872)	2,922	(952)	4,050	192	187,682
BALANCE AT 1 JULY 2011*	**275,342**	**(93,872)**	**2,922**	**(952)**	**4,050**	**192**	**187,682**
Shares issued during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transaction costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cancellation of shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**(35,683)**	**84**	**(290)**	**-**	**-**	**(35,889)**
SUB-TOTAL	**275,342**	**(129,555)**	**3,006**	**(1,242)**	**4,050**	**192**	**151,793**
Transfer profit reserve on foreign deferred tax	**-**	**(756)**	**-**	**-**	**756**	**-**	**-**
BALANCE AT 30 JUNE 2012	**275,342**	**(130,311)**	**3,006**	**(1,242)**	**4,806**	**192**	**151,793**

* The 30 June 2011 comparatives have been restated in accordance with the disclosure in Note 1(w).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED GROUP 2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**203,596**	219,236
Payments to suppliers and employees		**(195,237)**	(235,455)
Interest received		**348**	332
Finance costs		**(5,553)**	(8,621)
Income tax paid		**(4,012)**	(1,077)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	26(b)	**(858)**	(25,585)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**1,359**	2,303
Proceeds from disposal of entities	26(c)	**-**	1,113
Purchase of non-current assets		**(7,994)**	(31,875)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(6,635)**	(28,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**-**	102,117
Proceeds from borrowings		**9,527**	-
Repayment of borrowings		**(14,759)**	(25,906)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(5,232)**	76,211
Net increase / (decrease) in cash held		**(12,725)**	22,167
Cash at beginning of financial year		**10,544**	(11,623)
CASH AT END OF FINANCIAL YEAR	26(a)	**(2,181)**	10,544

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Engenco Limited and controlled entities ('Consolidated Group' or 'Group').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The 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.

The Consolidated Group incurred a loss for the year of $35.599m and net cash outflows of $12.725m.

As at 30 June 2012 the Company had $29.5m of financial liabilities outstanding to the Commonwealth Bank of Australia. The facilities to which these liabilities relate are outside the loan covenants. All payments, interest and repayments have been paid as due. The ability of the Consolidated Group to continue as a going concern will be dependent upon its ability to:

- Obtain a waiver of the covenants;
- Renegotiate the facility so that it becomes compliant with its financial covenants; or
- Return to profitable operations.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Group to continue as a going concern. Should all of these actions be unsuccessful the Consolidated Group would be required to seek funding from other sources in order to continue to operate as a going concern.

The directors believe that the Consolidated Group has sufficient cash reserves or undrawn facilities to continue to pay its debts as and when they are due and payable for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

Should the Consolidated Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Consolidated Group be unable to continue as a going concern and meet its debts as and when they fall due.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Engenco Limited at the end of the reporting period. A controlled entity is any entity over which Engenco Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Principles of Consolidation (cont'd)

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 15 – Controlled Entities. All controlled entities have a 30 June financial year-end.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Consolidated Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill - refer to Note 1(i) - or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the Statement of Comprehensive Income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the Statement of Comprehensive Income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the Statement of Comprehensive Income.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

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

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

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

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

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

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

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

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

Tax consolidation

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

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Construction Contracts and Work in Progress

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

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

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

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

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less accumulated depreciation and, where applicable, any impairment losses.

Property

Freehold land and buildings are shown at their cost (being the consideration paid plus any additional direct costs), less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and, where applicable, any impairment losses. The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment (cont'd)

Depreciation (cont'd)

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	40% - 67%
Plant and equipment	2.5% - 67%
Leased plant and equipment	30% - 67%
Buildings	2.50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Leases

Lease of fixed assets where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership that is transferred to entities in the Consolidated Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a diminishing value basis over their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

(1) the amount at which the financial asset or financial liability is measured at initial recognition;

(2) less principal repayments;

(3) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(4) less any reduction for impairment.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (cont'd)

Classification and subsequent measurement (cont'd)

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

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit and loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

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

Impairment

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

Financial guarantees

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (cont'd)

Financial guarantees (cont'd)

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

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Impairment testing is performed at least annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Intangibles

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(1) the consideration transferred;

(2) any non-controlling interest; and

(3) the acquisition date fair value of any previously held equity interest over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest measures the non-controlling interest in the acquiree using the proportionate interest method.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Intangibles (cont'd)

Customer related intangibles

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

Patents and trade marks

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

Other identifiable intangibles

Other intangibles are stated at cost less accumulated amortisation and, where applicable, any impairment losses. At balance date the amount in other identifiable intangibles can be attributed to the value applied to Rail Access on acquisition. Other identifiable intangibles are amortised over a period of 8 years.

Research and development

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

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

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

Group companies

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the Statement of Comprehensive Income. These differences are recognised in the Statement of Comprehensive Income in the period in which the operation is disposed.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Provision for Warranties

Provision is made in respect of the Consolidated Group's estimated liability on all products and services under warranty at balance date. The future cash flows have been estimated by reference to the Consolidated Group's history of warranty claims.

(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 are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(o) Revenue and Other Income

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

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

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

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

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

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

(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.

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of 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 Comprehensive Income in the period in which they are incurred.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Goods and Services Tax (GST)

Revenues, expenses and 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.

(s) 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.

(t) Rounding of Amounts

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

(u) Critical Accounting Estimates and Judgments

Goodwill and intangibles

Significant judgments are made with respect to identifying and valuing intangible assets on acquisitions of new businesses. The Group assesses impairment of intangibles at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use and fair value calculations performed in assessing recoverable amounts incorporate a number of key estimates which can be found in Note 17 – Intangible Assets.

Income tax

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by taxable authorities in relevant jurisdictions. Further details can be found in Notes 4 – Income Tax Expense and Note 21 - Tax.

Impairment

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

With respect to cash flow projections for the impairment testing, a growth rate to reflect business efficiencies and market growth opportunities have been factored into valuation models for the next three years. Additional allowance for inflation has been factored into all valuation models. Pre-tax discount rates of between 9.5% and 15.1% (2011: 23.5%) have been used in all models.

Trade receivables have been reviewed and impaired where significant uncertainty has been identified as to the recoverability of amounts due, and where the amounts to which the uncertainty relates can be quantified. This is reflected in Note 12 – Trade and Other Receivables.

Property, plant and equipment were assessed for impairment with reference to fair value less cost to sell. This is reflected in Note 16 – Property, Plant and Equipment.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Critical Accounting Estimates and Judgments (cont'd)

Net realisable value – inventory and WIP

Inventory and WIP value was determined using the net realisable value, where the cost was in excess of this value. This is reflected in Note 13 – Inventories.

Environmental issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(v) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) New Accounting Standards for Application in Future Periods (cont'd)

The amendments are not expected to significantly impact the Group.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes Recovery of Revalued Non-Depreciable Assets into AASB 112.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments are not expected to significantly impact the Group.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only.

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued.

  These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:

  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

  These Standards are not expected to significantly impact the Group.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) New Accounting Standards for Application in Future Periods (cont'd)

- AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

  The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

  This Standard affects presentation only and is therefore not expected to significantly impact the Group.

- AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

  AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

  (i) for an offer that may be withdrawn – when the employee accepts;

  (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

  (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

  The amendments are not expected to significantly impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

(w) Prior Year Correction

Income tax expense was previously overstated in the 2009 and 2010 financial years by $3.6m with a corresponding understatement of deferred tax assets ($2.2m), current tax liabilities ($0.4m) and deferred tax liabilities ($1.0m), and has been corrected in the annual report comparatives. Refer to table below.

	Previously stated 30 June 2011	Restated 30 June 2011	Change
	$000	$000	$000
STATEMENT OF FINANCIAL POSITION:			
Deferred tax assets	6,578	8,782	2,204
Current tax liabilities	(3,361)	(2,993)	368
Deferred tax liabilities	(2,298)	(1,300)	998
Retained earnings	(97,441)	(93,872)	3,569
STATEMENT OF CHANGES IN EQUITY:			
Retained earnings	(97,441)	(93,872)	3,569

The financial statements were authorised for the issue on 27 September 2012 by the Board of Directors.

