Annual Financial Report

Engenco Limited

ACN 120 432 144
30 June 2015

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Directors' Report

The directors present their report, together with the consolidated financial statements of the Group, being Engenco Limited ("the Company") and its controlled entities for the financial year ended 30 June 2015 and the auditor's report thereon.

Directors

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

Dale Elphinstone
Non-Executive Director (Chairman)
FAICD

Appointed:	19 July 2010
Age:	64
Directorships held in other listed entities in the past three years:	None
Summary of equity holdings at 30 June 2015:	202,249,018 ordinary shares

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

Vincent De Santis
Non-Executive Director
B.Com LLB (Hons)

Appointed:	19 July 2010
Age:	45
Special Responsibilities	Member of Audit Committee
Directorships held in other listed entities in the past three years:	None
Summary of equity holdings at 30 June 2015:	300,003 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 Dale Elphinstone's alternate on the board of Queensland Gas Company Limited and of National Hire Group Limited. Immediately prior to joining the Elphinstone Group, Vince was a Senior Associate in the Energy Resources & Projects work group of national law firm Corrs Chambers Westgarth in Melbourne.

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

Appointed:	2 November 2006
Age:	65
Special Responsibilities:	Chairman of Audit Committee
Directorships held in other listed entities in the past three years:	None
Summary of equity holdings at 30 June 2015:	113,163 ordinary shares

Don has 17 years' experience in senior executive management and CEO positions with industrial companies. He was Managing Director of Dow Corning Australia Pty Ltd, the Australian subsidiary of Dow Corning Corporation and was Managing Director of Asia Pacific Specialty Chemicals Ltd, an ASX-listed chemical company. Don served as Non-Executive Chairman of Engenco Limited until 19 July 2010.

Ross Dunning AC
Non-Executive Director [1]
BE (Hons), B.Com, FCILT, FAIM, FIE Aust, FIRSE, MAICD

Appointed:	8 November 2010
Age:	73
Special Responsibilities:	Member of Audit Committee [2]
Directorships held in other listed entities in the past three years:	None
Summary of equity holdings at 30 June 2015:	104,000 ordinary shares

[1] Ross held the position of Interim Managing Director at the beginning of the financial year and resigned from this position on 31 January 2015. He returned to the position of Non-Executive Director on 1 February 2015.
[2] On 1 February 2015, Ross re-joined as a member of the Audit Committee following his resignation as Interim Managing Director of the Company.

Ross has extensive exposure to the rail industry having served as the Commissioner for Railways in Queensland, President of the Australian Railways Association and Managing Director of Evans Deakin Industries Limited (the predecessor to the ASX listed company, Downer EDI Limited). Ross has been awarded the Companion of the Order of Australia and has held non-executive positions with a number of ASX listed companies including Toll Holdings Limited and Downer EDI Limited, Government owned corporations in Queensland and New South Wales and on unlisted public companies. Ross currently serves as chairman of SunWater Limited and is a member of The Council of St John's College within the University of Queensland. He also serves on the Advisory Board of Indec Pty Ltd.

Kevin Pallas
Managing Director & CEO [1]
BCom, MAICD

Appointed:	17 December 2014
Age:	53
Special Responsibilities:	None
Directorships held in other listed entities in the past three years:	None
Summary of equity holdings at 30 June 2015:	20,000 ordinary shares

[1] Kevin was appointed to the Board on 17 December 2014, and was appointed to the position of Managing Director & CEO on 1 February 2015.

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

Company Secretary

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

Appointed:	26 March 2015
Age:	63

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

Graeme Campbell
FCA, BSc

Appointed:	1 February 2015
Age:	40

Graeme started his career in audit with PricewaterhouseCoopers in the United Kingdom and has over 18 years of finance experience in different industry sectors. He has held a number of senior finance roles with blue chip companies in the UK including Shepherd Group, Premier Farnell and R&R Ice Cream. Graeme holds a Bachelor of Science in Mathematics from Imperial College of Science, Technology and Medicine in London. He is a fellow of the Institute of Chartered Accountants in England and Wales.

Bridget Thom
BSc (Hons), LLB
Admitted to practice as a solicitor of the Supreme Court of Victoria

Appointed:	20 August 2014
Resigned:	26 March 2015
Age:	43

Kevin Pallas
BCom, MAICD

Appointed:	13 September 2013
Resigned:	31 January 2015
Age:	53

Anna Bagley
BSc, LLB (Hons), GCInfTech, LLM

Appointed:	9 November 2011
Resigned:	4 July 2014
Age:	36

Changes in Directors and Executives Subsequent to Year End

There have been no changes in directors and executives subsequent to 30 June 2015.

Meetings of Directors

During the financial year, 11 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	11	11	-	-
Vincent De Santis	11	11	4	4
Donald Hector	11	11	4	4
Ross Dunning	11	10	2	2
Kevin Pallas	5	5	-	-

Principal Activities

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

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

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

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

Strategy

Remaining focussed on improving and developing businesses in the Rail & Road and Power & Propulsion structure, the Board has given emphasis to placing the Company in a position where it can compete for larger, high-quality contracts to deliver more durable revenue streams.

In the Rail business, investments made in Gemco Rail facilities have resulted in tangible improvements to capacity and capability which have attracted higher quality revenue opportunities, including joint-venture rollingstock construction and fleet maintenance projects on the East coast. Governments in Australia are promoting training in all skillsets in the rail industry and in heavy industry generally. Engenco's RTO business, Centre for Excellence in Rail Training (CERT) is positioned to meet this training demand through a wide network of trainers, training facilities, and fully compliant courseware and processes. Total Momentum's labour hire offering is aimed at catering for short and long-term requirements of skilled rail operations staff to customers who benefit from having access to a large and flexible workforce, given the fluctuating demand for their rail operations services.

Convair Engineering's ability to competitively manufacture high quality dry bulk tankers in Australia, differentiates the product from lesser value imported products in a depreciating AUD environment.

Drivetrain Power and Propulsion (Drivetrain) is able to leverage new and existing genuine equipment and parts distributorship agreements, and is able to maintain a strong service centre network putting the business in a firm position to retain its market share, and to gain further share, as the off-highway equipment market recovers. The Power & Compression business strategy, to develop a strong value proposition for sales of capital equipment into the gas compression industry, underpins the prospects for growing parts and service work in this area. Development of the next generation HS Turbocharger to address the diesel engine retrofit market may lead to opportunities in new OEM engine applications.

Bringing the inherent value of the group operations to fruition has been difficult in a challenging and changeable economic environment, however the overall strategy of focusing on core business and delivering quality and value to customers by running efficient and flexible businesses, remains in place. The ongoing training and development of employees further underpins an improving business performance.

Operating and Financial Review

Overview of the Group

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

Drivetrain is organised around the following business streams:
- Mobile Powertrain
- Turbocharger, Power and Compression

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

Drivetrain has facilities and service centres in 11 locations in the ANZ region, Asia, Sweden and USA.

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

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

The flagship facility in Forrestfield WA is complemented by a country-wide footprint including workshops on main lines in Victoria, South Australia and New South Wales.

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

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

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

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

Centre for Excellence in Rail Training (CERT)
CERT is an RTO that provides responsive, flexible and innovative training, assessment and recertification services to the Australian rail industry. CERT delivers nationally accredited and industry based training programs on a regular basis, and provides customised courses to suit individual business needs.

The business has training centres in Perth, Sydney, Newcastle, Ipswich, Norwood and Melbourne with the flexibility to train on-site anywhere in the country.

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

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

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

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

Operating Results

The Group reported a net loss after tax including non-controlling interests of $32,670,000 for the year ended 30 June 2015. This included significant items amounting to a net loss of $27,472,000. The consolidated result for the year is summarised as follows:

	2015	2014
	$000	$000
Revenue	**133,834**	140,273
EBITDA [2]	**(20,668)**	1,692
EBITDA excluding significant items	**6,804**	7,334
EBIT [1]	**(30,128)**	(8,836)
EBIT excluding significant items	**(2,656)**	(3,194)
Profit / (loss) after tax for the period	**(32,670)**	(11,503)
Underlying trading result [3]	**(5,198)**	(6,428)
Net operating cash flow	**4,567**	5,733
Net assets	**44,869**	77,427
Net debt	**15,852**	18,651

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

[2] EBITDA is EBIT before depreciation and amortisation.

[3] Underlying trading result is net loss after tax excluding significant items. Refer to page 8 for a reconciliation of profit / (loss) for the period to underlying trading result.

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

Consolidated revenue of the Group declined marginally, driven mainly by the loss of revenue in rollingstock leasing. The market for repair and maintenance related products and services was very competitive but volumes remained stable, albeit at lower levels compared to previous periods. Sales of capital items were better than the previous year, predominantly in Convair and Drivetrain, but remained depressed in the Rail segment. Demand for rail workforce services was again under pressure as infrastructure spending remained very soft, but improved development of the locomotive driver offering did see some growth in that particular area. Rail training services grew strongly following good market development initiatives and realisation of funded training opportunities.

The improved EBITDA margin achieved in 2014 was maintained in the current year, although on lower revenue. Net operating cash flow performance and the reduction of net debt reflected a continuing focus on overall cash generation objectives. The underlying trading result was another improvement year-on-year, but was still not satisfactory mainly as a consequence of the lower revenue.

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

	2015	2014
	$000	$000
Profit / (loss) after tax for the period	(32,670)	(11,503)
Significant Items:		
Impairment of property, plant and equipment	24,434	-
Impairment of inventory	2,390	1,792
Impairment of accounts receivable	-	465
Onerous contract provision	-	276
Restructuring costs	648	3,109
Other significant items	-	(567)
Underlying trading result [1]	(5,198)	(6,428)

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

Investments for Future Performance

DataHawk Pty Ltd (DataHawk) is the only joint arrangement in which the Group participates. DataHawk is not publicly listed. DataHawk is structured as a separate vehicle and the Group has a 50% interest in the net assets of DataHawk. Accordingly, the Group has classified its interest in DataHawk as a joint venture. In accordance with the agreement under which DataHawk is established, the Group and the other investor in the joint venture have each made additional contributions during the year of $250,000 in the form of a long-term loan, bringing the total value contributed to $792,075. The loan is fully repayable no later than 30 June 2017.

