ASX PRELIMINARY HALF-YEAR REPORT

Engenco Limited

ASX Listing Code : EGN

ABN : 99 120 432 144

31 December 2012

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

This information should be read in conjunction with the 30 June 2012 Annual Report.

Appendix 4D

ENGENCO LIMITED AND CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2012
RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue / Profit	Movement	Change (%)	31 Dec 2012 $'000	31 Dec 2011 $'000
Revenue from ordinary activities	↓	(3.7)	92,925	96,485
Profit / (loss) from ordinary activities after tax attributable to members	↓	(6,847)	(59,580)	883
Net profit / (loss) for the period attributable to members	↓	(6,847)	(59,580)	883

Revenue / Profit	Amount Per Security Cents	Franked Amount per Security Cents
Dividends paid in respect of prior year:		
Interim dividend	0.0	0.0
Final dividend	0.0	0.0
Dividends declared in respect of current period:		
Interim dividend (*)	0.0	0.0

** No interim dividend was declared*

Net Tangible Assets		31 Dec 2012 Cents	31 Dec 2011 Cents
Net tangible assets per share:	(Dec 2012: 124,224,766 shares) (Dec 2011: 124,224,766 shares)	73	106

ENGENCO LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 December 2012

Contents

These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Engenco Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The directors of Engenco Limited (the "Company") present their report together with the condensed consolidated interim financial statements for the half year ended 31 December 2012 and the auditors' review report thereon.

Names of Directors

The following persons were Directors of Engenco Limited during the reporting period:

Dale Elphinstone (Non-Executive Director / Chairman)	Full period
Vincent De Santis (Non-Executive Director)	Full period
Donald Hector (Non-Executive Director)	Full period
Ross Dunning (Non-Executive Director)	Full period

Review of Operations

The consolidated entity recorded a net loss after tax (attributable to members) for the 6 months ended 31 December 2012 of ($9.5m) before impairments. This result was generated on reduced revenues compared to the first half of FY12. This was principally due to lower levels of activity in the Gemco Rail (Gemco) and Drivetrain business units. Lower than anticipated activity in the fabrication areas of the rail business and a sharp slowdown in mining that impacted the Drivetrain business were largely responsible for the lower revenue.

The results were well below expectations and behind those achieved in the first half of FY12. However, the result does include a number of significant items that are not expected to be repeated in the second half. These included a ($2.0m) adjustment for a dispute resolution, ($1.8m) for loss making fabrication projects closed out in the first half, and total redundancy costs for the first half of ($1.5m).

	Actual H1 FY2013 continuing operations $m	Actual H1 FY2012 continuing operations $m
Revenue	92.9	96.5
EBITDA *	(1.3)	9.3
EBITDA margin *	(1.4%)	9.6%
Depreciation and amortisation	(6.1)	(5.4)
EBIT *	(7.4)	3.9
EBIT margin *	(8.0%)	4.0%
Interest expense	(2.3)	(2.2)
Profit / (loss) before tax	(9.7)	1.9
Income tax benefit / (expense)	0.2	(1.0)
Net profit / (loss) after tax (including significant items before impairments)	(9.5)	0.9
Impairments:		
Impairment of intangible assets	(42.6)	-
Derecognition of deferred tax asset	(7.4)	-
Reported net profit / (loss) after tax	(59.5)	0.9

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

Whilst overall cash at the end of the period was ($2.9m), the net cash provided by operating activities was $0.7m compared with ($0.5m) for the same period last year. Improved inventory management and debtor collections helped achieve this result. It is anticipated that the business will be cash positive in the second half.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of the Drivetrain Power and Propulsion (Drivetrain) business were down significantly compared to last year's equivalent period. This was due to a downturn in mining related activity, particularly in coal, which impacted both component sales and MRO (maintenance, repair and overhaul) work, particularly in the second quarter. Sales to defence were also slower than anticipated and market penetration in new areas such as Gastrain did not materialise as fast as expected. It is expected that activity will remain flat to slightly lower in second half. Profitability is expected to improve without significant events in the second half and cost reduction actions taken start to impact.

Gemco's revenues were down compared to the first half of FY12 largely due to less fabrication work than anticipated, and the expected growth in wheel shop revenue not occurring as fast as planned. Gemco profitability also suffered from some significant losses on fabrication projects carried over from FY12. Second half revenue is likely to be marginally lower than first half but of better quality with improved profitability coming from better managed projects and the impacts of cost reduction actions taken in the first half.