2. REVENUE

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
SALES REVENUE		
Sales of goods and services	**198,849**	198,935
TOTAL SALES REVENUE	**198,849**	198,935
OTHER REVENUE		
Interest received	**348**	332
Fuel rebates	**-**	28
TOTAL OTHER REVENUE	**348**	360
TOTAL SALES REVENUE AND OTHER REVENUE	**199,197**	199,295
OTHER INCOME		
Gain on disposal of property, plant and equipment	**124**	661
Other gains (including foreign exchange)	**1,904**	1,579
TOTAL OTHER INCOME	**2,028**	2,240
a. Interest revenue from:		
Other persons	**348**	332
TOTAL INTEREST REVENUE	**348**	332

3. PROFIT FOR THE YEAR

	CONSOLIDATED GROUP	
	2012 $'000	2011 $'000
EXPENSES		
Cost of sales	**119,813**	114,478
FINANCE COSTS		
Interest – external	**4,648**	8,618
Other finance costs	**905**	840
TOTAL FINANCE COSTS	**5,553**	9,458
EMPLOYEE SUPERANNUATION EXPENSE		
Defined contribution plan	**4,377**	4,789
TOTAL EMPLOYEE SUPERANNUATION EXPENSE	**4,377**	4,789
BAD AND DOUBTFUL DEBTS		
Trade receivables	**4,341**	748
TOTAL BAD AND DOUBTFUL DEBTS	**4,341**	748
RENTAL EXPENSE ON OPERATING LEASES		
Minimum lease payments	**7,504**	8,292
TOTAL RENTAL EXPENSE ON OPERATING LEASES	**7,504**	8,292
Impairment / (reversal of impairment) of property, plant and equipment	**3,547**	(567)
Goodwill written off	**3,813**	-
Impairment of inventory	**19,871**	-

4. INCOME TAX EXPENSE

	Note	CONSOLIDATED GROUP 2012 $'000	2011 $'000
(a) The components of tax expense comprise:			
Current income tax			
- Current income tax charge		**2,183**	3,297
Deferred income tax			
- Relating to origination and reversal of temporary differences		**808**	43
Income tax expense reported in the Statement of Comprehensive Income		**2,991**	3,340
(b) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:			
Accounting profit (loss) before tax from continuing operations		**(32,608)**	10,090
- Loss before tax from discontinued operations		**-**	(2,172)
- Total accounting profit (loss) before income tax		**(32,608)**	7,918
At the Parent Entity's statutory income tax rate of 30% (2011: 30%)		**(9,782)**	2,375
Add (Less) tax effect of:			
- Non-deductible depreciation and amortisation		**1,703**	460
- Write-downs to recoverable amounts		**-**	(2,583)
- Research and development deduction		**(49)**	(99)
- Other non-allowable items		**662**	(128)
- Foreign tax rate adjustment		**(75)**	333
- Losses for which no deferred tax asset is recognised		**9,413**	2,492
- Amounts recognised directly in equity		**-**	-
- Movements in unrecognised temporary differences		**1,119**	-
Weighted average income tax expense		**2,991**	2,850
Weighted average income tax expense is attributable to:			
Continuing operations		**2,991**	3,340
Discontinued operations	5	**-**	(490)
		2,991	2,850
Weighted average income tax rate		**(9.2%)**	33.1%

5. DISCONTINUED OPERATIONS

Claw Environmental

On 2 July 2010, the Group announced its decision to dispose of Claw Environmental – a business unit of Coote Investments Pty Ltd, thereby discontinuing its operations in this business segment.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit/(loss) from the discontinued operations per the Statement of Comprehensive Income is as follows:

	2011 $'000
Revenue	2
Raw materials and consumables used	(5)
Employee benefits expense	(29)
Depreciation and amortisation expense	(46)
Write-back of impairment of property, plant and equipment	300
Finance costs	(20)
Rent and outgoings	(5)
Vehicle expenses	(3)
Other expenses	(200)
LOSS BEFORE INCOME TAX	(6)
Income tax expense	17
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	11
TOTAL PROFIT AFTER TAX ATTRIBUTABLE TO THE DISCONTINUED OPERATION	11

5. DISCONTINUED OPERATIONS (CONT'D)

FCD Logistics Pty Ltd

On 14 January 2011, the Group announced its decision to dispose of its container depot operations entity of FCD Logistics Pty Ltd, thereby discontinuing its operations in this business segment.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit/(loss) from the discontinued operations per the Statement of Comprehensive Income is as follows:

	2011 $'000
Revenue	2,937
Raw materials and consumables used	(549)
Employee benefits expense	(1,955)
Depreciation and amortisation expense	(355)
Finance costs	(346)
Insurances	(98)
Rent and outgoings	(290)
Vehicle expenses	(101)
Other expenses	(829)
LOSS BEFORE INCOME TAX	(1,586)
Income tax expense	476
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	(1,110)
Profit on sale before income tax	843
PROFIT ON SALE AFTER INCOME TAX	843
TOTAL LOSS AFTER TAX ATTRIBUTABLE TO THE DISCONTINUED OPERATION	(267)

NOTE 5 – DISCONTINUED OPERATIONS (CONT'D)

Eden Cryogenics LLC

On 22 February 2011, the Group announced its decision to dispose of Eden Cryogenics LLC, thereby discontinuing its operations in this business segment.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit/(loss) from the discontinued operations per the Statement of Comprehensive Income income is as follows:

	2011 $'000
Revenue	5,118
Raw materials and consumables used	(3,148)
Employee benefits expense	(1,526)
Depreciation and amortisation expense	(121)
Finance costs	(14)
Insurances	(57)
Rent and outgoings	(138)
Vehicle expenses	(2)
Other expenses	(720)
LOSS BEFORE INCOME TAX	(608)
Income tax expense	(3)
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	(611)
Loss on sale before income tax	(815)
LOSS ON SALE AFTER INCOME TAX	(815)
TOTAL LOSS AFTER TAX ATTRIBUTABLE TO THE DISCONTINUED OPERATION	(1,426)

6. KEY MANAGEMENT PERSONNEL

(a) Directors

The following persons were directors of Engenco Limited during the financial year:

Name	Position
D Elphinstone	Chairman
V De Santis	Non-Executive Director (Interim Managing Director until 22 Feb 2012)
D Hector	Non-Executive Director
R Dunning	Non-Executive Director

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
D Quinn	Chief Executive Officer (appointed 22 February 2012)
K Pallas	Chief Operating Officer
P Coombe	Chief Financial Officer (appointed 25 January 2012)
A Young	Company Secretary (appointed 9 November 2011)
G Parrett	CEO – Drivetrain Power and Propulsion
P Swann	General Manager – Convair
G Jean	Interim Company Secretary / Chief Financial Officer (resigned 25 January 2012)
W Manners	CEO – Gemco Rail (resigned 29 February 2012)

(c) Key management personnel compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

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

	2012 $'000	2011 $'000
Short-term employee benefits	**2,089**	1,840
Post-employment benefits	**139**	134
Termination benefits	**-**	617
Total	**2,228**	2,591

6. KEY MANAGEMENT PERSONNEL (CONT'D)

(d) Equity instrument disclosures relating to key management personnel

Options

No options are currently on issue to key management personnel.

(e) Shareholdings

Number of shares held by key management personnel at 30 June 2011 and 30 June 2012:

2011	Balance 1 July 2010	Received as compensation	Options exercised	Share consolidation	Net change other	Balance 30 June 2011
D Elphinstone	102,695,243	-	-	-	342,921,295	445,616,538
V De Santis	257,693	-	-	-	742,307	1,000,000
D Hector	36,171	-	-	-	100,476	136,647
R Dunning	-	-	-	-	100,000	100,000
D Quinn	-	-	-	-	-	-
K Pallas	50,000	-	-	-	-	50,000
P Coombe	-	-	-	-	-	-
A Young	-	-	-	-	-	-
G Parrett	201,654	-	-	-	-	201,654
W Manners	62,693	-	-	-	55,728	118,421
P Swann	53,520	-	-	-	47,574	101,094

2012	Balance 1 July 2011	Received as compensation	Options exercised	Share consolidation*	Net change other	Balance 30 June 2012
D Elphinstone	445,616,538	-	-	(404,999,999)	6,122,096	46,738,635
V De Santis	1,000,000	-	-	(1,079,999)	200,000	120,001
D Hector	136,647	-	-	(212,982)	100,000	23,665
R Dunning	100,000	-	-	(180,000)	100,000	20,000
D Quinn	-	-	-	-	-	-
K Pallas	50,000	-	-	(45,000)	-	5,000
P Coombe	-	-	-	-	-	-
A Young	-	-	-	-	-	-
G Parrett	201,654	-	-	(181,488)	-	20,166
W Manners	118,421	-	-	(106,578)	-	11,843
P Swann	101,094	-	-	(90,984)	-	10,110

* During November 2011 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.