The Group's share of loss in DataHawk for the period was ($515,000) (2014: loss of $222,500). During the year ended 30 June 2015, no dividends were received from the investment in DataHawk (2014: $NIL).

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

Review of Principal Businesses

Trading volumes in Drivetrain softened marginally in line with lower demand from the resource industry, particularly in coal mining, and the virtual absence of OEM machinery builds in Australia. There was an improvement in the gas compression business, and the first large capital items were successfully delivered into a South Australian gas field. The Swedish business experienced some decline in revenue from the Hedemora diesel engine products and services as the population of this engine declines, but balanced this with some increasing business in the HS Turbocharger product area.

Gemco Rail's revenue generating activities, excluding equipment rental and fabrication work, was stable and the Dynon locomotive maintenance facility began to provide good contributions to the sales stream. Fabrication project work was difficult to obtain in any large volume, and wagon rentals were very depressed.

The Total Momentum business was again affected by our clients' conservative maintenance and construction expenditure, but revenues from locomotive driver and protection officer provision were reasonable.

CERT performed extremely well as plans to capture funded training opportunities were realised, and expansion of the training facility footprint generated growth in all states except South Australia.

The rollingstock rental market remained severely oversupplied in the year which resulted in little revenue improvement for Greentrains, and very few new opportunities were evident. The Board has re-assessed the carrying values of our assets and associated locomotive spares inventory and, in-line with the rest of the industry, we have taken the step to impair the assets.

There was an improvement in demand for road freight dry bulk tankers and although price competition was very strong Convair was able to capitalise on this by continuing their programme of lean manufacturing techniques.

Significant Changes in State of Affairs

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

Likely Developments

The Drivetrain Mobile Powertrain (MPT) stream has branch offices in every mainland State and supplies parts and services for heavy off-road and mining vehicles, including some defence equipment. Business activity in maintenance, repair and overhaul (MRO) is showing signs of slow improvement due to operators of equipment being left with no option but to recommence maintenance of their equipment after a lengthy period of absence. The sale of parts to customers for in-house repair work has increased as a proportion of MRO work, indicating a changing trend in the maintenance dynamic, as operators are forced into lower cost modes.

Drivetrain's Turbocharger, Power and Compression (TPC) stream operates from most of the branch network and services the power and gas industries. Further orders for gas compressor packages are being executed, and multiple units are expected to be delivered into South Australian and Queensland gas fields in the coming year. Gastrain service work streams are being developed and growth in this area is anticipated as the Australian gas production industry ramps up.

The Drivetrain operation in Sweden will rely increasingly, on growth and expansion of the turbocharger business as the Hedemora diesel engine population slowly declines. Marketing of the current range of turbochargers is yielding positive results with numerous sales to a wide range of customers, and development of newer versions are expected to open up an even larger available market. The USA business will be managed from Sweden in an effort to leverage the deep technical knowledge based in the Swedish design, manufacturing and assembly plant.

The Gemco Rail wheel, bogie and bearing overhaul operation remains predominantly in Western Australia but takes in work from around the country. Volumes in this stream are expected to be stable, except in the bearing overhaul area where operators are minimising their maintenance regimes. The repair and fabrication business in Western Australia is improving, following some successful tendering. The locomotive overhaul and repair business in Parkes is subdued, but work volume and prospects for the upgraded Dynon, Victoria facility are encouraging. Strategic partnerships have been formed to pursue a number of sizable projects, and the development of key agency agreements are expected to result in increased rail product sales into the industry nationally.

Total Momentum's business prospects are limited in the infrastructure area, but provision of track protection officers and locomotive drivers is likely to be the focus for the foreseeable future. The growth opportunities are dependent on the progression of resource and rail construction projects, and rail operator labour outsourcing decisions.

Greentrains has experienced the impact of a severely depressed rollingstock rental market which is the consequence of an oversupply of locomotives and wagons, and lower demand for this equipment. Fleet utilisation rates are expected to remain low whilst these conditions persist and opportunities are expected to be limited to more flexible rental arrangements for specific rollingstock types and applications. Wagon rentals will be dependent on placement into new resources and general produce projects, and whilst a number of prospects exist, no firm commitments are in place.

A steady order book for Convair tanker sales is expected through to at least the fourth quarter. Component sales and the tanker repairs and maintenance business are showing increased activity.

CERT's good performance is underpinned by demand for training services which are linked to rail regulation demands and government funded training. This demand is expected to continue into the foreseeable future whilst rail regulations change and develop. The Australian training framework is well respected internationally and services that CERT offers are also in demand in developing railway systems in other countries, for which opportunities are expected to unfold in this arena.

The Group is now better placed to meet the challenges presented by the current uncertain economic conditions. There exists ongoing base levels of business activity for goods and services in all business units, and some significant prospects have a reasonable likelihood of proceeding. Results in the new financial year are therefore expected to continue on an improving trajectory.

Dividends

The directors have decided not to declare a final dividend.

Events Subsequent to Reporting Date

The Group reduced its Commonwealth Bank of Australia debt facility limit from $13,000,000 to $8,000,000 on 24 August 2015. This facility expires on 31 October 2015. On 27 August 2015 the Group negotiated, at the Company's option, a funding facility with Elph Pty Ltd (Elph) of $9,000,000, to replace the CBA facility and to commence on 31 October 2015 subject to the satisfaction of certain conditions precedent including the execution of facility documentation.

A waiver for the breach of the loan to valuation ratio covenant as at 30 June 2015, relating to the current Greentrains Limited debt facility provided by Elph was received on 27 August 2015. On 27 August 2015 the Group also negotiated an extension of this debt facility with Elph, subject to satisfying certain conditions precedent including the execution of renewal documentation.

Directors not associated with Elph were all satisfied that terms and conditions of these facilities represented an advantage to the Engenco Group (refer to Note 1 of the Consolidated Financial Statements).

Other than the above, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which would have a material effect on the financial statements of the Group at 30 June 2015.

Environmental Regulation

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

The Group follows practices that minimise adverse environmental impacts and complies with environmental requirements.

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

National Greenhouse and Energy Reporting Guidelines

The Group's environmental obligations are regulated under both Federal and State law. The Group is not subject to the conditions imposed by the registration and reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*.

Indemnifying Officers

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

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 19 and forms part of the Directors' Report for the financial year ended 30 June 2015.

Rounding Off

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

Remuneration Report - Audited

Remuneration Policy

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

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

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

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

Performance Conditions Linked to Remuneration

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

Remuneration Report - Audited (cont'd)

Relationship between Remuneration Policy and Company Performances

There are short-term incentives available to certain key management personnel which are linked to achieving the Group's budgeted NPAT performance. There were no payments of short-term incentives in the current financial year with regard to NPAT performance (2014: $NIL). Current remuneration policies are under review by the Board.

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

	2011 $	2012 $	2013 $	2014 $	2015 $
Revenue	207,352,000	199,197,000	176,088,000	140,273,000	133,834,000
NPAT attributable to members	4,905,000	(35,683,000)	(87,731,000)	(11,257,000)	(27,593,000)
Dividends paid	-	-	-	-	-
EBIT	17,700,000	(27,055,000)	(79,642,000)	(8,836,000)	(30,128,000)
Operating income growth [1]	118%	(253%)	(194%)	89%	(241%)
Share price at year end	$0.09*	$0.41*	$0.14	$0.12	$0.10
Change in share price	($0.06)	$0.32	($0.27)	($0.02)	($0.02)
Capital employed [2]	209,816,000	156,653,000	93,306,000	80,348,000	46,448,000
Return on capital employed [3]	8%	(17%)	(85%)	(11%)	(65%)

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

[1] Operating income growth is the movement in EBIT year-on-year

[2] Capital employed is total assets less current liabilities

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

Remuneration Report - Audited (cont'd)

Remuneration Details for Year Ended 30 June 2015

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

		Short-Term				Post-Employment	Other Long-Term			
		Salary and Fees $	Non-Monetary Benefits $	STI Cash Bonus $	Sub-Total $	Super-annuation Benefit $	Long Service Leave $	Termination Benefits $	**Total** $	Proportion of Remuneration Performance Related
DIRECTORS										
NON-EXECUTIVE DIRECTORS										
D Elphinstone	2015	174,400	-	-	174,400	-	-	-	**174,400**	-
Chairman	2014	174,400	-	-	174,400	-	-	-	**174,400**	-
V De Santis	2015	86,000	-	-	86,000	-	-	-	**86,000**	-
	2014	85,500	-	-	85,500	-	-	-	**85,500**	-
D Hector	2015	92,000	-	-	92,000	8,740	-	-	**100,740**	-
	2014	92,000	-	-	92,000	8,510	-	-	**100,510**	-
R Dunning [1]	2015	34,731	-	-	34,731	3,299	-	-	**38,030**	-
	2014	-	-	-	-	-	-	-	-	-
SUB – TOTAL NON-EXECUTIVE DIRECTORS' REMUNERATION	**2015**	**387,131**	**-**	**-**	**387,131**	**12,039**	**-**	**-**	**399,170**	**-**
	2014	351,900	-	-	351,900	8,510	-	-	**360,410**	-
EXECUTIVE DIRECTORS										
R Dunning [1]	2015	320,971	-	-	320,971	11,192	-	-	**332,163**	-
Interim Managing Director	2014	446,592	-	-	446,592	17,771	-	-	**464,363**	-
K Pallas [2]	2015	143,836	-	-	143,836	13,664	11,999	-	**169,499**	-
Managing Director & CEO	2014	-	-	-	-	-	-	-	-	-
SUB-TOTAL EXECUTIVE DIRECTORS' REMUNERATION	**2015**	**464,807**	**-**	**-**	**464,807**	**24,856**	**11,999**	**-**	**501,662**	**-**
	2014	446,592	-	-	446,592	17,771	-	-	**464,363**	-
TOTAL DIRECTORS' REMUNERATION	**2015**	**851,938**	**-**	**-**	**851,938**	**36,895**	**11,999**	**-**	**900,832**	**-**
	2014	798,492	-	-	798,492	26,281	-	-	**824,773**	-

Remuneration Report - Audited (cont'd)

Remuneration Details for Year Ended 30 June 2015 (cont'd)

