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Engenco

Preliminary Final Report

Full Year Ended 30 June 2013

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Appendix 4E (Rule 4.3A)

Results for Announcement to the Market

Name of entity: Engenco Limited ACN 120 432 144

The current reporting period is the financial year ended 30 June 2013. The previous corresponding period is the financial year ended 30 June 2012.

Revenue / Profit	Movement	Change \$000	Change %	30 Jun 13 \$000	30 Jun 12 \$000
Revenue	Down	(23,109)	(11.6%)	176,088	199,197
Profit/(loss) for the period	Down	(55,916)	(157.1%)	(91,515)	(35,599)
Underlying trading loss ¹	Down	(10,412)	(557.4%)	(12,280)	(1,868)

- Revenue for FY13 is 11.6% below revenue for FY12 reflecting downturn in the resources sector and the challenging market conditions
- Loss result generated by asset impairments and underlying trading loss of \$12.3 million ¹
- Significant items including asset impairments amounting to \$79.2 million ¹
- Material improvement in cash generated from operating activities
- Current oversupply of locomotives has impacted on leasing market
- Focus for FY14 is on revenue and operating leverage improvement

The significant reduction in resources sector activity was a major cause of revenue reduction in FY13. The greatest impact of this was felt in the Drivetrain business in Australia and New Zealand and in the Gemco fabrication business. Operational efficiencies and rationalisations have been implemented in the Drivetrain business across Australia and New Zealand and the effect of this is expected to be evident in FY14 results.

The offshore operations in Singapore and Europe (Sweden) continue to operate profitably and early indicators are that this will continue in FY14.

Gemco Rail's operational efficiency program which commenced in Western Australia is continuing and will lead to facilities better suited to meet market demands. Onerous contracts on foot in the rail sector have been taken to account in FY13 and new locomotive maintenance work is being pursued on better commercial terms. The wheel and bearing activities, including bogie refurbishment, are now operating more efficiently and higher throughput is being realised.

Momentum's performance was affected by a downturn in rail infrastructure spend during FY13 but there are positive indicators of a recovery in this sector in the new year. The Convair and CERT businesses are operating profitably and are expected to perform well in FY14.

The Greentrains business has been affected by the oversupply of narrow gauge and standard gauge locomotives of which a major contributing factor has been the sudden reduction in the requirements of the resources sector, particularly in coal haulage. No material improvement in demand for the current Greentrains fleet is expected during FY14.

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The Elph Pty Ltd facility agreement has been extended to 30 September 2014. Commercial terms for the CBA banking facilities have been agreed in principle and documentation is expected to be finalised and signed before the current facility expires on 31 August 2013.

Market indicators suggest slow improvement in all sectors. Directors and management are confident that FY14 will see the Company return to profit and that the three to five year recovery plan is still on track.

The following table shows a reconciliation of underlying trading loss:

	FY2013 \$000	FY2012 \$000
Profit / (loss) for the period	(91,515)	(35,599)
<i>Significant Items:</i>		
Impairment of goodwill and other intangible assets	43,275	3,813
Impairment of property, plant and equipment	20,350	3,547
Impairment of inventory	1,529	19,871
Impairment of accounts receivable	861	3,959
Legal settlements and associated costs	2,004	-
Onerous contract provision	1,705	-
Staff termination costs	1,167	-
Derecognition of deferred tax assets	8,344	685
Other significant items	-	1,856
Underlying trading loss ¹	(12,280)	(1,868)

Dividends

No interim dividends were paid, and no final dividends are proposed.

NTA Backing

	30 Jun 13 Cents	30 Jun 12* Cents
Net tangible assets per ordinary share	28.2	78.6

* Restated for exclusion of non-controlling interest from the net asset base.

Audit Status

This preliminary report is based on financial statements that are in the process of being audited.

¹ This announcement refers to certain non-IFRS measures including 'underlying trading loss' and 'significant items'. These measures are presented to enable understanding of the underlying performance of the Group without non-trading items. Non-IFRS measures have not been subject to audit or review.