(f) Other key management personnel transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 30 - Related Party Transactions.

7. PARENT ENTITY DISCLOSURES

	2012 $'000	2011 $'000
(a) Financial Position		
ASSETS		
Current assets	**1,100**	17,439
Non-current assets	**172,875**	192,918
TOTAL ASSETS	**173,975**	210,357
LIABILITIES		
Current liabilities	**20,492**	22,852
Non-current liabilities	**1,690**	1,975
TOTAL LIABILITIES	**22,182**	24,827
NET ASSETS	**151,793**	185,530
EQUITY		
Issued capital	**275,342**	275,342
Reserves:		
Option reserves	**192**	192
Accumulated losses	**(123,741)**	(90,004)
TOTAL EQUITY	**151,793**	185,530
(b) Financial Performance		
COMPREHENSIVE INCOME		
(Loss) / Profit for the year	**(35,744)**	(10,172)
Other comprehensive income	**-**	-
TOTAL COMPREHENSIVE INCOME	**(35,744)**	(10,172)

(c) Guarantees

The parent entity acts as guarantor for bank debt facilities. Details of these facilities can be found in Note 20(c) - Financial Liabilities.

(d) Contingent Liabilities

At 30 June 2012, the parent entity has no significant contingent liabilities (2011: Nil).

(e) Contractual Commitments

At 30 June 2012, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment (2011: Nil).

8. AUDITOR'S REMUNERATION

	CONSOLIDATED GROUP 2012 $'000	CONSOLIDATED GROUP 2011 $'000
Remuneration of Bentleys as auditor of the parent for:		
- auditing or reviewing the financial report	**375**	346
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries	**124**	163

9. DIVIDENDS

The directors have decided not to declare a final dividend.

	CONSOLIDATED GROUP 2012 $'000	CONSOLIDATED GROUP 2011 $'000
(a) DECLARED AND PAID		
Final fully franked ordinary dividend of nil (2011: nil) cents per share franked at the tax rate of 30% (2011: 30%)	**-**	-
	-	-
(b) FRANKING CREDIT BALANCE		
The amount of franking credits available for subsequent financial years are:		
Franking account balance as at the end of the financial year at 30% (2011: 30%)	**11,253**	10,939
	11,253	10,939

10. EARNINGS PER SHARE

	CONSOLIDATED GROUP 2012 $'000	CONSOLIDATED GROUP 2011 $'000
(a) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS		
Profit/(Loss)	**(35,599)**	5,068
Profit/(Loss) attributable to non-controlling equity interest	**(84)**	(163)
Earnings used to calculate basic EPS	**(35,683)**	4,905
Earnings used in the calculation of dilutive EPS	**(35,683)**	4,905
(b) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS		
Profit/(Loss) from continuing operations	**(35,599)**	6,750
Profit/(Loss) attributable to non-controlling equity interest in respect of continuing operations	**(84)**	(163)
Earnings used to calculate basic EPS from continuing operations	**(35,683)**	6,587
Earnings used in the calculation of dilutive EPS from continuing operations	**(35,683)**	6,587
(c) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM DISCONTINUED OPERATIONS		
Profit/(Loss) from discontinued operations	**-**	(1,682)
Profit/(Loss) attributable to non-controlling equity interest from discontinued operations	**-**	-
Earnings used to calculate basic EPS from discontinued operations	**-**	(1,682)
Earnings used in the calculation of dilutive EPS from discontinued operations	**-**	(1,682)
	No. '000	No. '000
(d) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATING BASIC EPS	**124,225**	71,638
Weighted average number of dilutive options outstanding	**-**	300
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**124,225**	71,938

11. CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP 2012 $'000	CONSOLIDATED GROUP 2011 $'000
CASH AT BANK AND IN HAND	**15,644**	14,098
	15,644	14,098

12. TRADE AND OTHER RECEIVABLES

	Note	CONSOLIDATED GROUP 2012 $'000	CONSOLIDATED GROUP 2011 $'000
CURRENT			
Trade receivables		**46,380**	38,974
Provision for impairment of receivables	b(i)(ii)	**(4,587)**	(860)
Total trade receivables		**41,793**	38,114
Accrued income		**5,188**	8,176
Sundry receivables		**269**	492
Total other receivables		**5,457**	8,668
TOTAL CURRENT TRADE AND OTHER RECEIVABLES		**47,250**	46,782
NON-CURRENT			
Amounts receivable from:			
- Key management personnel and employees	(a)	**513**	512
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES		**513**	512

12 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Key management personnel

	Balance at Beginning of Year $000	Interest Charged $000	Interest Not Charged $000	Provision for Impairment $000	Balance at End of Year $000	Number of Individuals
2012	512	-	30	-	513	4
2011	2,255	-	82	-	512	4

Individuals with loans above $100,000 in reporting period:

	Balance at Beginning of Year $000	Interest Charged $000	Interest Not Charged $000	Provision for Impairment $000	Balance at End of Year $000	Number of Individuals
G Parrett	206	-	12	-	206	206
K Pallas	102	-	6	-	102	102
J Hickey	102	-	6	-	102	102
A Butters	102	-	6	-	102	102

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

(b) Provision for impairment of receivables

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. Current trade and term 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 other expenses in the Statement of Comprehensive Income.

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

	Consolidated Group			
	Opening Balance 1 Jul 2010	Charge for the Year	Amounts Written Off	Closing Balance 30 Jun 2011
(i) 2011	$000	$000	$000	$000
Current trade receivables	(70)	(850)	60	(860)
	(70)	(850)	60	(860)

	Opening Balance 1 Jul 2011	Charge for the Year	Amounts Written Off	Closing Balance 30 Jun 2012
(ii) 2012	$000	$000	$000	$000
Current trade receivables	(860)	(4,445)	718	(4,587)
	(860)	(4,445)	718	(4,587)

12. 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
2012							
Trade and term receivables	**46,380**	**4,587**	**11,308**	**4,072**	**2,663**	**1,866**	**21,884**
Other receivables	**5,457**	**-**	**-**	**-**	**-**	**-**	**5,457**
Total	**51,837**	**4,587**	**11,308**	**4,072**	**2,663**	**1,866**	**27,341**
2011							
Trade and term receivables	38,974	860	9,474	4,462	3,596	1,437	19,145
Other receivables	8,668	-	-	-	-	3,034	5,634
Total	47,642	860	9,474	4,462	3,596	4,471	24,779

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 due 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.

13. INVENTORIES

	CONSOLIDATED GROUP 2012 $'000	2011 $'000
CURRENT		
At cost:		
- Raw materials and stores	**7**	17
- Work in progress	**2,016**	7,487
- Finished goods	**33,097**	42,987
	35,120	50,491
At net realisable value		
- Work in progress	**4,450**	-
- Finished goods	**5,140**	511
	9,590	511
Total current inventory	**44,710**	51,002
NON-CURRENT		
At cost:		
- Work in progress	**-**	4,082
	-	4,082
At net realisable value:		
- Work in progress	**-**	2,827
	-	2,827
Total non-current inventory	**-**	6,909

The Company has, at the direction of the Board, completed a comprehensive review of the carrying value of inventory. As a result of the review, inventory has been impaired by $19,871,000.