		Short-Term				Post-Employment	Other Long-Term			
		Salary and Fees $	Non-Monetary Benefits $	STI Cash Bonus $	Sub-Total $	Super-annuation Benefit $	Long Service Leave $	Termination Benefits $	**Total $**	Proportion of Remuneration Performance Related
EXECUTIVES										
K Pallas [2]	2015	188,295	-	-	188,295	17,888	4,334	-	**210,517**	-
Chief Financial Officer	2014	311,129	-	-	311,129	28,779	26,686	-	**366,594**	-
G Campbell: appointed 1 Feb 2015	2015	97,414	-	-	97,414	9,254	-	-	**106,668**	-
Chief Financial Officer/Company Secretary	2014	-	-	-	-	-	-	-	**-**	-
S Bott: appointed 26 Mar 2015	2015	25,016	-	-	25,016	4,538	-	-	**29,554**	-
Legal Counsel/Company Secretary	2014	-	-	-	-	-	-	-	**-**	-
G Thorn	2015	303,189	36,242	-	339,431	30,545	-	-	**369,976**	-
Executive General Manager – Rail	2014	306,740	33,646	-	340,386	30,092	-	-	**370,478**	-
G Northeast [3]	2015	155,829	-	-	155,829	39,397	-	-	**195,226**	-
General Manager – DTSE & DTUS	2014	161,892	-	-	161,892	38,152	-	-	**200,044**	-
D Bentley	2015	237,302	20,820	-	258,122	23,143	4,826	-	**286,091**	-
General Manager – TPC/Gastrain	2014	250,166	22,634	-	272,800	23,588	4,826	-	**301,214**	-
P Gale	2015	199,380	14,686	-	214,066	20,380	7,455	-	**241,901**	-
General Manager – Drivetrain MPT	2014	171,590	19,115	-	190,705	17,674	5,949	-	**214,328**	-
P Swann	2015	224,735	31,253	-	255,988	38,398	5,109	-	**299,495**	-
General Manager – Convair	2014	200,108	51,959	-	252,067	33,038	3,931	-	**289,036**	-
M Haigh	2015	164,234	32,438	-	196,672	17,005	6,449	-	**220,126**	-
General Manager - CERT	2014	154,294	34,189	-	188,483	27,661	5,912	-	**222,056**	-
R Edwards	2015	224,854	-	-	224,854	21,361	4,920	-	**251,135**	-
General Manager – Momentum/Greentrains	2014	200,524	8,187	-	208,711	18,548	9,195	-	**236,454**	-

Remuneration Report - Audited (cont'd)

Remuneration Details for Year Ended 30 June 2015 (cont'd)

		Short-Term				Post-Employment	Other Long-Term			
		Salary and Fees $	Non-Monetary Benefits $	STI Cash Bonus $	Sub-Total $	Super-annuation Benefit $	Long Service Leave $	Termination Benefits $	**Total $**	Proportion of Remuneration Performance Related
FORMER										
A Bagley: resigned 4 July 2014	2015	-	-	-	-	-	-	-	**-**	-
Legal Counsel/Company Secretary	2014	93,630	-	-	93,630	8,661	-	50,215 [4]	**152,506**	-
J Pas: resigned 31 Jan 2015 [3]	2015	111,068	11,322	-	122,390	1,688	-	38,447	**162,525**	-
General Manager – DTUS	2014	179,356	13,368	-	192,724	2,758	-	-	**195,482**	-
B Thom: appointed 20 Aug 2014; resigned 26 Mar 2015	2015	114,451	-	-	114,451	11,454	-	-	**125,905**	-
Legal Counsel/Company Secretary	2014	-	-	-	-	-	-	-	**-**	-
TOTAL EXECUTIVE OFFICERS' REMUNERATION	**2015**	**2,045,767**	**146,761**	**-**	**2,192,528**	**235,051**	**33,093**	**38,447**	**2,499,119**	**-**
	2014	2,029,429	183,098	-	2,212,527	228,951	56,499	50,215	**2,548,192**	-
TOTAL DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION	**2015**	**2,897,705**	**146,761**	**-**	**3,044,466**	**271,946**	**45,092**	**38,447**	**3,399,951**	**-**
	2014	2,827,921	183,098	-	3,011,019	255,232	56,499	50,215	**3,372,965**	-

1 R Dunning resigned as Interim Managing Director on 31 January 2015 and returned to the position of Non-Executive Director effective 1 February 2015.
2 K Pallas was appointed as Managing Director & CEO (previously Chief Financial Officer) on 1 February 2015. He was appointed to the Board effective 17 December 2014.
3 J Pas resigned from the position of General Manager – DTUS on 31 January 2015. G Northeast was appointed General Manager – DTSE & DTUS effective on this date.
4 A Bagley's termination payment was accrued as at 30 June 2014, but not physically paid until the 2015 financial year.

Loans to Key Management Personnel and Their Related Parties

The balance of loans outstanding to key management personnel and their related parties as at 30 June 2015 is NIL (2014: $NIL).

Remuneration Report - Audited (cont'd)

Service Agreements

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

	Terms of Agreement	Termination Benefit
D Elphinstone	Ongoing director agreement	N/A - Non-Executive Director
V De Santis	Ongoing director agreement	N/A - Non-Executive Director
D Hector	Ongoing director agreement	N/A - Non-Executive Director
R Dunning	Ongoing director agreement	N/A - Non-Executive Director
K Pallas	Permanent employment contract	8 weeks' pay
G Campbell	Permanent employment contract	8 weeks' pay
S Bott	Permanent employment contract	4 weeks' pay
G Thorn	Permanent employment contract	8 weeks' pay
G Northeast	Permanent employment contract	3 months' pay
D Bentley	Permanent employment contract	12 months' pay
P Gale	Permanent employment contract	3 months' pay
P Swann	No formal employment contract	5 weeks' pay
M Haigh	Permanent employment contract	1 months' pay
R Edwards	Permanent employment contract	5 weeks' pay
A Bagley	Permanent employment contract	8 weeks' pay
J Pas	Permanent employment contract	1 months' pay
B Thom	Casual employment contract	1 weeks' pay

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

Options and Rights Granted

In the 2014 and 2015 financial years no executive directors, non-executive directors or key management personnel have any options or rights.

Other Transactions with Key Management Personnel

A number of key management persons, or their relates parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

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

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

Remuneration Report - Audited (cont'd)

Movements in Shares

The movement during the reporting period in the number of ordinary shares in Engenco Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2015	Balance 1 July 2014	Received as compensation	Other changes*	**Balance 30 June 2015**
D Elphinstone	202,249,018	-	-	**202,249,018**
V De Santis	300,003	-	-	**300,003**
D Hector	113,163	-	-	**113,163**
R Dunning	104,000	-	-	**104,000**
K Pallas	15,000	-	**5,000**	**20,000**
G Campbell	-	-	-	-
S Bott	-	-	-	-
G Thorn	-	-	-	-
G Northeast	18,983	-	-	**18,983**
D Bentley	-	-	-	-
P Gale	-	-	-	-
P Swann	25,275	-	-	**25,275**
M Haigh	-	-	-	-
R Edwards	-	-	-	-
A Bagley	-	-	-	-
J Pas	-	-	-	-
B Thom	-	-	-	-

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

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

Dale Elphinstone
Chairman

Dated 28 August 2015

Directors' Declaration

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

   a. the consolidated financial statements and notes that are set out on pages 22 to 69, and the Remuneration report on pages 11 to 17 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

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

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.

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

Signed in accordance with a resolution of the directors:

Dale Elphinstone
Chairman

Dated 28 August 2015

Auditor's Independence Declaration

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

To: the directors of Engenco Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2015 there have been:

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

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

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
28 August 2015

Independent Auditor's Report

Independent auditor's report to the members of Engenco Limited

Report on the financial report

We have audited the accompanying financial report of Engenco Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

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

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

Report on the remuneration report

We have audited the remuneration report included in directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Engenco Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
28 August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2015

	Note	**Consolidated Group 2015 $000**	Consolidated Group 2014 $000
Revenue	2	**133,834**	140,273
Other income	2	**2,013**	3,657
Changes in inventories of finished goods and work in progress		**(4,922)**	(4,811)
Raw materials and consumables used		**(49,890)**	(51,162)
Employee benefits expense	3	**(52,287)**	(58,958)
Depreciation and amortisation expense		**(9,460)**	(10,528)
Impairment of property, plant and equipment		**(24,434)**	-
Impairment of inventory		**(2,390)**	(1,792)
Impairment of accounts receivable		**-**	(465)
Finance costs	3	**(2,176)**	(2,171)
Subcontract freight		**(1,259)**	(1,675)
Repairs and maintenance		**(1,751)**	(1,257)
Insurances		**(1,713)**	(1,897)
Rent and outgoings		**(8,852)**	(9,140)
Vehicle expenses		**(318)**	(727)
Fuel		**(218)**	(270)
Foreign exchange movements		**(40)**	213
Other expenses		**(7,926)**	(10,074)
Share of profit / (loss) of equity-accounted investee, net of tax	13	**(515)**	(223)
PROFIT / (LOSS) BEFORE INCOME TAX		**(32,304)**	(11,007)
Income tax expense	4	**(366)**	(496)
PROFIT / (LOSS) FOR THE PERIOD		**(32,670)**	(11,503)
Profit / (loss) attributable to:			
Owners of the Company		**(27,593)**	(11,257)
Non-controlling interest		**(5,077)**	(246)
		(32,670)	(11,503)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas subsidiaries		**112**	(99)
Other comprehensive income for the period, net of tax		**112**	(99)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(32,558)**	(11,602)
Total comprehensive income attributable to:			
Owners of the Company		**(27,481)**	(11,356)
Non-controlling interest		**(5,077)**	(246)
		(32,558)	(11,602)
EARNINGS PER SHARE		**Cents**	Cents
From continuing operations:			
Basic earnings per share (cents per share)	8	**(8.88)**	(3.62)
Diluted earnings per share (cents per share)	8	**(8.88)**	(3.62)