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Consolidated Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	Consolidated Group 2013 \$000	Consolidated Group 2012 ⁽¹⁾ \$000
Revenue	1	176,088	199,197
Other income	1	1,247	2,028
Changes in inventories of finished goods and work in progress		(5,531)	(13,201)
Raw materials and consumables used		(89,729)	(84,916)
Employee benefits expense	2	(51,263)	(55,504)
Depreciation and amortisation expense		(12,634)	(11,006)
Impairment of goodwill and other intangible assets		(43,275)	(3,813)
Impairment of property, plant and equipment		(20,350)	(3,547)
Impairment of inventory		(1,529)	(19,871)
Impairment of accounts receivable		(861)	(3,959)
Finance costs	2	(4,352)	(5,553)
Subcontract freight		(1,911)	(1,825)
Repairs and maintenance		(1,729)	(1,543)
Insurances		(1,770)	(1,913)
Rent and outgoings		(8,828)	(9,126)
Vehicle expenses		(715)	(477)
Fuel		(327)	(491)
Foreign exchange movements		(96)	(399)
Other expenses		(16,429)	(16,689)
PROFIT / (LOSS) BEFORE INCOME TAX		(83,994)	(32,608)
Income tax expense		(7,521)	(2,991)
PROFIT / (LOSS) FOR THE PERIOD		(91,515)	(35,599)
<i>Profit / (loss) attributable to:</i>			
Members of the parent entity		(87,731)	(35,683)
Non-controlling interest		(3,784)	84
		(91,515)	(35,599)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of overseas subsidiaries		1,833	(290)
Other comprehensive income for the period, net of tax		1,833	(290)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(89,682)	(35,889)
<i>Total comprehensive income attributable to:</i>			
Members of the parent entity		(85,898)	(35,973)
Non-controlling interest		(3,784)	84
		(89,682)	(35,889)
EARNINGS PER SHARE		Cents	Cents⁽²⁾
<i>From continuing operations:</i>			
Basic earnings per share (cents per share)	4	(40.06)	(25.85)
Diluted earnings per share (cents per share)	4	(40.06)	(25.85)

(1) The 2012 comparatives have been reclassified between inventory impairment, accounts receivable impairment and other expenses.

(2) Restated for renounceable entitlement offer (rights issue) in the current financial year.

Consolidated Statement of Financial Position

as at 30 June 2013

	Note	Consolidated Group 2013 \$000	Consolidated Group 2012* \$000
CURRENT ASSETS			
Cash and cash equivalents		5,028	3,759
Trade and other receivables		30,174	47,250
Inventories		39,179	44,710
Current tax receivables		336	-
Other current assets		1,358	1,868
TOTAL CURRENT ASSETS		76,075	97,587
NON-CURRENT ASSETS			
Trade and other receivables		2	513
Financial assets		20	17
Property, plant and equipment		61,404	86,856
Deferred tax assets		192	8,344
Intangible assets	6	3,536	49,091
TOTAL NON-CURRENT ASSETS		65,154	144,821
TOTAL ASSETS		141,229	242,408
CURRENT LIABILITIES			
Trade and other payables		15,864	30,278
Financial liabilities		23,468	49,153
Current tax liabilities		-	1,972
Short-term provisions		8,591	4,352
TOTAL CURRENT LIABILITIES		47,923	85,755
NON-CURRENT LIABILITIES			
Financial liabilities		427	1,120
Long-term provisions		2,106	1,996
Deferred tax liabilities		1,744	1,744
TOTAL NON-CURRENT LIABILITIES		4,277	4,860
TOTAL LIABILITIES		52,200	90,615
NET ASSETS		89,029	151,793
Equity			
Issued capital	7	302,260	275,342
Reserves		591	(1,050)
Non-controlling interest		(778)	3,006
Retained earnings / (accumulated losses)		(213,044)	(125,505)
TOTAL EQUITY		89,029	151,793

* The 2012 comparatives have been restated for the following changes to classifications in the current year:

- Cash and cash equivalents balance restated to account for net cash balance where the Group has a legal right of offset and the intention to settle on a net basis (offsetting adjustment within current financial liabilities);
- Property, plant and equipment balance restated to account for software assets reclassified to intangible assets;
- Profit reserve for foreign deferred tax has been reclassified as retained earnings.