Momentum revenue grew year on year in the first half of FY13. New contracts particularly in WA together with the result of pricing adjustments increased revenue by 38% which lead to a positive EBITDA contribution from the business. Momentum is expected to continue to perform strongly for the remainder of the year.

CERT has seen higher revenue in the first half of FY13 but higher costs that occurred due to new location establishment and higher travel costs eroded some of the increased earnings. The revenue performance is expected to continue in the second half and should be in position to leverage the investments made in the first half to generate good returns.

The demand for leased rolling stock did suffer a slowdown in the first half with excess locomotive horsepower coming back off lease in coal dedicated markets into the general freight market where Greentrains competes. This meant that revenue was down slightly on expectations. This slower activity level will continue in the second half and the full year result will be down slightly on the prior year.

Convair's first half earnings were on budget and 6% better than the prior year, as the business started the year with a very strong order book and has continued to focus on efficiencies and margin management. The second half has seen forward orders drop off but it is expected that the result will maintain a rate better than the year prior.

Elph Takeover Bid

The board determined that in the context of the Elph takeover bid for Engenco, an independent board committee be established. The independent board committee is chaired by Donald Hector who is also authorised by the Board to sign this report on behalf of the Board.

Events Subsequent to Reporting Date

There are a number of significant events post half year-end close.

As announced previously the Company launched an Entitlement Offer in the latter half of the period, raising $28m before transaction costs, to pay down debt and provide working capital for the business. After the rights issue closed in January 2013 bank debt of $15m was repaid, the Company was then left with a positive cash balance, an overdraft facility of $8.9m and the $23m loan from Elph Pty Ltd to Greentrains.

The Company also completed a round of redundancies just prior to Christmas removing 45 positions across the Australian and New Zealand operations of Gemco and Drivetrain as well as the corporate office. This is on top of reductions in employment, made progressively throughout the first half which resulted 29 less roles in the ANZ businesses.

With Engenco being subject to a takeover bid, an Independent Expert's Report (IER) was commissioned by the independent board committee. The auditors KPMG noted that the IER published on 16 January 2013 by Lonergan Edwards provided strong indicators that there may have been impairment of intangible assets carried in the consolidated Engenco accounts. Based on this, the Audit Committee recommended and the Board determined to impair intangible value of $42.6m on the Condensed Consolidated Statement of Financial Position.

Management has also performed a review of the deferred tax assets (DTA's) of the Group. Based on this review, the Audit Committee recommended and the Board determined to no longer recognise the DTA pertaining to the Australian Tax Group resulting in a ($7.4m) impact on the Condensed Consolidated Statement of Comprehensive Income.

The company faces significant challenges but has made major adjustments to the cost structure and continues to improve processes and seek efficiencies across the board. The reduction in bank debt and positive cash generation provide the foundation for a stronger second half.

On 8 February 2013 the Company announced that Mr Kevin Pallas replaced Mr Peter Coombe as Chief Financial Officer.

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).

Independent Auditor's Declaration

The Independent Auditor's Declaration under Section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2012.

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

On behalf of the Directors

Donald Hector

Donald Hector

Non-Executive Director (Chairman of the Audit Committee)

21 February 2013

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

To: Directors of Engenco Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

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

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

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
21 February 2013

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2012

	Note	31 Dec 12 $'000	31 Dec 11 $'000
Revenue		92,925	96,485
Other income		797	1,219
Cost of goods sold		(47,777)	(45,229)
Employee benefits expense		(29,717)	(26,679)
Depreciation and amortisation expense		(6,097)	(5,451)
Impairment of goodwill and other intangibles	8	(42,615)	-
Finance costs		(2,630)	(2,666)
Subcontract freight		(1,107)	(791)
Repairs and maintenance		(901)	(787)
Insurances		(958)	(859)
Rent and outgoings		(4,476)	(4,800)
Vehicle expenses		(349)	(203)
Fuel		(170)	(264)
Foreign exchange movements		(227)	(128)
Other expenses		(9,003)	(7,935)
Profit / (Loss) before income tax		**(52,305)**	**1,912**
Income tax expense	9	(7,185)	(978)
Profit / (Loss) for the period		**(59,490)**	**934**
Profit / (Loss) attributable to:			
Members of the parent entity		(59,580)	883
Non-controlling interest		90	51
		(59,490)	**934**
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		499	(552)
Other comprehensive income / (loss) for the period, net of tax		**499**	**(552)**
Total comprehensive income / (loss) for the period		**(58,991)**	**382**
Total comprehensive income attributable to:			
Members of the parent entity		(59,081)	331
Non-controlling interest		90	51
		(58,991)	**382**
EARNINGS PER SHARE		Cents	Cents
FROM CONTINUING OPERATIONS			
Basic earnings per share (cents per share)	2	(47.89)	0.67
Diluted earnings per share (cents per share)		(47.89)	0.66