The notes on pages 26 to 69 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

as at 30 June 2015

	Note	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CURRENT ASSETS			
Cash and cash equivalents	9	**4,798**	4,370
Trade and other receivables	10	**26,932**	29,947
Inventories	11	**29,445**	34,368
Current tax receivables	20	**-**	14
Other current assets	17	**1,070**	1,231
TOTAL CURRENT ASSETS		**62,245**	69,930
NON-CURRENT ASSETS			
Financial assets	12	**46**	34
Equity-accounted investee	13	**163**	359
Property, plant and equipment	15	**25,890**	57,407
Deferred tax assets	20	**181**	185
Intangible assets	16	**1,119**	1,979
TOTAL NON-CURRENT ASSETS		**27,399**	59,964
TOTAL ASSETS		**89,644**	129,894
CURRENT LIABILITIES			
Trade and other payables	18	**15,242**	16,618
Financial liabilities	19	**20,650**	22,819
Current tax liabilities	20	**455**	409
Provisions	21	**6,849**	9,700
TOTAL CURRENT LIABILITIES		**43,196**	49,546
NON-CURRENT LIABILITIES			
Financial liabilities	19	**-**	202
Provisions	21	**467**	1,518
Deferred tax liabilities	20	**1,112**	1,201
TOTAL NON-CURRENT LIABILITIES		**1,579**	2,921
TOTAL LIABILITIES		**44,775**	52,467
NET ASSETS		**44,869**	77,427
Issued capital	22	**302,260**	302,260
Reserves		**604**	492
Retained earnings / (accumulated losses)		**(251,894)**	(224,301)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**50,970**	78,451
Non-controlling interest		**(6,101)**	(1,024)
TOTAL EQUITY		**44,869**	77,427

The notes on pages 26 to 69 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

Consolidated Group	Issued Capital Ordinary Shares $000	Retained Earnings / (Accumulated Losses) $000	Foreign Currency Translation Reserve $000	Sub-Total $000	Non-controlling Interest $000	Total Equity $000
BALANCE AT 1 JULY 2013	302,260	(213,044)	591	89,807	(778)	89,029
Total comprehensive income for the period	-	(11,257)	(99)	(11,356)	(246)	(11,602)
TOTAL COMPREHENSIVE INCOME	-	(11,257)	(99)	(11,356)	(246)	(11,602)
BALANCE AT 30 JUNE 2014	302,260	(224,301)	492	78,451	(1,024)	77,427
BALANCE AT 1 JULY 2014	**302,260**	**(224,301)**	**492**	**78,451**	**(1,024)**	**77,427**
Total comprehensive income for the period	**-**	**(27,593)**	**112**	**(27,481)**	**(5,077)**	**(32,558)**
TOTAL COMPREHENSIVE INCOME	**-**	**(27,593)**	**112**	**(27,481)**	**(5,077)**	**(32,558)**
BALANCE AT 30 JUNE 2015	**302,260**	**(251,894)**	**604**	**50,970**	**(6,101)**	**44,869**

The notes on pages 26 to 69 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2015

	Note	**Consolidated Group 2015 $000**	Consolidated Group 2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**151,920**	158,303
Payments to suppliers and employees		**(144,834)**	(150,209)
Interest received		**49**	111
Finance costs		**(2,176)**	(2,171)
Income tax received / (paid)		**(392)**	(301)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	25(b)	**4,567**	5,733
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**1,184**	380
Purchase of non-current assets		**(2,702)**	(5,355)
Investment in equity-accounted investee		**(250)**	(542)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		**(1,768)**	(5,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(1,408)**	(1,640)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		**(1,408)**	(1,640)
Net increase / (decrease) in cash and cash equivalents		**1,391**	(1,424)
Cash (net of bank overdrafts) at beginning of financial year		**2,767**	4,191
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR	25(a)	**4,158**	2,767

The notes on pages 26 to 69 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2015

Note 1 – Significant Accounting Policies

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

Reporting Entity

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

Basis of Accounting

Statement of Compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 28 August 2015.

Basis of Measurement

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

Going Concern

The full year financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity, and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At the date of issuing this report, the Group has available debt facilities (bank overdraft facility and bank guarantees) with the Commonwealth Bank of Australia (CBA) which will expire on 31 October 2015. As at 30 June 2015, Engenco Limited was within its loan covenants with CBA.

On 27 August 2015, the Group negotiated a new funding facility of $9,000,000 with a related party, Elph Pty Ltd (Elph), to be effective at the Company's option from 31 October 2015 until 31 October 2016, subject to satisfaction of conditions precedent, including obtaining regulatory approval, and the execution of facility documentation (Elph funding facility). Elph and its related entity Elph Investments Pty Ltd, together hold 65.05% of the issued shares in Engenco Limited. The Elph funding facility will be subject to one covenant and secured by certain assets of the Group (subject to regulatory approval). The facility is subject to annual review after 31 October 2016.

Greentrains Limited (an 81% owned subsidiary of Engenco Limited) also has a debt facility with Elph (Elph debt facility). The Elph debt facility is secured by the assets owned by Greentrains Limited and certain rail wagon assets owned by Gemco Rail Pty Ltd. As at 30 June 2015, the Elph debt facility is non-recourse to the Group's other assets. On 27 August 2015, the Group negotiated an extension of the Elph debt facility to 30 September 2016, subject to certain conditions precedent, including obtaining regulatory approval, and the execution of facility renewal documentation. The Elph debt facility has requirements for quarterly fixed principal repayments. Under the revised Elph debt facility, Engenco Limited will grant an unsecured guarantee and indemnity to Elph in respect of all monies owing under the Elph debt facility from 1 November 2015, subject to regulatory approval.

The Elph debt facility is also subject to termination events linked to compliance with debt covenants. As at 30 June 2015, Greentrains Limited was in breach of one of the covenants and this non-compliance was formally waived by Elph on 27 August 2015. Under the revised Elph debt facility, all covenants will be removed.

Note 1 – Significant Accounting Policies (cont'd)

Going Concern (cont'd)

Notwithstanding the above, the ability of the Group to remain within the limits and covenant terms under the new Elph funding facility and Elph debt facility will be determined by operational trading results and cash flows from operations. The Group incurred a loss after tax for the year ended 30 June 2015 of $32,670,000 primarily as a result of asset impairments. The directors have assessed the forecast trading results and cash flows for the Group. These forecasts are necessarily based on best estimate assumptions at the date of the financial report, and are subject to influences and events outside the control of the Group, including the current operating environment which presents challenges in terms of volatile demand patterns and price pressures.

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

- satisfy the conditions precedent and execute the new Elph funding facility and the revised Elph debt facility in the timeframe anticipated by the Group;
- operate within the limits and covenant terms under the current CBA and Elph debt facilities, the new Elph funding facility and the revised Elph debt facility for at least the next 12 months from the date of the financial report; and
- achieve forecast trading results and cash flows from operations.

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

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

Significant Accounting Policies

(a) Basis of Consolidation

Business combinations

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

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

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

Non-controlling interests

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

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

Note 1 – Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

Subsidiaries

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

Loss of control

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

Interests in equity-accounted investees

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

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

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

Transactions eliminated on consolidation

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

(b) Discontinued Operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative Statement of Profit or Loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(c) Income Tax

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

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset 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.

Note 1 – Significant Accounting Policies (cont'd)

(c) Income Tax (cont'd)

Deferred tax

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

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

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

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

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

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

Deferred tax assets and liabilities are offset 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.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads included in bringing them to their existing location and condition. Costs are assigned on the basis of weighted average costs.

The cost of raw materials includes all costs to transport the goods to a location ready for use including any duties and charges on items purchased overseas.

Note 1 – Significant Accounting Policies (cont'd)

(e) Construction Contracts in Progress

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

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

(f) Property, Plant and Equipment

Recognition and measurement

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

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

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

Subsequent Expenditure

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	20% - 67%
Plant and equipment	2.5% - 67%
Leased plant and equipment	30% - 67%
Buildings	2.50%

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

(g) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

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

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

Note 1 – Significant Accounting Policies (cont'd)

(g) Leases (cont'd)

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(h) Financial Instruments

The Group classifies non-derivative financial assets into the financial assets at fair value through profit or loss and loans and receivables categories.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

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

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

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

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

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

Non-derivative financial assets – Measurement

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

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

Non-derivative financial liabilities – Measurement

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

Note 1 – Significant Accounting Policies (cont'd)

(i) Impairment

Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

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

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

Non-financial assets

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

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

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

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

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

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

Note 1 – Significant Accounting Policies (cont'd)

(j) Intangible Assets and Goodwill

Recognition and measurement

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

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

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

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

Subsequent expenditure

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

Amortisation

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

The estimated useful lives used for each class of intangible assets are:

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

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

(k) Foreign Currency

Foreign currency transactions

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

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

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

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

Note 1 – Significant Accounting Policies (cont'd)

(k) Foreign Currency (cont'd)

Foreign operations

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

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

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

(l) Employee Benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(m) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

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

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Onerous contracts

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

Note 1 – Significant Accounting Policies (cont'd)

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, where the Group does not have the legal right and the intention to settle on a net basis, are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(o) Revenue

Sale of goods

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

Rendering of services

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

Construction contracts

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

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

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

Rental income

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

(p) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability if expected to be settled within 12 months.

(q) Borrowing Costs

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

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

(r) Finance Income and Finance Costs

The Group's finance income and finance costs include:

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

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

Note 1 – Significant Accounting Policies (cont'd)

(s) Government Grants

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

(t) Share Capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(u) Goods and Services Tax (GST)

Revenues, expenses and non-financial assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(v) 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.

(w) 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).

(x) Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Intangibles

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

Income tax

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by taxable authorities in relevant jurisdictions. Further details can be found in Note 4 – Income Tax Expense and Note 20 – Tax Assets and Liabilities.

Note 1 – Significant Accounting Policies (cont'd)

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

Impairment

Trade receivables are reviewed and impaired where significant uncertainty is identified as to the recoverability of amounts due, and where the amounts to which the uncertainty relates can be quantified.

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

The recoverable amount of certain locomotives and wagons (part of 'property, plant and equipment') is determined using an external valuation report which utilises multiple valuation techniques with a primary focus on depreciated replacement cost approach. Impairment is recognised when the carrying amount exceeds the recoverable amount. Where rollingstock is held by the Group, but the leasing opportunities are limited due to market conditions, the assets are held at salvage value.