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Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

Consolidated Group	Issued Capital Ordinary Shares \$000	Retained Earnings / (Accumulated Losses) \$000	Non- controlling Interest \$000	Foreign Currency Translation Reserve \$000	Option Reserves \$000	Total \$000
BALANCE AT 1 JULY 2011	275,342	(89,822)	2,922	(952)	192	187,682
Shares issued during the year	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-
Total comprehensive income for the period	-	(35,683)	84	(290)	-	(35,889)
SUB-TOTAL	275,342	(125,505)	3,006	(1,242)	192	151,793
Share options expired during the year	-	-	-	-	-	-
BALANCE AT 30 JUNE 2012	275,342	(125,505)	3,006	(1,242)	192	151,793
BALANCE AT 1 JULY 2012*	275,342	(125,505)	3,006	(1,242)	192	151,793
Shares issued during the year	28,000	-	-	-	-	28,000
Transaction costs	(1,082)	-	-	-	-	(1,082)
Total comprehensive income for the period	-	(87,731)	(3,784)	1,833	-	(89,682)
SUB-TOTAL	302,260	(213,236)	(778)	591	192	89,029
Share options expired during the year	-	192	-	-	(192)	-
BALANCE AT 30 JUNE 2013	302,260	(213,044)	(778)	591	-	89,029

* The 2012 comparatives have been restated with the profit reserve for foreign deferred tax being reclassified as retained earnings.

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Consolidated Statement of Cash Flows

for the year ended 30 June 2013

	Note	Consolidated Group 2013 \$000	Consolidated Group 2012* \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		213,335	223,516
Payments to suppliers and employees		(201,175)	(215,157)
Interest received		103	348
Finance costs		(4,352)	(5,553)
Income tax paid		(1,676)	(4,012)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	9	6,235	(858)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		517	1,359
Purchase of non-current assets		(5,769)	(7,994)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		(5,252)	(6,635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		28,000	-
Payment of transaction costs related to issue of shares		(1,082)	-
Proceeds from borrowings		3,933	9,527
Repayment of borrowings		(25,462)	(14,759)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		5,389	(5,232)
Net increase / (decrease) in cash held		6,372	(12,725)
Cash (net of bank overdrafts) at beginning of financial year		(2,181)	10,544
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR	9	4,191	(2,181)

* The 2012 comparatives have been restated to include GST for receipts from customers and payments to suppliers and employees.

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Notes to the Financial Statements

for the year ended 30 June 2013

Note 1 – Revenue and Other Income

	Consolidated Group 2013 \$000	Consolidated Group 2012 \$000
SALES REVENUE		
Sales of goods and services	175,985	198,849
TOTAL SALES REVENUE	175,985	198,849
OTHER REVENUE		
Interest received - external	103	348
TOTAL OTHER REVENUE	103	348
TOTAL REVENUE	176,088	199,197
OTHER INCOME		
Gain on disposal of property, plant and equipment	108	124
Other gains	1,139	1,904
TOTAL OTHER INCOME	1,247	2,028

Note 2 – Expenses

	Consolidated Group 2013 \$000	Consolidated Group 2012 \$000
FINANCE COSTS		
Interest – external *	1,684	2,598
Interest – related parties *	2,099	2,050
Other finance costs	569	905
TOTAL FINANCE COSTS	4,352	5,553
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	42,737	47,169
Annual leave expense	3,764	3,677
Long service leave expense	357	281
Defined contribution plan	4,405	4,377
TOTAL EMPLOYEE BENEFITS EXPENSE	51,263	55,504
RENTAL EXPENSE ON OPERATING LEASES		
Minimum lease payments	6,789	7,504
TOTAL RENTAL EXPENSE ON OPERATING LEASES	6,789	7,504

* The 2012 comparatives have been restated to show the split between external interest and related party interest.