14. FINANCIAL ASSETS

	CONSOLIDATED GROUP 2012 $'000	2011 $'000
NON-CURRENT		
Shares in listed companies	**11**	139
Loans receivable - other	**6**	6
Total financial assets	**17**	145

15. CONTROLLED ENTITIES

Note: Subsidiaries are indented beneath their parent entity	Country of Incorporation	Date of Control	Percentage Owned 2012	Percentage Owned 2011
Engenco Ltd	Australia			
○ Convair Engineering Pty Ltd	Australia	1 Jul 06	100	100
• Coote Logistics Pty Ltd	Australia	1 Jul 06	100	100
○ Asset Kinetics Pty Ltd	Australia	1 Jul 06	100	100
• Coote 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 (formerly known as Southern and Silverton Railway Pty Ltd)	Australia	30 Apr 07	100	100
• EGN Rail (NSW) Pty Ltd (formerly known as South Spur Rail Services (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 Ltd **	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
° Drivetrain Americas Inc	USA	18 Feb 11	100	100
* Hedemora Investments AB	Sweden	1 Jul 06	100	100
° Drivetrain Sweden AB	Sweden	1 Jul 06	100	100
○ Gemco Rail Pty Ltd	Australia	1 Jul 07	100	100
• Railway Bearings Refurbishment Services Pty Ltd	Australia	1 Jul 07	100	100
• New RTS Pty Ltd	Australia	3 Dec 08	100	100
○ Hedemora Pty Ltd	Australia	1 Jul 06	100	100
○ Industrial Powertrain Pty Ltd	Australia	1 Jul 07	100	100
• PC Diesel Pty Ltd	Australia	1 Jul 06	100	100
○ Total Momentum Pty Ltd	Australia	30 Apr 07	100	100

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

16. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
LAND AND BUILDINGS		
Freehold land:		
- At cost	**53**	53
Total Land	**53**	53
Buildings:		
- At cost	**762**	739
- Less accumulated depreciation	**(478)**	(456)
Total Buildings	**284**	283
TOTAL LAND AND BUILDINGS	**337**	336
PLANT AND EQUIPMENT*		
Plant and equipment:		
- At cost	**133,134**	120,336
- Accumulated depreciation	**(35,410)**	(28,764)
- Accumulated impairment losses	**(11,493)**	(3,845)
Total Plant and Equipment	**86,231**	87,727
Leasehold improvements:		
- At cost	**2,259**	2,168
- Accumulated depreciation	**(881)**	(768)
- Accumulated impairment losses	**-**	-
Total Leasehold Improvements	**1,378**	1,400
Leased plant and equipment:		
- Capitalised leased assets	**5,508**	16,840
- Accumulated depreciation	**(1,381)**	(3,162)
- Accumulated impairment losses	**-**	(8,670)
Total Leased Plant and Equipment	**4,127**	5,008
TOTAL PLANT AND EQUIPMENT	**91,736**	94,135
TOTAL PROPERTY, PLANT AND EQUIPMENT	**92,073**	94,471

* Reclassifications between the classes of Plant and Equipment have been performed in 2012.

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Movements in carrying amounts

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

	Consolidated Group					
	Freehold Land	Buildings	Leasehold Improve-ments	Plant and Equipment	Leased Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
BALANCE AT 1 JULY 2010	53	284	2,210	73,952	5,960	82,459
Additions	-	-	78	24,918	827	25,823
Disposals	-	-	(15)	(950)	(1,379)	(2,344)
Revaluation increments / (decrements)	-	-	17	(356)	679	340
Depreciation expense	-	(1)	(172)	(8,251)	(629)	(9,053)
Disposals of assets on sale of subsidiary	-	-	(718)	(1,586)	(450)	(2,754)
BALANCE AT 1 JULY 2011	53	283	1,400	87,727	5,008	94,471
Additions	**-**	**23**	**153**	**11,563**	**357**	**12,096**
Disposals	**-**	**-**	**(62)**	**(1,011)**	**(841)**	**(1,914)**
(Impairment) / reversal of impairment	**-**	**-**	**-**	**(3,547)**	**-**	**(3,547)**
Depreciation expense	**-**	**(22)**	**(113)**	**(8,501)**	**(397)**	**(9,033)**
Disposals of assets on sale of subsidiary	**-**	**-**	**-**	**-**	**-**	**-**
BALANCE AT 30 JUNE 2012	**53**	**284**	**1,378**	**86,231**	**4,127**	**92,073**

The Company has, at the direction of the Board, completed a comprehensive review of the carrying value of plant and equipment. As a result of the review, plant and equipment has been impaired by $3,547,000.

Additions for the year include SAP capital work in progress of $2,508,000 (2011: $1,440,000).

17. INTANGIBLE ASSETS

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
GOODWILL		
Cost:		
Opening balance	**36,272**	37,277
Additional costs on previously acquired subsidiaries	**-**	-
Impairment for the year	**(3,813)**	-
Divestment through subsidiaries sold	**-**	(1,005)
Closing balance	**32,459**	36,272
CUSTOMER RELATED INTANGIBLES		
Cost:		
Opening balance	**14,494**	14,494
Additions	**-**	-
Acquisitions through subsidiaries acquired	**-**	-
Closing balance	**14,494**	14,494
Accumulated amortisation:		
Opening balance	**(5,980)**	(4,451)
Amortisation for the year	**(1,497)**	(1,529)
Closing balance	**(7,477)**	(5,980)
Net book value	**7,017**	8,514
PATENTS AND TRADEMARKS		
Cost:		
Opening balance	**1,227**	1,227
Additions	**-**	-
Closing balance	**1,227**	1,227
Accumulated amortisation:		
Opening balance	**(457)**	(357)
Amortisation for the year	**(96)**	(100)
Closing balance	**(553)**	(457)
Net book value	**674**	770

17. INTANGIBLE ASSETS (CONT'D)

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
OTHER IDENTIFIABLE INTANGIBLES		
Cost:		
Opening balance	**4,105**	4,105
Additions	**-**	-
Acquisitions through subsidiaries acquired	**-**	-
Closing balance	**4,105**	4,105
Accumulated amortisation:		
Opening balance	**-**	-
Amortisation for the year	**(380)**	-
Closing balance	**(380)**	-
Net book value	**3,725**	-
TOTAL INTANGIBLE ASSETS		
At cost	**52,285**	56,098
Accumulated amortisation	**(8,410)**	(6,437)
Net book value	**43,875**	49,661

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the Statement of Comprehensive Income. Goodwill has an infinite useful life.

(a) Impairment tests for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Consolidated Group's key businesses which represent the lowest level within the Consolidated Group at which goodwill is monitored for internal management purposes as follows:

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
GOODWILL		
Convair	**1,889**	1,889
Drivetrain Australia	**9,265**	9,265
Drivetrain Sweden	**9,520**	9,520
Gemco Rail	**-**	3,813
Momentum	**11,125**	11,125
Greentrains	**660**	660
TOTAL GOODWILL	**32,459**	36,272

The recoverable amount of the cash generating units is based on value in use and fair value calculations. The calculations use cash flow projections based on the following year's budget and plan, extended over a period of 3 years using a growth factor relevant to the sector and business plan. A pre-tax discount rate is applied adjusted for the risk of the industry in which each unit operates. Goodwill in Gemco Rail was impaired in the period, as current expected future earnings do not support the carrying value.

17. INTANGIBLE ASSETS (CONT'D)

(b) Key assumptions used for value in use calculations

A growth rate to reflect business efficiencies and market growth opportunities has been used to extrapolate cash flows. The growth rate does not exceed the long-term average growth rate for the business in which the cash generating units operate.

A pre-tax discount rate of between 9.5% and 15.1% (2011: 23.5%) has been applied to discount the forecast future attributable pre-tax cash flows. The discount rate reflects specific risks relating to the relevant cash generating units in their country of operation.

The discount rate has been reassessed to be in line with the Company's weighted average cost of capital, reflecting the lower return currently being seen in investment markets. Terminal values of EBITDA multiples of between 8 and 9 have been used.

The recoverable amount of each cash generating unit exceeds the carrying amount of the gross assets of that unit.