Net realisable value – inventory and WIP

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

(y) New Accounting Standards and Interpretations

New accounting standards adopted

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

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

- *Investment Entities (Amendments to AASB 10, AASB 12 and AASB 27)*
- *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 132)*
- *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB 136)*
- IFRIC 21 *Levies*
- *Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

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

New accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations were available for early adoption but have not been applied by the Group in these financial statements. The Group does not believe these new accounting standards, amendments and interpretations will have a significant impact on the Group and does not plan to early adopt these standards.

Note 2 – Revenue and Other Income

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
SALES REVENUE		
Sales of goods and services	126,906	133,854
Lease rental income	6,803	6,308
TOTAL SALES REVENUE	133,709	140,162
OTHER REVENUE		
Interest received - external	125	111
TOTAL OTHER REVENUE	125	111
TOTAL REVENUE	133,834	140,273
OTHER INCOME		
Gain on disposal of property, plant and equipment	369	70
Rental income	737	1,102
Other gains	907	2,485
TOTAL OTHER INCOME	2,013	3,657

Note 3 – Expenses

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
FINANCE COSTS		
Interest – external	268	171
Interest – related parties	1,445	1,519
Other finance costs	463	481
TOTAL FINANCE COSTS	2,176	2,171
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	45,269	48,595
Annual leave expense	2,743	3,296
Long service leave expense	410	456
Termination costs	205	2,666
Defined contribution plan	3,660	3,945
TOTAL EMPLOYEE BENEFITS EXPENSE	52,287	58,958
RENTAL EXPENSE ON OPERATING LEASES		
Minimum lease payments	7,068	7,292
TOTAL RENTAL EXPENSE ON OPERATING LEASES	7,068	7,292

Note 4 – Income Tax Expense

		Consolidated Group 2015 $000	Consolidated Group 2014 $000
(a)	**The components of tax expense comprise:**		
	Current income tax expense/(benefit)		
	- Current income tax expense/(benefit)	**472**	1,032
	- Adjustment for prior years	**(21)**	
	Deferred income tax expense/(benefit)		
	- Origination and reversal of temporary differences	**(85)**	(536)
	Income tax expense reported in the Statement of Profit or Loss and OCI	**366**	496
(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	**(32,304)**	(11,007)
	At the Company's statutory domestic income tax rate of 30% (2014: 30%)	**(9,691)**	(3,302)
	Add / (Less) tax effect of:		
	- Foreign tax rate adjustment	**(66)**	(143)
	- Losses for which no deferred tax asset is recognised	**1,589**	4,772
	- Utilisation of tax losses not previously recognized	**(14)**	-
	- Other assessable items	**139**	-
	- Other non-allowable items	**172**	-
	- Adjustment for prior years	**(21)**	-
	- Movements in unrecognised temporary differences	**8,258**	(831)
	Income tax expense	**366**	496

Note 5 – Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2015, the parent entity of the Group was Engenco Limited. The ultimate controlling party of the Company at reporting date was Elph Investments Pty Ltd, incorporated in Australia.

	2015 $000	2014 $000
(a) Financial Position		
ASSETS		
Current assets	404	521
Non-current assets	60,793	95,080
TOTAL ASSETS	61,197	95,601
LIABILITIES		
Current liabilities	14,713	15,535
Non-current liabilities	1,614	1,595
TOTAL LIABILITIES	16,327	17,130
NET ASSETS	44,870	78,471
EQUITY		
Issued capital	302,260	302,260
Accumulated losses	(257,390)	(223,789)
TOTAL EQUITY	44,870	78,471
(b) Financial Performance		
COMPREHENSIVE INCOME		
(Loss) / Profit for the year	(33,602)	(11,602)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	(33,602)	(11,602)

(c) Guarantees

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

(d) Contingent Liabilities

At 30 June 2015, the parent entity has no significant contingent liabilities (2014: Nil).

(e) Contractual Commitments

At 30 June 2015, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2014: Nil).

Note 6 – Auditor's Remuneration

	Consolidated Group 2015 $	Consolidated Group 2014 $
Audit and review services		
Auditors of the Company		
- KPMG Australia – audit and review of financial statements	**325,000**	430,000
- KPMG Overseas – audit and review of financial statements	**50,497**	66,866
Other auditors		
- audit and review of financial statements	**-**	4,551
TOTAL AUDIT AND REVIEW SERVICES	**375,497**	501,417
Other Services		
Auditors of the Company		
- KPMG Australia – tax services	**-**	25,000
- KPMG Overseas – tax services	**6,600**	10,609
TOTAL OTHER SERVICES	**6,600**	35,609

Note 7 – Dividends

The directors have decided not to declare a final dividend.

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
(a) DECLARED AND PAID		
Final dividend of Nil (2014: Nil) cents per share	**-**	-
(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% (2014: 30%)	**11,253**	11,253

Note 8 – Earnings Per Share

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
(a) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS		
Profit / (Loss) for the period	(32,670)	(11,503)
Attributable to non-controlling interest	5,077	246
Earnings used to calculate basic EPS	(27,593)	(11,257)
Earnings used in the calculation of dilutive EPS	(27,593)	(11,257)
(b) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS		
Profit / (Loss) from continuing operations	(32,670)	(11,503)
Attributable to non-controlling interest in respect of continuing operations	5,077	246
Earnings used to calculate basic EPS from continuing operations	(27,593)	(11,257)
Earnings used in the calculation of dilutive EPS from continuing operations	(27,593)	(11,257)
	No. '000	**No. '000**
(c) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATING BASIC EPS	310,891	310,891
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	310,891	310,891

Note 9 – Cash and Cash Equivalents

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CASH AT BANK AND IN HAND	4,798	4,370
	4,798	4,370

As at the reporting date, where the Group has the legally enforceable right of set-off and the intention to settle on a net basis within the CBA facility, the Group has set-off bank overdrafts of $17,916,395 (2014: $17,431,378) against cash and cash equivalents of $20,312,020 (2014: $16,089,793) resulting in a net cash position of $2,395,625 (2014: net overdraft position of $1,341,585).

Note 10 – Trade and Other Receivables

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CURRENT		
Trade receivables	24,966	27,902
Provision for impairment of receivables	(530)	(279)
Total trade receivables	24,436	27,623
Accrued income	962	1,478
Sundry receivables	1,534	846
Total other receivables	2,496	2,324
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	26,932	29,947

(a) Provision for impairment of receivables

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

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

	Consolidated Group			
2015	Opening Balance 1 Jul 2014 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30 Jun 2015 $000
Current trade receivables	(279)	(621)	370	(530)
	(279)	(621)	370	(530)
2014	Opening Balance 1 Jul 2013 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30 Jun 2014 $000
Current trade receivables	(1,143)	(715)	1,579	(279)
	(1,143)	(715)	1,579	(279)

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

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

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

	Consolidated Group						
	Gross Amount	Past Due and Impaired	Past due but not impaired				Within initial trade terms
			< 30 days	31 – 60 days	61 – 90 days	> 90 days	
	$000	$000	$000	$000	$000	$000	$000
2015							
Trade receivables	**24,966**	**530**	**6,063**	**1,518**	**1,371**	**887**	**14,597**
Other receivables	**2,496**	**-**	**-**	**-**	**-**	**-**	**2,496**
Total	**27,462**	**530**	**6,063**	**1,518**	**1,371**	**887**	**17,093**
2014							
Trade receivables	27,902	279	7,047	2,199	2,031	3,578	12,768
Other receivables	2,324	-	-	-	-	-	2,324
Total	30,226	279	7,047	2,199	2,031	3,578	15,092

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reportable date. The concentration of credit risk is limited to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Note 11 – Inventories

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CURRENT		
At cost:		
- Work in progress	**3,518**	4,024
- Finished goods	**17,658**	22,786
	21,176	26,810
At net realisable value:		
- Work in progress	**-**	-
- Finished goods	**8,269**	7,558
	8,269	7,558
TOTAL INVENTORY	**29,445**	34,368

The Group has completed a comprehensive review of the carrying value of locomotive-related inventory. As a result of the review, inventory has been impaired by $2,390,000 (2014: $1,792,000).

Note 12 – Financial Assets

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
NON CURRENT		
Shares in listed companies	39	27
Loans receivable - other	7	7
TOTAL FINANCIAL ASSETS	46	34

Note 13 – Equity-Accounted Investee

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
NON CURRENT		
Interest in joint venture	163	359
TOTAL EQUITY-ACCOUNTED INVESTEE	163	359

DataHawk Pty Ltd (DataHawk) is the only joint arrangement in which the Group participates. DataHawk is not publicly listed. DataHawk is structured as a separate vehicle and the Group has a 50% interest in the net assets of DataHawk. Accordingly, the Group has classified its interest in DataHawk as a joint venture. In accordance with the agreement under which DataHawk is established, the Group and the other investor in the joint venture have each made additional contributions during the year of $250,000 in the form of a long-term loan, bringing the total value contributed to $792,075. The loan is fully repayable no later than 30 June 2017.

The Group's share of loss in DataHawk for the period was ($515,000) (2014: loss of $222,500). During the year ended 30 June 2015, no dividends were received from the investment in DataHawk (2014: $NIL).