Note 3 – Dividends

The directors have decided not to declare a final dividend.

Note 4 – Earnings per Share

	Consolidated Group 2013 \$000	Consolidated Group 2012 \$000
(a) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS		
Profit/(Loss) for the period	(91,515)	(35,599)
Attributable to non-controlling equity interest	3,784	(84)
Earnings used to calculate basic EPS	(87,731)	(35,683)
Earnings used in the calculation of dilutive EPS	(87,731)	(35,683)
(b) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS		
Profit/(Loss) from continuing operations	(91,515)	(35,599)
Attributable to non-controlling equity interest in respect of continuing operations	3,784	(84)
Earnings used to calculate basic EPS from continuing operations	(87,731)	(35,683)
Earnings used in the calculation of dilutive EPS from continuing operations	(87,731)	(35,683)
(c) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATING BASIC EPS		
Weighted average number of dilutive options outstanding	No. '000 219,019	No. '000 138,038*
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	-	-
	219,019	138,038

* Restated for renounceable entitlement offer (rights issue) in the current financial year.

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Note 5 – Controlled Entities

Note: Subsidiaries are indented beneath their parent entity	Country of Incorporation	Date of Control	Percentage Owned 2013	Percentage Owned 2012
Engenco Limited	Australia			
▪ Convair Engineering Pty Ltd	Australia	1 Jul 06	100	100
▪ Engenco Logistics Pty Ltd (formerly Coote Logistics Pty Ltd)	Australia	1 Jul 06	100	100
• Asset Kinetics Pty Ltd	Australia	1 Jul 06	100	100
▪ Engenco Investments Pty Ltd (formerly Coote Investments Pty Ltd)	Australia	18 Apr 07	100	100
• Australian Rail Mining Services Pty Ltd	Australia	30 Apr 07	100	100
• Centre for Excellence in Rail Training Pty Ltd	Australia	30 Apr 07	100	100
• EGN Rail Pty Ltd	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
• o Drivetrain Americas Inc ²	USA	18 Feb 11	-	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%).

² During the year Drivetrain Americas Inc was dissolved.

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Note 6 – Intangible Assets

	Consolidated Group 2013 \$000	Consolidated Group 2012 \$000
GOODWILL		
Cost:		
Opening balance	32,459	36,272
Additional costs on previously acquired subsidiaries	-	-
Impairment for the year	(32,459)	(3,813)
Divestment through subsidiaries sold	-	-
Closing balance	-	32,459
CUSTOMER RELATED INTANGIBLES		
Cost:		
Opening balance	14,494	14,494
Additions	-	-
Acquisitions through subsidiaries acquired	-	-
Closing balance	14,494	14,494
Accumulated amortisation:		
Opening balance	(7,477)	(5,980)
Amortisation for the year	(666)	(1,497)
Impairment for the year	(6,351)	-
Closing balance	(14,494)	(7,477)
Net book value	-	7,017
PATENTS AND TRADEMARKS		
Cost:		
Opening balance	1,227	1,227
Additions	-	-
Closing balance	1,227	1,227
Accumulated amortisation:		
Opening balance	(553)	(457)
Amortisation for the year	(47)	(96)
Impairment for the year	(627)	-
Closing balance	(1,227)	(553)
Net book value	-	674

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Note 6 – Intangible Assets (cont'd)

	Consolidated Group 2013 \$000	Consolidated Group 2012* \$000
OTHER IDENTIFIABLE INTANGIBLES		
Cost:		
Opening balance	12,372	9,542
Additions	543	2,830
Closing balance	12,915	12,372
Accumulated amortisation:		
Opening balance	(3,431)	(2,542)
Amortisation for the year	(2,110)	(889)
Impairment for the year	(3,838)	-
Closing balance	(9,379)	(3,431)
Net book value	3,536	8,941
TOTAL INTANGIBLE ASSETS		
At cost	61,095	64,365
Accumulated amortisation and impairment	(57,559)	(15,274)
Net book value	3,536	49,091

* Other Identifiable Intangibles have been restated to include the reclassification of SAP capitalised assets from Property, Plant & Equipment to Intangible Assets.