(c) Sensitivity analysis

With respect to cash flow projections, a growth rate to reflect business efficiencies and market growth opportunities have been factored into valuation models for the next 3 years. Based on sensitivities to the resulting EBIT projections, the following table represents potential incremental impairment of goodwill and other intangible assets, based on 5% and 10% reductions to projected EBIT.

Cash Generating Unit	-5% EBIT $000	-10% EBIT $000
Convair	-	-
Drivetrain Australia	-	-
Drivetrain Sweden	-	-
Gemco Rail	-	1,235
Momentum	-	-
Greentrains	-	660
Total	-	1,895

18. OTHER ASSETS

	CONSOLIDATED GROUP	
	2012 $'000	2011 $'000
CURRENT		
Other current assets	**242**	2,215
Prepayments	**1,626**	1,051
	1,868	3,266

19. TRADE AND OTHER PAYABLES

	CONSOLIDATED GROUP 2012 $'000	CONSOLIDATED GROUP 2011 $'000
CURRENT		
Unsecured liabilities:		
Trade payables	**20,723**	20,260
ATO payables	**6,156**	1,646
Sundry payables and accrued expenses	**3,220**	10
Deferred income	**180**	316
	30,279	22,232

20. FINANCIAL LIABILITIES

	Note	CONSOLIDATED GROUP 2012 $'000	CONSOLIDATED GROUP 2011 $'000
CURRENT			
Secured liabilities:			
Bank overdrafts	26(a)	**17,825**	3,554
Lease liability	24(a)	**335**	961
Loans from related parties		**22,000**	-
Bank loans	30(d)	**20,877**	27,380
		61,037	31,895
NON-CURRENT			
Secured liabilities:			
Bank loans		**1,120**	20,828
Lease liability	24(a)	**-**	650
		1,120	21,478

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

	Note	CONSOLIDATED GROUP 2012 $'000	CONSOLIDATED GROUP 2011 $'000
Bank overdraft		**17,825**	3,554
Bank loan		**21,997**	48,208
Loans from related parties		**22,000**	-
Lease liability	24	**335**	1,611
		62,157	53,373

20. FINANCIAL LIABILITIES (CONT'D)

(b) Collateral provided

Bank Debt

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

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

i. **Minimum Net Worth** of $100 million for each quarter ending 31 March 2012. For all quarters ending 30 June 2012 or after no less than $125 million;

ii. **Gearing Ratio**, (the ratio of Total Debt to EBITDA) to be no more than 3.0 times for each quarter ending 31 March 2012. For all quarters ending 30 June 2012 or after, no greater than 2.75 times; and

iii. **Interest Coverage Ratio**, (the ratio of EBITDA to gross interest expense) to be greater than 3.0 times.

See Note 1 for details on covenant compliance.

Related Party Debt

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

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

i. **Interest Coverage Ratio**, (the ratio of EBITDA to gross interest expense) to be greater than 2.0 times;

ii. **Loan to Valuation Ratio**, (the ratio of the remaining loan to the total of the locomotive asset value and the maintenance reserve account balance divided by 75%) to be less than 50%; and

iii. **Gearing Ratio**, (the ratio of Total Debt to EBITDA) to be no more than 5.0 times.

Lease Liabilities

Lease liabilities are secured by underlying leased assets.

(c) Debt facilities and credit standby arrangements

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

	Facility Available 2012 $000	Facility Used 2012 $000	Maturity Dates 2012	Facility Available 2011 $000	Facility Used 2011 $000	Maturity Dates 2011	Interest Basis
- Cash Advance Facility	**16,964**	**16,964**	**Jul-13**	20,200	20,200	Jul-13	Floating
- Working Capital Multi Option Facility *	**12,500**	**12,500**	**Jul-13**	12,500	8,756	Jul-13	Floating
- Drivetrain NAB Loan Facility	**3,000**	**3,000**	**Sep-12**	-	-	-	Floating
- Swedish Loan Facility	**3,535**	**3,472**	**Various**	3,679	3,679	Feb-12	Floating
- Greentrains Loan Facility	**30,000**	**22,000**	**Jul-13**	24,329	24,329	Jul-12	Floating
- Leases	**335**	**335**	**Various**	1,611	1,611	Various	Fixed
	66,334	**58,271**		62,319	58,575		

* Comprises net bank overdrafts, off balance sheet bank guarantees of $3.3 million, business cards and other trade products.

21. TAX

	CONSOLIDATED GROUP 2012 $'000	2011 $'000
CURRENT		
Income tax payable	**1,972**	2,993
Total	**1,972**	2,993

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

	Consolidated Group						
			Note 1(w)				
	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	555	-	745	-	-	-	1,300
Balance at 30 June 2011	555	-	745	-	-	-	1,300
Other	**1,300**	**-**	**445**	**-**	**-**	**-**	**1,745**
Balance at 30 June 2012	**1,300**	**-**	**445**	**-**	**-**	**-**	**1,745**
Deferred tax assets							
Provisions	2,871	(85)	(291)	-	-	(1)	2,494
Transaction costs on equity issue	724	-	-	1,220	-	-	1,944
Losses	863	-	805	-	-	(173)	1,495
Other	2,661	-	188	-	-	-	2,849
Balance at 30 June 2011	7,119	(85)	702	1,220	-	(174)	8,782
Provisions	**2,494**	**-**	**1,941**	**-**	**-**	**-**	**4,435**
Transaction costs on equity issue	**1,944**	**-**	**(631)**	**-**	**-**	**-**	**1,313**
Losses	**1,495**	**-**	**(1,114)**	**-**	**-**	**-**	**381**
Other	**2,849**	**-**	**(559)**	**-**	**-**	**(75)**	**2,215**
Balance at 30 June 2012	**8,782**	**-**	**(363)**	**-**	**-**	**(75)**	**8,344**

The Company has carry forward operating tax losses of $40.0 million from the 2011 financial year. The benefits of the deferred tax asset will only be realised if the conditions for deductibility set out in Note 1(b) occur. The ability to utilise the $40.0 million of operating tax losses will be subject to satisfying relevant eligibility criteria for the recoupment of carry forward tax losses.

22. PROVISIONS

	Consolidated Group			
	Long Service Leave Employee Benefits	Annual Leave Employee Benefits	Other	Total
	$000	$000	$000	$000
OPENING BALANCE AT 1 JULY 2011	1,926	3,523	2,599	8,048
Additional provisions	466	1,954	-	2,420
Amounts used	(396)	(1,663)	(2,061)	(4,120)
BALANCE AT 30 JUNE 2012	1,996	3,814	538	6,348

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
Anaylsis of Total Provisions		
Current	**4,352**	6,121
Non-current	**1,996**	1,927
	6,348	8,048

(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. The measurement and recognition criteria relating to employee benefits has been included in Note 1(k) to this report.

Other

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

23. ISSUED CAPITAL

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
124,224,766 (2011: 1,242,242,634) fully paid ordinary shares with no par value	**275,342**	275,342
	275,342	275,342

(a) Ordinary shares

	2012	2011
	No.	No.
At beginning of reporting period	**1,242,242,634**	266,438,788
Shares issued during year		
14 July 2010	-	266,438,788
21 February 2011	-	79,801,636
22 March 2011	-	86,001,111
30 March 2011	-	543,848,189
4 April 2011	-	564,122
Shares cancelled or consolidated during the year		
18 November 2011	**(1,118,017,868)**	-
3 September 2010	-	(850,000)
At reporting date	**124,224,766**	1,242,242,634

Date	No.	Price	Description
18 Nov 11	(1,118,017,868)	n/a	10:1 share consolidation

At the Engenco Limited annual general meeting held 9 November 2011, shareholders approved the share consolidation whereby every ten (10) fully paid ordinary shares on issue were consolidated into one (1) fully paid ordinary share as at 18 November 2011.

Where the consolidation resulted in a shareholder being entitled to a fraction of a share, the total shareholding was rounded up to the next whole number.

All of these shares were eligible to participate in dividends from the date of issue.

Ordinary shares 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) Options

At 30 June 2012 100,000 (2011: 300,000) options were on issue. No options were exercised during this financial year. Further details on these options are contained in Note 27 – Share Based Payments.