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

Note 14 – Controlled Entities

Note: Subsidiaries are indented beneath their parent entity	Country of Incorporation	Date of Control	Percentage Owned 2015	Percentage Owned 2014
• **Engenco Limited**	Australia			
▪ Convair Engineering Pty Ltd	Australia	1 Jul 06	100	100
▪ Engenco Logistics Pty Ltd	Australia	1 Jul 06	100	100
• Asset Kinetics Pty Ltd	Australia	1 Jul 06	100	100
▪ Engenco Investments Pty Ltd	Australia	18 Apr 07	100	100
• Australian Rail Mining Services Pty Ltd	Australia	30 Apr 07	100	100
• Centre for Excellence in Rail Training Pty Ltd	Australia	30 Apr 07	100	100
• EGN Rail Pty Ltd	Australia	30 Apr 07	100	100
• EGN Rail (NSW) Pty Ltd	Australia	30 Apr 07	100	100
• Midland Railway Company Pty Ltd	Australia	30 Apr 07	100	100
• Momentum Rail (Vic) Pty Ltd	Australia	30 Apr 07	100	100
• Momentum Rail (WA) Pty Ltd	Australia	30 Apr 07	100	100
• Sydney Railway Company Pty Ltd	Australia	30 Apr 07	100	100
• Greentrains Limited [1]	Australia	17 Jul 09	81	81
* Greentrains Leasing Pty Ltd	Australia	18 Jun 08	100	100
▪ Drivetrain Power and Propulsion Pty Ltd	Australia	1 Jul 06	100	100
• Drivetrain Australia Pty Ltd	Australia	1 Jul 06	100	100
* DTPP Energy Pty Ltd	Australia	25 May 10	100	100
* Drivetrain Philippines Inc	Philippines	1 Jul 07	100	100
* Drivetrain Singapore Pte Ltd	Singapore	1 Jul 07	100	100
* Drivetrain Limited	New Zealand	1 Jul 07	100	100
* Drivetrain USA Inc	USA	31 Dec 08	100	100
o Hyradix Inc	USA	31 Dec 08	100	100
* Hedemora Investments AB	Sweden	1 Jul 06	100	100
o Drivetrain Sweden AB	Sweden	1 Jul 06	100	100
▪ Gemco Rail Pty Ltd	Australia	1 Jul 07	100	100
• Railway Bearings Refurbishment Services Pty Ltd	Australia	1 Jul 07	100	100
• New RTS Pty Ltd	Australia	3 Dec 08	100	100
▪ Hedemora Pty Ltd	Australia	1 Jul 06	100	100
▪ Industrial Powertrain Pty Ltd	Australia	1 Jul 07	100	100
• PC Diesel Pty Ltd	Australia	1 Jul 06	100	100
▪ Total Momentum Pty Ltd	Australia	30 Apr 07	100	100

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

Note 15 – Property, Plant and Equipment

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
LAND AND BUILDINGS		
Freehold land:		
- At cost	53	53
Total Land	53	53
Buildings:		
- At cost	812	812
- Less accumulated depreciation	(553)	(520)
Total Buildings	259	292
TOTAL LAND AND BUILDINGS	312	345
PLANT AND EQUIPMENT		
Plant and equipment:		
- At cost	78,188	101,274
- Accumulated depreciation and impairment	(54,771)	(46,738)
Total Plant and Equipment	23,417	54,536
Leasehold improvements:		
- At cost	3,552	3,385
- Accumulated depreciation	(1,792)	(1,414)
Total Leasehold Improvements	1,760	1,971
Leased plant and equipment:		
- Capitalised leased assets	1,271	1,269
- Accumulated depreciation	(870)	(714)
Total Leased Plant and Equipment	401	555
TOTAL PLANT AND EQUIPMENT	25,578	57,062
TOTAL PROPERTY, PLANT AND EQUIPMENT	25,890	57,407

Property, Plant and Equipment of $23,168,000 (2014: $42,514,000*) was pledged as security as part of the Group's total financing arrangements as at the reporting date.

*As at the date of signing the 2014 financial report, additional Property, Plant and Equipment of $11,791,000 was pledged as security as part of the Group's total financing arrangements.

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

(a) Movements in Carrying Amounts

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

	Consolidated Group					
	Freehold Land $000	Buildings $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Plant and Equipment $000	Total $000
BALANCE AT 1 JULY 2013	53	270	2,306	57,729	1,046	61,404
Additions	-	44	30	5,897	16	5,987
Disposals	-	-	(22)	(954)	(81)	(1,057)
(Impairment) / reversal of impairment	-	-	-	-	-	-
Depreciation expense	-	(22)	(343)	(8,136)	(426)	(8,927)
BALANCE AT 30 JUNE 2014	53	292	1,971	54,536	555	57,407
Additions	**-**	**-**	**357**	**2,415**	**2**	**2,774**
Disposals	**-**	**-**	**(190)**	**(1,067)**	**-**	**(1,257)**
(Impairment) / reversal of impairment	**-**	**-**	**-**	**(24,434)**	**-**	**(24,434)**
Depreciation expense	**-**	**(33)**	**(378)**	**(8,033)**	**(156)**	**(8,600)**
BALANCE AT 30 JUNE 2015	**53**	**259**	**1,760**	**23,417**	**401**	**25,890**

As at the reporting date, there existed key impairment indicators due to the termination of some rollingstock leases and fewer opportunities for leasing on a long-term basis in the current market. The Group has completed a comprehensive review of the carrying value of property, plant and equipment. As a result of the review property, plant and equipment has been impaired by $24,434,000 (2014: $NIL).

Note 16 – Intangible Assets

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
OTHER IDENTIFIABLE INTANGIBLES		
Cost:		
Opening balance	**12,959**	12,915
Additions	**-**	44
Closing balance	**12,959**	12,959
Accumulated amortisation:		
Opening balance	**(10,980)**	(9,379)
Amortisation for the year	**(860)**	(1,601)
Closing balance	**(11,840)**	(10,980)
Net book value	**1,119**	1,979
TOTAL INTANGIBLE ASSETS		
At cost	**12,959**	12,959
Accumulated amortisation and impairment	**(11,840)**	(10,980)
Net book value	**1,119**	1,979

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

Note 17 – Other Assets

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CURRENT		
Other current assets	32	20
Prepayments	1,038	1,211
TOTAL CURRENT OTHER ASSETS	1,070	1,231

Note 18 – Trade and Other Payables

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CURRENT		
Unsecured liabilities:		
Trade payables	11,966	12,848
Sundry payables and accrued expenses	1,517	1,780
Deferred income	1,759	1,990
TOTAL TRADE AND OTHER PAYABLES	15,242	16,618

Note 19 – Financial Liabilities

	Note	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CURRENT			
Secured liabilities:			
Bank overdrafts	25(a)	640	1,603
Lease liability		201	216
Loans from related parties	28(b)	19,809	21,000
TOTAL CURRENT FINANCIAL LIABILITIES		20,650	22,819
NON-CURRENT			
Secured liabilities:			
Lease liability		-	202
TOTAL NON-CURRENT FINANCIAL LIABILITIES		-	202

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

	Note	Consolidated Group 2015 $000	Consolidated Group 2014 $000
Bank overdraft		640	1,603
Loans from related parties		19,809	21,000
Lease liability	23(a)	201	418
		20,650	23,021

Note 19 – Financial Liabilities (cont'd)

(b) Collateral provided

Bank Debt [1]

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

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

i. **Asset Cover Ratio,** (the ratio of tangible assets less employee liabilities to the accommodation limit) of at least 4.0 times;
ii. **Debt Service Cover Ratio,** (the ratio of EBITDA adjusted for working capital movement in the period, less capital expenditure financed from operational cash-flow to interest expense) to be at least 2.00 on a rolling 12 month basis.

[1] The CBA debt facility limit was reduced from $13,000,000 to $8,000,000 on 24 August 2015. This facility expires on 31 October 2015. On 27 August 2015, the Group has negotiated a funding facility with Elph Pty Ltd, to replace the CBA facility and commencing on 31 October 2015, of $9,000,000 subject to certain conditions and the execution of facility documentation.

Related Party Debt [2]

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

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

i. **Interest Coverage Ratio**, (the ratio of EBITDA to gross interest expense) to be greater than 2.0 times;
ii. **Loan to Valuation Ratio**, (the ratio of the total outstanding loan to the total of the locomotive asset value) to be less than 0.5 times; and

[2] On 27 August 2015 the Group negotiated an extension of the debt facility with Elph Pty Ltd, subject to certain conditions and the execution of the renewal documentation.

Defaults and Breaches

As at 30 June 2015, Greentrains Limited was in breach of the loan to valuation ratio covenants relating to the debt facility with Elph Pty Ltd. A waiver was obtained from Elph Pty Ltd on 27 August 2015.

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 2015 $000	**Facility Used 2015 $000**	**Maturity Dates 2015**	Facility Available 2014 $000	Facility Used 2014 $000	Maturity Dates 2014	Interest Basis
- Working Capital Multi Option Facility	**13,000***	**1,973**	**Oct-15**	13,000	5,465	Oct-14	Floating
- Swedish Overdraft Facility (SEK)	**1,879**	**634**	**Dec-15**	1,960	182	Dec-14	Floating
- Greentrains Loan Facility	**19,809**	**19,809**	**Sep-15**	21,000	21,000	Sep-14	Floating
- Leases	**201**	**201**	**Various**	418	418	Various	Fixed
	34,889	**22,617**		36,378	27,065		

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

Note 20 – Tax Assets and Liabilities

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CURRENT		
Income tax receivable	-	14
Income tax payable	(455)	(409)
TOTAL	(455)	(395)

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

	Consolidated Group						
	Opening Balance $000	Balance Acquired $000	Charged to Income $000	Charged directly to Equity $000	Changes in Tax rate $000	Exchange Differences $000	Closing Balance $000
NON-CURRENT							
Deferred tax liability:							
Other	1,744	-	(543)	-	-	-	1,201
Balance at 30 June 2014	1,744	-	(543)	-	-	-	1,201
Other	1,201	-	(89)	-	-	-	1,112
Balance at 30 June 2015	1,201	-	(89)	-	-	-	1,112
Deferred tax assets:							
Provisions	34	-	155	-	-	-	189
Accruals	-	-	-	-	-	-	-
Losses	89	-	(89)	-	-	-	-
Other	69	-	(73)	-	-	-	(4)
Balance at 30 June 2014	192	-	(7)	-	-	-	185
Provisions	189	-	(11)	-	-	-	178
Accruals	-	-	7	-	-	-	7
Losses	-	-	-	-	-	-	-
Other	(4)	-	-	-	-	-	(4)
Balance at 30 June 2015	185	-	(4)	-	-	-	181

The Company has estimated carry forward operating tax losses of $107,769,949 at June 2015 (2014: $102,634,282*) which are not recognised. The ability to utilise the operating tax losses will be subject to satisfying relevant eligibility criteria for the recoupment of carry forward tax losses.

* Restated in the current year. Previously disclosed as $75,498,980. The restated balance includes an adjustment relating to the 2014 tax calculation.