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

As at the reporting date, there existed key impairment indicators. These included the Group valuation reported in an Independent Expert's Report dated 16 January 2013, the current business performance of the Group and the ASX market capitalisation. Based on these factors the total intangible value (excluding reclassified software costs) on the Consolidated Statement of Financial Position has been impaired.

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Note 7 – Issued Capital

	Consolidated Group 2013 \$000	Consolidated Group 2012 \$000
310,891,432 (2012: 124,224,766) fully paid ordinary shares with no par value	302,260	275,342
	302,260	275,342

(a) Ordinary Shares

	2013 No.	2012 No.
At beginning of reporting period	124,224,766	1,242,242,634
Shares issued during the year:		
29 Jan 13	186,666,666	-
Shares cancelled or consolidated during the year:		
18 Nov 11	-	(1,118,017,868)
At reporting date	310,891,432	124,224,766

Date	No.	Price	Description
18 Nov 11	(1,118,017,868)	n/a	10:1 share consolidation
29 Jan 13	186,666,666	0.15	3:2 rights issue

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

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

On 12 December 2012 a renounceable 3 for 2 offer at 15c per share was announced. On 29 January 2013 the Company issued 186,666,666 fully paid ordinary shares pursuant to the pro-rata entitlement offer.

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

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

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

(b) Options

At 30 June 2013 there were no options on issue (2012: 100,000). No options were exercised during this financial year. On 29 August 2012 100,000 share options granted to Azure Capital expired.

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Note 8 – Segment Reporting

(i) Segment Performance

Year ended 30 June 2013

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green-trains	Engenco Investments	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE									
External sales	71,564	5,886	16,722	22,864	49,748	9,086	-	115	175,985
Inter-segment sales	391	79	-	2,060	4,316	-	-	-	6,846
Interest revenue	8	-	21	-	-	17	-	57	103
TOTAL SEGMENT REVENUE	71,963	5,965	16,743	24,924	54,064	9,103	-	172	182,934
Reconciliation of segment revenue to group revenue									
Inter-segment elimination								(6,846)	(6,846)
TOTAL GROUP REVENUE									176,088
SEGMENT EBITDA	5,237	764	2,238	1,826	(7,555)	5,814	3	(9,320)	(993)
Reconciliation of segment EBITDA:									
Amounts not included in segment EBITDA but reviewed by Board:									
Depreciation and amortisation	(1,671)	(66)	(135)	(455)	(3,669)	(3,623)	-	(3,015)	(12,634)
Unallocated items:									
Impairment of property, plant and equipment									(20,350)
Impairment of intangibles									(43,275)
Impairment of inventory									(1,529)
Impairment of accounts receivable									(861)
Finance costs									(4,352)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS									(83,994)

Note 8 – Segment Reporting (cont'd)