(c) Capital management

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

23. ISSUED CAPITAL (CONT'D)

The Consolidated Group's debt and capital includes ordinary shares and financial liabilities. The gearing ratios for the year ended 30 June 2012 are as follows:

		CONSOLIDATED GROUP	
		2012	2011
	Note	$'000	$'000
Total Borrowings	20(a)	**62,158**	53,373
Net Debt		**46,514**	39,275
Total Equity		**151,793**	187,683
Total Capital		**198,307**	226,958
Gearing Ratio		**31%**	21%

The gearing ratio has increased in the year due to higher debt levels and the losses made during the year.

24. CAPITAL AND LEASING COMMITMENTS

		CONSOLIDATED GROUP	
		2012	2011
	Note	$'000	$'000
(a) FINANCE LEASE COMMITMENTS			
Payable — minimum lease payments:			
- not later than 12 months		**342**	1,041
- between 12 months and 5 years		**-**	677
- greater than 5 years		**-**	-
Minimum lease payments		**342**	1,718
Future finance charges		**(7)**	(107)
Present value of minimum lease payments	20	**335**	1,611
(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		**6,609**	6,789
- between 12 months and 5 years		**13,807**	14,772
- greater than 5 years		**4,965**	2,309
		25,381	23,870

25. 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 Board of Directors (chief operating decision makers) 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 makers consider the business from a Business Line perspective and have identified nine (9) reportable segments as follows:

(a) 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.

(b) 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.

(c) Gemco Rail

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

(d) CERT

Centre for Excellence in Rail Training 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.

(e) Momentum

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.

(f) Coote Logistics

Coote Logistics provides specialised road transportation and port logistics services, primarily for mine-site inputs and outputs, agricultural and industrial equipment.

(g) Coote Investments

This segment comprises miscellaneous investments and shareholdings.

25. OPERATING SEGMENTS (CONT'D)

(h) Greentrains

Greentrains leases rolling stock to freight rail operators throughout Australia.

(i) All Other Segments

This includes the parent entity and consolidation / elimination adjustments.

Basis of Accounting for Purposes of Reporting by Operating Segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief 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:

- Finance costs
- Goodwill impairment
- Impairment of property, plant and equipment
- Deferred tax assets and liabilities
- Impairment of accounts receivable
- Impairment of inventory

25. OPERATING SEGMENTS (CONT'D)

(i) Segment Performance

Year ended 30 June 2012

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Coote Logistics $000	Momentum $000	Gemco Rail $000	Green-trains $000	Coote Invest-ments $000	All Other $000	Consol. Group $000
REVENUE										
External sales	**93,394**	**5,227**	**18,722**	**98**	**19,927**	**51,369**	**9,832**	**-**	**280**	**198,849**
Inter-segment sales	**603**	**80**	**-**	**-**	**1,552**	**2,257**	**-**	**-**	**-**	**4,492**
Interest revenue	**24**	**3**	**1**	**63**	**-**	**47**	**62**	**-**	**148**	**348**
TOTAL SEGMENT REVENUE	**94,021**	**5,310**	**18,723**	**161**	**21,479**	**53,673**	**9,894**	**-**	**428**	**203,689**
Reconciliation of segment revenue to group revenue										
Inter-segment elimination									**(4,492)**	**(4,492)**
TOTAL GROUP REVENUE										**199,197**
SEGMENT EBITDA	**9,043**	**1,150**	**2,922**	**(481)**	**1,420**	**1,276**	**6,432**	**(122)**	**(6,499)**	**15,141**
Reconciliation of segment EBITDA:										
Amounts not included in segment EBITDA but reviewed by Board:										
Depreciation and amortisation	**(1,789)**	**(54)**	**(94)**	**(11)**	**(459)**	**(2,240)**	**(3,663)**	**-**	**(2,696)**	**(11,006)**
Unallocated items:										
Impairment of property, plant and equipment										**(3,547)**
Impairment of goodwill										**(3,813)**
Impairment of inventory										**(19,871)**
Impairment of accounts Receivable										**(3,959)**
Finance costs										**(5,553)**
NET PROFIT BEFORE TAX FROM CONTINUING OPERATIONS										**(32,608)**

25. OPERATING SEGMENTS (CONT'D)

(i) Segment Performance (cont'd)

Year ended 30 June 2011

Primary Reporting: Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Coote Logistics	Momentum	Gemco Rail	Green-trains	Coote Invest-ments	All Other	Consol. Group
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
REVENUE										
External sales	93,845	3,726	15,769	257	25,926	50,124	9,288	-	-	198,935
Inter-segment sales	1,527	64	-	102	1,287	1,228	-	-	-	4,208
Interest revenue	88	-	3	-	-	31	-	-	238	360
TOTAL SEGMENT REVENUE	95,460	3,790	15,772	359	27,213	51,383	9,288	-	238	203,503
Reconciliation of segment revenue to group revenue										
Inter-segment elimination									(4,208)	(4,208)
TOTAL GROUP REVENUE										199,295
SEGMENT EBITDA	19,778	729	2,183	204	3,540	2,388	7,563	-	(7,244)	29,141
Reconciliation of segment EBITDA:										
Amounts not included in segment EBITDA but reviewed by Board:										
Depreciation and amortisation	(1,716)	(23)	(94)	(117)	(592)	(1,255)	(3,613)	-	(2,750)	(10,160)
Unallocated items:										
Impairment of property, plant and equipment										567
Finance costs										(9,458)
NET PROFIT BEFORE TAX FROM CONTINUING OPERATIONS										10,090

25. OPERATING SEGMENTS (CONT'D)

(ii) Segment Assets

As at 30 June 2012

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Coote Logistics $000	Momentum $000	Gemco Rail $000	Green-trains $000	Coote Invest-ments $000	All Other $000	Consol. Group $000
ASSETS										
Segment assets (excluding capital expenditure, investments and intangibles)	**70,554**	**3,278**	**9,829**	**279**	**6,509**	**45,003**	**55,504**	**651**	**3,418**	**195,025**
Capital expenditure	**1,999**	**171**	**106**	**2**	**497**	**5,827**	**-**	**-**	**3,494**	**12,096**
Investments	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**20,058**	**(20,048)**	**17**
Intangibles	**20,890**	**-**	**1,889**	**-**	**3,181**	**9,588**	**-**	**-**	**8,327**	**43,875**
Reconciliation of segment assets to group assets										
Segment eliminations										**(5,063)**
Unallocated items:										
Deferred tax assets										**8,344**
TOTAL ASSETS	**93,450**	**3,449**	**11,824**	**281**	**10,187**	**60,418**	**55,504**	**20,709**	**(4,809)**	**254,294**

As at 30 June 2011

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Coote Logistics $000	Momentum $000	Gemco Rail $000	Green-trains $000	Coote Invest-ments $000	All Other $000	Consol. Group $000
ASSETS										
Segment assets (excluding capital expenditure, investments and intangibles)	70,646	2,200	6,926	2,405	5,903	44,235	54,740	895	17,766	205,716
Capital expenditure	1,150	24	116	703	228	17,087	3,942	-	2,573	25,823
Investments	-	-	-	-	-	-	-	20,179	(20,034)	145
Intangibles	21,835	-	1,889	-	3,181	9,588	-	-	13,168	49,661
Reconciliation of segment assets to group assets										
Segment eliminations										(14,499)
Unallocated items:										
Deferred tax assets										8,782
TOTAL ASSETS	93,631	2,224	8,931	3,108	9,312	70,910	58,682	21,074	13,473	275,628

25. OPERATING SEGMENTS (CONT'D)

(iii) Segment Liabilities

As at 30 June 2012

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Coote Logistics $000	Momentum $000	Gemco Rail $000	Green-trains $000	Coote Invest-ments $000	All Other $000	Consol. Group $000
LIABILITIES										
Segment liabilities	**94,693**	**1,423**	**3,812**	**20,199**	**6,942**	**94,723**	**32,674**	**29,750**	**(178,397)**	**105,819**
Reconciliation of segment liabilities to group liabilities:										
Segment eliminations										**(5,063)**
Unallocated items:										
Deferred tax liabilities										**1,745**
TOTAL LIABILITIES	**94,693**	**1,423**	**3,812**	**20,199**	**6,942**	**94,723**	**32,674**	**29,750**	**(178,397)**	**102,501**