Note 21 – Provisions

	Consolidated Group						
	Long Service Leave Employee Benefits $000	Annual Leave Employee Benefits $000	Legal $000	Onerous Contract $000	Restruc-turing $000	Other $000	Total $000
BALANCE AT 1 JULY 2014	2,010	2,756	500	1,547	1,408	2,997	11,218
Additional provisions	410	2,743	-	10	413	1,053	4,629
Amounts used	(555)	(2,858)	(429)	(1,267)	(1,486)	(1,936)	(8,531)
BALANCE AT 30 JUNE 2015	**1,865**	**2,641**	**71**	**290**	**335**	**2,114**	**7,316**
Current	**1,398**	**2,641**	**71**	**290**	**335**	**2,114**	**6,849**
Non-current	**467**	**-**	**-**	**-**	**-**	**-**	**467**
BALANCE AT 30 JUNE 2015	**1,865**	**2,641**	**71**	**290**	**335**	**2,114**	**7,316**

(a) Significant provisions

Provision for long-term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Legal

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

Onerous contracts

The Group has identified loss making contracts which are non-cancellable. The obligation for expected future losses has been provided for as at the reporting date.

Restructuring

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

Other Provisions

Other provisions relate to various categories including provisions for maintenance costs and warranty costs.

Note 22 – Issued Capital

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
310,891,432 (2014: 310,891,432) fully paid ordinary shares with no par value	**302,260**	302,260
	302,260	302,260

(a) Ordinary shares

	2015 No.	2014 No.
At beginning of reporting period	**310,891,432**	310,891,432
At reporting date	**310,891,432**	310,891,432

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

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

Note 23 – Capital and Leasing Commitments

LEASES AS LESSEE	Note	Consolidated Group 2015 $000	Consolidated Group 2014 $000
(a) Finance Lease Commitments			
Payable - minimum lease payments:			
- not later than 12 months		211	228
- between 12 months and 5 years		-	212
Minimum lease payments		211	440
Future finance charges		(10)	(22)
Present value of minimum lease payments	19	201	418
(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		5,238	6,438
- between 12 months and 5 years		14,711	11,176
- greater than 5 years		12,229	2,631
		32,178	20,245

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

The Group also leases a number of sites under operating leases which include land and buildings for the purpose of operating its business. The leases typically run for a period of between 3 and 10 years, sometimes with an option to renew the leases after that date. None of the leases include contingent rentals.

During the year-ended 30 June 2015, $7,068,000 was recognised as an expense in the Statement of Profit or Loss and OCI in respect of operating leases (2014: $7,292,000).

(c) Contractual Commitments

At 30 June 2015, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2014: Nil).

LEASES AS LESSOR	Consolidated Group 2015 $000	Consolidated Group 2014 $000
(d) Operating Lease Receivables		
Receivable - minimum lease payments		
- not later than 12 months	1,597	8,269
- between 12 months and 5 years	126	2,419
	1,723	10,688

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

Note 24 – Operating Segments

Segment Information

Identification of Reportable Segments

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

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

Types of Products and Services by Segment

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

(a) Drivetrain Power and Propulsion

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

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

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

(c) Convair Engineering (Convair)

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

(d) Total Momentum

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

(e) Gemco Rail

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

(f) Greentrains

Greentrains leases rollingstock to freight rail operators throughout Australia.

(g) All Other

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

Note 24 - Operating Segments (cont'd)

Basis of Reporting by Operating Segments

(a) Basis of reporting

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

(b) Inter-segment transactions

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

(c) Segment assets

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

(d) Segment liabilities

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

(e) Unallocated items

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

- Deferred tax assets and liabilities.

Note 24 - Operating Segments (cont'd)

(i) Segment Performance

Year ended 30 June 2015

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

Note 24 – Operating Segments (cont'd)

Year ended 30 June 2014

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green-trains	All Other	Consol. Group
	$000	$000	$000	$000	$000	$000	$000	$000
REVENUE								
External sales	52,090	6,345	13,592	19,625	42,141	6,308	61	140,162
Inter-segment sales	288	91	-	1,086	3,311	-	1	4,777
Interest revenue	10	-	33	-	-	4	64	111
TOTAL SEGMENT REVENUE	52,388	6,436	13,625	20,711	45,452	6,312	126	145,050
Reconciliation of segment revenue to Group revenue								
Inter-segment elimination							(4,777)	(4,777)
TOTAL GROUP REVENUE								140,273
SEGMENT EBITDA excluding significant items	3,981	1,104	1,775	1,241	3,252	3,686	(7,705)	7,334
Reconciliation of segment EBITDA excluding significant items to Group net profit / (loss) before tax:								
Depreciation and amortisation	(1,008)	(80)	(157)	(357)	(3,285)	(3,460)	(2,181)	(10,528)
Finance costs	(88)	(17)	(16)	(1)	(10)	(1,519)	(520)	(2,171)
Significant Items:								
Restructuring costs	(1,155)	(5)	(44)	(248)	(1,502)	-	(155)	(3,109)
Impairment of inventory	(1,792)	-	-	-	-	-	-	(1,792)
Onerous contract provisions	(276)	-	-	-	-	-	-	(276)
Impairment of accounts receivable	(465)	-	-	-	-	-	-	(465)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(803)	1,002	1,558	635	(1,545)	(1,293)	(10,561)	(11,007)

Note 24 - Operating Segments (cont'd)

(ii) Segment Assets

As at 30 June 2015

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

As at 30 June 2014

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

Note 24 - Operating Segments (cont'd)

(iii) Segment Liabilities

As at 30 June 2015

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green-trains	All Other	Consol. Group
	$000	$000	$000	$000	$000	$000	$000	$000
LIABILITIES								
Segment liabilities	**72,946**	**202**	**4,715**	**3,004**	**87,021**	**27,500**	**(142,471)**	**52,917**
Reconciliation of segment liabilities to Group liabilities:								
Segment eliminations								**(9,254)**
Unallocated Items:								
Deferred tax liabilities								**1,112**
TOTAL LIABILITIES	**72,946**	**202**	**4,715**	**3,004**	**87,021**	**27,500**	**(142,471)**	**44,775**

As at 30 June 2014

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

(iv) Revenue by geographical region

	Consolidated Group 2015 $000	Consolidated Group 2014 $'000
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Australasia	**123,588**	125,893
Europe	**9,641**	13,430
United States of America	**605**	950
TOTAL REVENUE	**133,834**	140,273

Note 24 - Operating Segments (cont'd)

(v) Assets by geographical region

	Consolidated Group 2015 $000	Consolidated Group 2014* $000
The location of segment assets is disclosed below by geographical location of the assets:		
Australasia	69,705	108,824
Europe	18,403	18,962
United States of America	1,536	2,108
TOTAL ASSETS	89,644	129,894

* The prior year comparatives have been restated due to reclassification changes made in the current year.

(vi) Major customers

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

Note 25 – Cash Flow Information

(a) Reconciliation of cash at end of financial year

	Note	Consolidated Group 2015 $000	Consolidated Group 2014 $000
Cash and cash equivalents	9	4,798	4,370
Bank overdrafts	19	(640)	(1,603)
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR		4,158	2,767

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

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
PROFIT (LOSS) AFTER INCOME TAX	(32,670)	(11,503)
Adjustments for non-cash items:		
- Depreciation	8,600	8,927
- Other Intangibles amortisation	860	1,601
- Impairment of property, plant and equipment	24,434	-
- Impairment of inventory	2,390	1,792
- Impairment of accounts receivable	-	465
- Net finance costs	2,128	2,060
- Income tax expense / (benefit)	366	496
- Gain on sale of property, plant and equipment	(369)	(70)
	5,739	3,768
Changes in:		
- (Increase)/decrease in trade and other receivables	3,002	347
- (Increase)/decrease in prepayments	174	(297)
- (Increase)/decrease in inventories	2,532	2,661
- Increase/(decrease) in trade payables and accruals	(458)	1,536
- Increase/(decrease) in provisions	(3,902)	79
Cash provided by / (used in) operating activities	7,087	8,094
- Net interest paid	(2,128)	(2,060)
- Income taxes paid	(392)	(301)
CASH FLOW PROVIDED BY / (USED IN) OPERATIONS	4,567	5,733

Note 26 – Net Tangible Assets

	2015 Cents	2014 Cents
Net tangible assets per ordinary share: (2015: 310,891,432 shares, 2014: 310,891,432 shares)	16.3	24.9

Note 27 – Events Subsequent to Reporting Date

The Group reduced its Commonwealth Bank of Australia debt facility limit from $13,000,000 to $8,000,000 on 24 August 2015. This facility expires on 31 October 2015. On 27 August 2015 the Group negotiated, at the Company's option, a funding facility with Elph Pty Ltd (Elph) of $9,000,000 to commence on 31 October 2015 subject to the satisfaction of certain conditions precedent including the execution of facility documentation.

A waiver for the breach of the loan to valuation ratio covenant as at 30 June 2015, relating to the current Greentrains Limited debt facility provided by Elph was received on 27 August 2015. On 27 August 2015 the Group also negotiated an extension of this debt facility with Elph, subject to satisfying certain conditions precedent including the execution of renewal documentation.

Directors not associated with Elph were all satisfied that terms and conditions of these facilities represented an advantage to the Engenco Group (refer to Note 1 of the Consolidated Financial Statements).

Other than the above, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which would have a material effect on the financial statements of the Group at 30 June 2015.