Year ended 30 June 2012

Primary Reporting Business Segments	Drivetrain Power & Propulsion	CERT	Convair	Total Momentum	Gemco Rail	Green-trains	Engenco Investments	All Other	Consol. Group
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE									
External sales	93,394	5,227	18,722	19,927	51,369	9,832	-	378	198,849
Inter-segment sales	603	80	-	1,552	2,257	-	-	-	4,492
Interest revenue	24	3	1	-	47	62	-	211	348
TOTAL SEGMENT REVENUE	94,021	5,310	18,723	21,479	53,673	9,894	-	589	203,689
<i>Reconciliation of segment revenue to group revenue</i>									
Inter-segment elimination								(4,492)	(4,492)
TOTAL GROUP REVENUE									199,197
SEGMENT EBITDA	9,043	1,150	2,922	1,420	1,276	6,432	(122)	(6,980)	15,141
<i>Reconciliation of segment EBITDA:</i>									
<i>Amounts not included in segment EBITDA but reviewed by Board:</i>									
Depreciation and amortisation	(1,789)	(54)	(94)	(459)	(2,240)	(3,663)	-	(2,707)	(11,006)
<i>Unallocated items:</i>									
Impairment of property, plant and equipment									(3,547)
Impairment of intangibles									(3,813)
Impairment of inventory									(19,871)
Impairment of accounts receivable									(3,959)
Finance costs									(5,553)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS									(32,608)

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Note 9 – Cash Flow Information

(a) Reconciliation of cash at end of financial year

	2013 \$000	2012* \$000
Cash and cash equivalents	5,028	3,759
Bank overdrafts (disclosed in 'Current Financial Liabilities')	(837)	(5,940)
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR	4,191	(2,181)

* The 2012 comparatives have been restated to account for net cash balance where the Group has a legal right of offset and the intention to settle on a net basis.

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

	2013 \$000	2012 \$000
PROFIT / (LOSS) AFTER INCOME TAX	(91,515)	(35,599)
<i>Adjustments for non-cash items:</i>		
- Depreciation	9,811	8,524
- Other intangibles amortisation	2,823	2,482
- Impairment of goodwill and other intangibles	43,275	3,813
- Impairment of property, plant & equipment	20,350	3,547
- Impairment of inventory	1,529	19,871
- Impairment of accounts receivable	861	3,959
- Net finance costs	4,249	5,205
- Income tax expense / (benefit)	7,521	2,991
- Gain on sale of property, plant and equipment	(108)	(124)
	(1,204)	14,669
- (Increase)/decrease in trade and other receivables	16,726	(2,348)
- (Increase)/decrease in prepayments	510	(575)
- (Increase)/decrease in inventories	4,002	(10,341)
- Increase/(decrease) in trade payables and accruals	(12,223)	4,980
- Increase/(decrease) in provisions	4,349	1,974
Cash generated from operating activities	12,160	8,359
- Net interest paid	(4,249)	(5,205)
- Income taxes paid	(1,676)	(4,012)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	6,235	(858)

Note 10 – Net Tangible Assets

	2013 Cents	2012* Cents
Net tangible assets per ordinary share: (2013: 310,891,432 shares, 2012: 124,224,766 shares)	28.2	78.6

* Restated for exclusion of non-controlling interest from the net asset base.

Note 11 – Compliance Statement

This preliminary report is based on financial statements that are in the process of being audited.

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Corporate Directory

Corporate Office

Engenco Limited

Level 22
535 Bourke Street
Melbourne VIC 3000

T: +61 (0)3 8620 8900

F: +61 (0)3 8620 8999

investor.relations@engenco.com.au

www.engenco.com.au

Registered Office

Engenco Limited

Level 22
535 Bourke Street
Melbourne VIC 3000

T: +61 (0)3 8620 8900

F: +61 (0)3 8620 8999

Directors

Dale Elphinstone

FAICD
Non-Executive Chairman

Vincent De Santis

BCom LLB (Hons)
Non-Executive Director

Donald Hector

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

Ross Dunning AC

BE(Hons), BCom, FCILT, FAIM, FIEAust, FIRSE, MAICD
Interim Managing Director

Company Secretary

Anna Bagley

BSc, LLB (Hons), GCInfTech, LLM

Josephine Tan

B.Mus, LLB (Hons)

Auditors

KPMG

147 Collins Street
Melbourne VIC 3000

T: +61 (0)3 9288 5555

F: +61 (0)3 9288 6666

Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway
Applecross WA 6153

T: +61 (0)8 9315 2333

F: +61 (0)8 9315 2233