As at 30 June 2011

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Coote Logistics $000	Momentum $000	Gemco Rail $000	Green-trains $000	Coote Invest-ments $000	All Other $000	Consol. Group $000
LIABILITIES										
Segment liabilities	88,079	1,231	3,211	24,893	6,859	87,775	36,096	27,274	(171,809)	103,609
Reconciliation of segment liabilities to group liabilities:										
Segment eliminations										(16,963)
Unallocated items:										
Deferred tax liabilities										1,300
TOTAL LIABILITIES	88,079	1,231	3,211	24,893	6,859	87,775	36,096	27,274	(171,809)	87,946

25. OPERATING SEGMENTS (CONT'D)

(iv) Revenue by geographical region	CONSOLIDATED GROUP 2012 $'000	2011 $'000
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australasia	**181,064**	175,359
United States of America	**1,028**	1,811
Europe	**17,105**	22,125
TOTAL REVENUE	**199,197**	199,295

(v) Assets by geographical region	CONSOLIDATED GROUP 2012 $'000	2011 $'000
The location of segment assets is disclosed below by geographical location of the assets:		
Australasia	**225,645**	244,560
United States of America	**1,048**	2,711
Europe	**27,602**	28,357
TOTAL ASSETS	**254,295**	275,628

(vi) Major customers

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

26. CASH FLOW INFORMATION

(a) Reconciliation of cash at end of financial year

		CONSOLIDATED GROUP	
		2012	2011
	Note	$'000	$'000
Cash and cash equivalents		**15,644**	14,098
Bank overdrafts (disclosed in current 'Financial Liabilities')		**(17,825)**	(3,554)
CASH AT END OF FINANCIAL YEAR	11,20	**(2,181)**	10,544

(b) Reconciliation of cash flow from operations with profit after income tax

	2012	2011
	$'000	$'000
PROFIT (LOSS) AFTER INCOME TAX	**(35,683)**	4,905
NON-CASH FLOWS IN PROFIT		
- Depreciation	**9,033**	9,053
- Other intangibles amortisation	**1,973**	762
- Goodwill impairment	**3,813**	-
- Impairment of inventory	**19,871**	
- Impairment of accounts receivable	**3,959**	
- Net gain (loss) on disposal of property, plant and equipment	**-**	(42)
- Income tax debit/(credit)	**2,991**	(810)
- Minority interest	**84**	163
CHANGES IN ASSETS AND LIABILITIES		
Changes in assets and liabilities, net of the effects of purchase of subsidiaries		
- (Increase)/decrease in trade and term receivables	**(2,472)**	(6,881)
- (Increase)/decrease in prepayments	**(575)**	517
- (Increase)/decrease in inventories	**(10,341)**	(7,238)
- Increase/(decrease) in trade payables and accruals	**7,644**	(25,107)
- Increase/(decrease) in income taxes payable	**(4,012)**	7,551
- Increase/(decrease) in deferred taxes payable	**883**	(4,968)
- Increase/(decrease) in provisions	**1,974**	(3,490)
CASH FLOW FROM OPERATIONS	**(858)**	(25,585)

26. CASH FLOW INFORMATION (CONT'D)

(c) Disposal of entities

(i) FCD Logistics Pty Ltd

On 14 January 2011 the controlled entity FCD Logistics Pty Ltd was sold. Aggregate details of this transaction are:

	$'000
DISPOSAL PRICE:	
Cash received	1,112
Vendor finance	1,604
TOTAL SALE CONSIDERATION	2,716

Net book value of assets and liabilities disposed:

	$'000
Receivables	718
Inventories / WIP	266
Property, plant and equipment	1,927
Payables	(360)
Hire purchase liabilities	(645)
Employee benefit liabilities including superannuation	(33)
Sub-total	1,873
NET GAIN / (LOSS) ON DISPOSAL	843

(ii) Eden Cryogenics LLC

On 22 February 2011 the controlled entity Eden Cryogenics LLC was sold. Aggregate details of this transaction are:

	$'000
DISPOSAL PRICE:	
Cash received	1
TOTAL SALE CONSIDERATION	1

Net book value of assets and liabilities disposed:

	$'000
Goodwill	1,008
Receivables	748
Inventories / WIP	1,083
Property, plant and equipment	656
Payables	(2,600)
Employee benefit liabilities including superannuation	(79)
Sub-total	816
NET GAIN / (LOSS) ON DISPOSAL	(815)

(d) Greentrains refinancing

The refinancing of the Commonwealth Bank of Australia loan to Elph Pty Ltd was a reallocation of the debt facility and had no impact on the Consolidated Statement of Cash Flows on page 38.

27. SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2012:

Grant Date	Number	Exercise Price $	Expiry Date
29 Feb 08	100,000	4.00	29 Aug 12

	2012		2011	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	**3,000,000**	**3.50**	3,000,000	3.50
Expired	**(1,000,000)**	**(3.25)**	-	-
10:1 share consolidation	**(1,800,000)**	**-**		
Expired	**(100,000)**	**(3.25)**	-	-
Outstanding at year-end	**100,000**	**4.00**	3,000,000	3.50
Exercisable at year-end	**100,000**	**4.00**	3,000,000	3.50

No options were issued or exercised during the year ended 30 June 2012 and all options had expired on or before 29 August 2012.

28. NET TANGIBLE ASSETS

	2012 cents	2011 cents
Net tangible assets per share: (2012: 124,224,766 shares, 2011: 124,224,766 shares*)	**79.1**	105.1

* Restated for 10:1 share consolidation and exclusion of deferred tax item from asset base.

29. EVENTS SUBSEQUENT TO REPORTING DATE

Options

On 29 August 2012 100,000 share options granted to Azure Capital expired. Further details of options granted to Azure Capital are disclosed in Note 27.

30. RELATED PARTY TRANSACTIONS

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

(a) Other transactions

Management fees of $Nil (2011: $560,000) were paid to Elph Pty Ltd and $516,250 (2011: $111,875) paid to Elphinstone Pty Ltd for the services of Vincent De Santis who is a director of both Elph Pty Ltd and Elphinstone Pty Ltd. Dale Elphinstone is also Chairman of both these entities.

(b) Transactions with subsidiaries

The following transactions occurred with related parties:

Related Party Transaction	2012 $'000	2011 $'000
Tax consolidation legislation:		
Current tax payable assumed from wholly-owned tax consolidated entities	**1,234**	1,456
Dividend revenue:		
Subsidiaries	**-**	-
Interest revenue:		
Subsidiaries	**-**	4,450

(c) Outstanding balances arising from sales/purchases of goods and services

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

Related Party Transaction	2012 $'000	2011 $'000
CURRENT RECEIVABLES		
Wholly-owned entities	**161**	78

(d) Loans to/from related parties

Related Party Transaction	2012 $'000	2011 $'000
Loans to/from subsidiaries (parent entity):		
Loans to subsidiaries	**197,746**	194,760
Loans from subsidiaries	**(1,675)**	(1,675)
Loans to/from other related parties:		
Loans from Elph Pty Ltd	**22,000**	-

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

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

Rate: Fixed rate reviewable quarterly

The related party loan from Elph Pty Ltd to Greentrains Limited is extended on arm's length terms for up to $30 million maturing not earlier than July 2013.

31. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

		CONSOLIDATED GROUP	
		2012	2011
	Note	$'000	$'000
FINANCIAL ASSETS			
Cash and cash equivalents	11	**15,644**	14,098
Other	14	**17**	145
Loans and receivables	12	**47,763**	47,294
		63,424	61,537
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
- Trade and other payables	19	**30,279**	22,231
- Borrowings	20	**62,157**	53,373
		92,436	75,604

The main purpose of non-derivative financial instruments is to raise finance for group operations.

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. This includes the use of hedging derivative instruments and decisions in relation to sources of future funding.