Note 28 – Related Party Transactions

(a) Transactions with key management personnel

(i) Loans to key management personnel

	Balance at Beginning of Year $	Interest Charged $	Interest Not Charged $	Provision for Impairment $	Loan Repayment $	Balance at End of Year $	Number of Individuals
2015	**-**	-	**-**	-	**-**	-	**-**
2014	2,100	-	59	(1,400)	(700)	-	-

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

(ii) Key management personnel compensation

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

	2015 $	2014 $
Short-term employee benefits	**3,044,466**	3,011,019
Post-employment benefits	**271,946**	255,232
Termination benefits	**38,447**	50,215
Other long-term benefits	**45,092**	56,499
TOTAL	**3,399,951**	3,372,965

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

(iii) Key management personnel transactions

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

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

Note 28 – Related Party Transactions (cont'd)

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

		Cost for the year ended 30 June		Payable as at 30 June	
		2015	2014	**2015**	2014
Related Party	**Director**	**$**	$	**$**	$
Elph Pty Ltd[1]	V De Santis/D Elphinstone	**1,445,446**	1,518,752	**107,295**	-
Elphinstone Pty Ltd[2]	V De Santis/D Elphinstone	**620,105**	774,191	**73,009**	-
William Adams Pty Ltd[3]	V De Santis/D Elphinstone	**24,514**	59,388	**-**	6,677
United Equipment Pty Ltd[4]	V De Santis/D Elphinstone	**243,759**	96,284	**32,173**	14,901
Max Hire Pty Ltd[5]	V De Santis/D Elphinstone	**-**	3,737	**-**	-
Grassick SSG Pty Ltd[6]	D Hector	**131,265**	135,210	**20,490**	9,670
Energy Power Systems Australia[7]	D Elphinstone	**69,782**	34,742	**4,480**	-

[1] Interest is charged by Elph Pty Ltd on its related party loan to Greentrains Limited. Vincent De Santis is a director of Elph Pty Ltd. Dale Elphinstone is also director and Chairman of this entity.

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

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

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

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

[6] Director fees were paid to Grassick SSG Pty Ltd for the services of Don Hector. Don Hector is the Principal of this entity.

[7] Goods were purchased from Energy Power Systems Australia during the year. Dale Elphinstone is the rotating Chairman of this entity.

(b) Other related party transactions

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

Related Party Transaction	**2015** **$000**	2014 $000
Current receivables (parent entity):		
Receivables from subsidiaries	**132**	106

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

Related Party Transaction	**2015** **$000**	2014 $000
Loans to/from subsidiaries (parent entity):		
Loans to subsidiaries	**970**	33,058
Loans from subsidiaries	**(1,431)**	(1,431)
Loans to/from other related parties:		
Loans from Elph Pty Ltd	**(19,809)**	(21,000)

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

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

At the reporting date, the related party loan from Elph Pty Ltd to Greentrains Limited was on arms' length terms for up to $19,809,000 maturing not earlier than 30 September 2015.

Note 29 – Financial Risk Management

The Group's financial instruments consist mainly of investments, accounts receivable and payable, loans from external and related parties and leases.

	Note	Consolidated Group 2015 $000	Consolidated Group 2014 $000
FINANCIAL ASSETS			
Cash and cash equivalents	9	4,798	4,370
Other assets	12	46	34
Trade and other receivables	10	26,932	29,947
		31,776	34,351
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost:			
- Trade and other payables	18	15,242	16,618
- Borrowings	19	20,650	23,021
		35,892	39,639

i. Treasury Risk Management

Management, consisting of senior executives of the Group, discusses and monitors financial risk exposure and evaluates treasury management strategies in the context of current economic conditions and forecasts. Management's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Management operates under the supervision of members of the Board of Directors. Risk management transactions are approved by senior management personnel.

ii. Financial Risk Exposures and Management

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

a. *Interest Rate Risk*

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

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

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

	Note	Consolidated Group 2015 $000	Consolidated Group 2014 $000
FLOATING RATE INSTRUMENTS			
Bank Overdrafts		6	1,603
Swedish Overdraft Facility	19(c)	634	-
Greentrains Loan Facility	19(c)	19,809	21,000
Total		20,449	22,603

Note 29 – Financial Risk Management (cont'd)

b. Liquidity Risk

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

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

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

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

Financial Liability Maturity Analysis

	Consolidated Group							
	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2015 $000	2014 $000	**2015 $000**	2014 $000	**2015 $000**	2014 $000	**2015 $000**	2014 $000
FINANCIAL LIABILITIES DUE FOR PAYMENT								
Bank overdrafts and loans	**20,449**	22,603	**-**	-	**-**	-	**20,449**	22,603
Trade and other payables (excluding estimated annual leave)	**15,242**	16,618	**-**	-	**-**	-	**15,242**	16,618
Finance lease liabilities	**201**	216	**-**	202	**-**	-	**201**	418
Total Expected Outflows	**35,892**	39,437	**-**	202	**-**	-	**35,892**	39,639

c. Foreign Exchange Risk

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

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

d. Credit Risk

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

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

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

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

Note 29 – Financial Risk Management (cont'd)

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

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

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

iii. Net Fair Values

Fair Value Estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Estimates, judgments and the associated assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

	Consolidated Group			
	2015 Carrying Value $000	**2015 Fair Value $000**	2014 Carrying Value $000	2014 Fair Value $000
FINANCIAL ASSETS				
Cash and cash equivalents	**4,798**	**4,798**	4,370	4,370
Trade and other receivables	**26,932**	**26,932**	29,947	29,947
Other assets	**46**	**46**	34	34
	31,776	**31,776**	34,351	34,351
FINANCIAL LIABILITIES				
Trade and other payables	**15,242**	**15,242**	16,618	16,618
Lease liability	**201**	**201**	418	418
Loans and borrowings	**20,449**	**20,449**	22,603	22,603
	35,892	**35,892**	39,639	39,639

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

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

iv. Sensitivity Analysis

a. Interest Rate Risk and Foreign Currency Risk

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

Note 29 – Financial Risk Management (cont'd)

b. *Interest Rate Sensitivity Analysis*

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

	Consolidated Group 2015 $000	Consolidated Group 2014 $000
CHANGE IN EARNINGS		
- Increase in interest rates by 100 basis points	**(181)**	(181)
- Decrease in interest rates by 100 basis points	**181**	181
CHANGE IN EQUITY		
- Increase in interest rates by 100 basis points	**(181)**	(181)
- Decrease in interest rates by 100 basis points	**181**	181

c. *Foreign Currency Risk Sensitivity Analysis*

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

	2015 $000	2014 $000
CHANGE IN EARNINGS		
- Improvement in AUD to SEK by 5%	**(38)**	(90)
- Decline in AUD to SEK by 5%	**38**	90
CHANGE IN EQUITY		
- Improvement in AUD to SEK by 5%	**(945)**	(866)
- Decline in AUD to SEK by 5%	**945**	866

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

v. Capital Management

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

The Consolidated Group's debt and capital includes ordinary shares and financial liabilities. The gearing ratios as at 30 June 2015 and 2014 are as follows:

	2015 $000	2014 $000
Total Borrowings	**20,650**	23,021
Net Debt	**15,852**	18,651
Total Equity	**44,869**	77,427
TOTAL EQUITY AND NET DEBT	**60,721**	96,078
GEARING RATIO	**34%**	24%

The gearing ratio has increased in the year largely as a result of the impairments within property, plant and equipment in the current financial period.

Note 30 – Reserves

(a) Foreign currency translation reserve

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

Note 31 – Contingent Liabilities

The Group is currently negotiating for exit of one of its leases. There is uncertainty as to whether a future liability will arise in respect of the negotiation. The amount of the liability, if any, which may arise cannot be reliably measured at this time.

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

The Group has arranged for its bankers to guarantee its performance to third parties. The maximum amount of these guarantees at 30 June 2015 is $1,640,381 (2014: $3,795,907).

Shareholder Information

Additional Information for Listed Companies at 17 August 2015

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	526	0.07%	200,567
1,001 – 5,000	347	0.29%	909,689
5,001 – 10,000	147	0.36%	1,116,851
10,001 – 100,000	314	3.51%	10,921,901
100,001 – and over	98	95.77%	297,742,424
	1,432	100.00%	310,891,432

(b) The number of shareholdings held in less than marketable parcels (less than $500 in value) is 910.

(c) 20 largest shareholders – ordinary shares

Position	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Elph Investments Pty Ltd	108,981,588	35.05%
2	Elph Pty Ltd	93,267,430	30.00%
3	UBS Nominees Pty Limited	23,723,362	7.63%
4	RAC & JD Brice Superannuation Pty Ltd	19,554,102	6.29%
5	HSBC Custody Nominees (Australia) Limited	14,806,402	4.76%
6	Mr Clarence John Kelly, & Mrs Robyn Suzanne Kelly	3,655,000	1.18%
7	Mr Neville Leslie Esler, & Mrs Cheryl Anne Esler	2,396,925	0.77%
8	Marford Group Pty Ltd	2,243,680	0.72%
9	Mr Dennis Graham Austin, & Mrs Marilyn Alice Austin	1,506,540	0.48%
10	UBS Wealth Management Australia Nominees Pty Ltd	1,481,834	0.48%
11	Mr Hugh William Maguire	1,300,000	0.42%
12	Mr Hugh William Maguire, & Mrs Susan Anna Maguire	1,300,000	0.42%
13	T B I C Pty Ltd	1,000,000	0.32%
14	Mrs Margaret Jane Lindemann, & Mr Luke Charles Lindemann	1,000,000	0.32%
15	Neko Super Pty Ltd	1,000,000	0.32%
16	Mr Bruce Ballantine Teele, & Mrs Helen Patricia Teele	980,996	0.32%
17	Shymea Pty Ltd	900,000	0.29%
18	P J M Super Pty Ltd	796,500	0.26%
19	CFF Pty Ltd	758,619	0.24%
20	J P Morgan Nominees Australia Limited	657,147	0.21%
		281,310,125	90.48%

(d) Shareholders holding in excess of 10% of issued capital were listed in the holding company's register as follows:

Shareholder	No. Ordinary Shares	%
Elph Investments Pty Ltd	108,981,588	35.05%
Elph Pty Ltd	93,267,430	30.00%

Shareholder Information (cont'd)

(e) Voting Rights

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

2. The name of the Company Secretaries are:

Stephen Bott

Graeme Campbell

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

Level 22, 535 Bourke Street, Melbourne, VIC 3000

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

770 Canning Highway, Applecross, WA 6153

5. Securities Exchange Listing

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

6. Unquoted Securities

N/A.

7. Other Disclosures

There were no restricted securities at this date.

Corporate Directory

Corporate Office

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Directors

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

Dale Elphinstone
FAICD
Non-Executive Chairman

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

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

Kevin Pallas
BCom, MAICD
Managing Director & CEO

Company Secretary

Graeme Campbell
FCA, BSc
Chief Financial Officer / Company Secretary

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

Auditors

KPMG
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Melbourne VIC 3000

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Share Registry

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