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

(a) Interest Rate Risk

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

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

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

		CONSOLIDATED GROUP	
		2012	2011
	Note	$'000	$'000
FLOATING RATE INSTRUMENTS			
Bank Overdrafts	20(a)	**17,825**	3,554
Cash Advance Facility	20(c)	**16,964**	20,200
Drivetrain NAB Facility	20(c)	**3,000**	-
Swedish Loan Facilities	20(c)	**3,472**	3,679
Greentrains Loan Facilities	20(c)	**22,000**	24,329
Total		**63,261**	51,762

31. FINANCIAL RISK MANAGEMENT (CONT'D)

ii. Financial Risk Exposures and Management (cont'd)

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking 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
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

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

Defaults and Breaches

As a consequence of its earnings results in the reporting period the Group was operating outside three of its financial covenants in respect to its facilities with the Commonwealth Bank of Australia as at 30 June 2012.

Financial Liability and Financial Asset Maturity Analysis

	Consolidated Group							
	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012 $000	2011 $000	2012 $000	2011 $000	2012 $000	2011 $000	2012 $000	2011 $000
FINANCIAL LIABILITIES DUE FOR PAYMENT								
Bank overdrafts and loans	**60,702**	30,934	**1,120**	20,828	**-**	-	**61,822**	51,762
Trade and other payables (excluding estimated annual leave)	**30,279**	22,231	**-**	-	**-**	-	**30,279**	22,231
Finance lease liabilities	**335**	961	**-**	650	**-**	-	**335**	1,611
Total Expected Outflows	**91,316**	54,126	**1,120**	21,478	**-**	-	**92,436**	75,604
FINANCIAL ASSETS – CASH FLOW REALISABLE								
Cash and cash equivalents	**15,644**	14,098	**-**	-	**-**	-	**15,644**	14,098
Trade, term and loans receivables	**47,250**	46,782	**512**	512	**-**	-	**47,762**	47,294
Investments available for sale	**17**	145	**-**	-	**-**	-	**17**	145
Total Anticipated Inflows	**62,911**	61,025	**512**	512	**-**	-	**63,423**	61,537
Net (Outflow)/Inflow on Financial Instruments	**(28,405)**	6,899	**(608)**	(20,966)	**-**	-	**(29,013)**	(14,067)

31. FINANCIAL RISK MANAGEMENT (CONT'D)

ii. Financial Risk Exposures and Management (cont'd)

(c) Foreign Exchange Risk

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

The Group currently undertakes some hedging against the potential impact of this risk on its operations.

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

(d) Credit Risk

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

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

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

Credit Risk Exposures

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

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 12.

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 12.

Balances held with banks are with AA rated financial institutions, details of these holdings can be found in Note 11 – Cash and Cash Equivalents.

iii. Net Fair Values

Fair Value Estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. 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. Areas of judgment and the 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.

31. FINANCIAL RISK MANAGEMENT (CONT'D)

	Consolidated Group			
	2012 Net Carrying Value	2012 Net Fair Value	2011 Net Carrying Value	2011 Net Fair Value
	$000	$000	$000	$000
FINANCIAL ASSETS				
Cash and cash equivalents	**15,644**	**15,644**	14,098	14,098
Trade and other receivables	**47,763**	**47,763**	47,294	47,294
Other	**17**	**17**	145	145
	63,424	**63,424**	61,537	61,537
FINANCIAL LIABILITIES				
Trade and other payables	**30,279**	**30,279**	22,231	22,231
Lease liability	**-**	**-**	1,611	1,611
Bank debt	**62,157**	**62,157**	51,762	51,762
	92,436	**92,436**	75,604	75,604

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. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument.
- 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 Foreign Currency Risk

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

(b) Interest Rate Sensitivity Analysis

At 30 June 2012, 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	
	2012	2011
	$'000	$'000
CHANGE IN EARNINGS		
- Increase in interest rates by 100 basis points	**(712)**	(518)
- Decrease in interest rates by 100 basis points	**712**	518
CHANGE IN EQUITY		
- Increase in interest rates by 100 basis points	**(712)**	(518)
- Decrease in interest rates by 100 basis points	**712**	518

31. FINANCIAL RISK MANAGEMENT (CONT'D)

iv. Sensitivity Analysis (cont'd)

(c) Foreign Currency Risk Sensitivity Analysis

At 30 June 2012, the effect on earnings and equity as a result of changes in the value of the Australian Dollar to the Swedish Krona, with all other variables remaining constant is as follows:

	2012 $'000	2011 $'000
CHANGE IN EARNINGS		
- Improvement in AUD to SEK by 5%	**(188)**	(53)
- Decline in AUD to SEK by 5%	**188**	53
CHANGE IN EQUITY		
- Improvement in AUD to SEK by 5%	**(946)**	(160)
- Decline in AUD to SEK by 5%	**946**	160

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

32. RESERVES

(a) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(b) Option reserve

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

(c) Foreign deferred tax reserve

The foreign deferred tax reserve records Swedish profits transferred for the purpose of deferring the payment of Swedish corporate income tax. Under Swedish tax legislation Swedish corporations can transfer 26.3% of current year profits to a foreign deferred tax reserve and defer the payments of corporate income tax for a maximum period of six years. At the reporting date the value of the 'foreign deferred tax reserve' is AUD $4.81 million (Swedish Krona – SEK 33.4 million).

SHAREHOLDER INFORMATION

Additional Information for Listed Companies at 7 September 2012

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	772	0.27	336,774
1,001 – 5,000	619	1.36	1,697,692
5,001 – 10,000	271	1.73	2,151,220
10,001 – 100,000	483	12.48	15,497,346
100,001 – and over	67	84.16	104,541,734
	2,212	100.00	124,224,766

(b) The number of shareholdings held in less than marketable parcels (less than $500 in value) is 687.

(c) 20 largest shareholders – ordinary shares

Position	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Elph Pty Ltd	46,738,635	37.62%
2	National Nominees Limited	7,335,671	5.91%
3	UBS Nominees Pty Limited	6,023,763	4.85%
4	Australian Foundation Investment Company Limited	5,662,091	4.56%
5	Thorney Holdings Pty Ltd	4,034,270	3.25%
6	M F Custodians Ltd	3,800,039	3.06%
7	RAC & JD Brice Superannuation Pty Ltd	3,354,504	2.70%
8	Mirrabooka Investments Limited	2,958,227	2.38%
9	JP Morgan Nominees Australia Limited	2,950,140	2.37%
10	Amcil Limited	2,660,561	2.14%
11	HSBC Custody Nominees (Australia) Limited	2,127,407	1.71%
12	Equity Trustees Limited	1,401,357	1.13%
13	Mr Neville Leslie Esler, & Mrs Cheryl Anne Esler	958,770	0.77%
14	Mr Clarence John Kelly, & Mrs Robyn Suzanne Kelly	900,000	0.72%
15	Marford Group Pty Ltd	897,472	0.72%
16	Albers Custodian Company Pty Ltd	770,564	0.62%
17	UBS Wealth Management Australia Nominees Pty Ltd	571,000	0.46%
18	Sacrosanct Pty Ltd	550,136	0.44%
19	Asia Union Investments Pty Ltd	480,000	0.39%
20	Sandhurst Trustees Ltd	439,277	0.35%
	Totals	94,613,884	76.15%

1. Shareholding (cont'd)

(d) A single shareholder holding in excess of 10% of issued capital was listed in the holding company's register as follows:

Shareholder	No. Ordinary Shares	%
Elph Pty Ltd	46,738,635	37.62%

(e) Voting rights

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

2. The name of the company secretary is:

Anna Young

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

Level 22, 535 Bourke Street, Melbourne, VIC 3000

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

770 Canning Highway, Applecross, WA 6153

5. Securities Exchange Listing

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

6. Unquoted Securities

N/A.

7. Other Disclosures

There were no restricted securities at this date.

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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), B.Com, FCILT, FAIM, FIEAust,
FIRSE, MAICD
Non-Executive Director

CHIEF EXECUTIVE OFFICER

Dennis Quinn:
BEAg (Hons), MA (Mktg)

COMPANY SECRETARY

Anna Young:
BSc, LLB (Hons), GCInfTech, LLM

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