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

as at 31 December 2012

	Note	31 Dec 12 $'000	30 Jun 12 $'000
Assets			
Current Assets			
Cash and cash equivalents		16,432	15,644
Trade and other receivables		33,387	47,250
Inventories		42,005	44,710
Other current assets		3,195	1,868
Total Current Assets		**95,019**	**109,472**
Non-Current Assets			
Trade and other receivables		513	513
Financial assets		21	17
Property, plant and equipment		88,537	92,073
Deferred tax assets	12	1,774	8,344
Intangible assets	8	659	43,875
Total Non-Current Assets		**91,504**	**144,822**
Total Assets		**186,523**	**254,294**
Current Liabilities			
Trade and other payables		20,299	30,279
Financial liabilities	5	62,502	61,037
Current tax liabilities		3,043	1,972
Short-term provisions		5,372	4,352
Total Current Liabilities		**91,216**	**97,640**
Non-Current Liabilities			
Financial liabilities	5	1,886	1,120
Long-term provisions		619	1,996
Deferred tax liabilities		-	1,745
Total Non-Current Liabilities		**2,505**	**4,861**
Total Liabilities		**93,721**	**102,501**
Net Assets		**92,802**	**151,793**
Equity			
Issued capital	3	275,342	275,342
Reserves		4,255	3,756
Non-controlling interest		3,096	3,006
Retained earnings / (accumulated losses)		(189,891)	(130,311)
Total Equity		**92,802**	**151,793**

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

for the half year ended 31 December 2012

Consolidated Group	Issued Capital Ordinary Shares	Retained Earnings / (Losses)	Non-Controlling Interest	Foreign Currency Translation Reserve	Profit Reserve Foreign Deferred Tax	Option Reserves	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	**275,342**	**(93,872)**	**2,922**	**(952)**	**4,050**	**192**	**187,682**
Profit / (Loss) for the period	-	883	51	-	-	-	934
Other comprehensive income for the period, net of tax	-	-	-	(286)	(266)	-	(552)
SUB-TOTAL	**275,342**	**(92,989)**	**2,973**	**(1,238)**	**3,784**	**192**	**188,064**
Transfer profit reserve on foreign deferred tax	-	(1,014)	-	-	1,014	-	-
Balance at 31 December 2011	**275,342**	**(94,003)**	**2,973**	**(1,238)**	**4,798**	**192**	**188,064**

Consolidated Group	Issued Capital Ordinary Shares	Retained Earnings / (Losses)	Non-Controlling Interest	Foreign Currency Translation Reserve	Profit Reserve Foreign Deferred Tax	Option Reserves	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	**275,342**	**(130,311)**	**3,006**	**(1,242)**	**4,806**	**192**	**151,793**
Profit / (Loss) for the period	-	(59,580)	90	-	-	-	(59,490)
Other comprehensive income for the period, net of tax	-	-	-	499	-	-	499
SUB-TOTAL	**275,342**	**(189,891)**	**3,096**	**(743)**	**4,806**	**192**	**92,802**
Transfer profit reserve on foreign deferred tax	-	-	-	-	-	-	-
Balance at 31 December 2012	**275,342**	**(189,891)**	**3,096**	**(743)**	**4,806**	**192**	**92,802**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

for the half year ended 31 December 2012

	31 Dec 12 $'000	31 Dec 11 $'000
Cash Flows from Operating Activities		
Receipts from customers	104,735	99,800
Payments to suppliers and employees	(100,131)	(97,059)
Interest received	16	257
Finance costs	(2,630)	(2,666)
Income tax received / (paid)	(1,289)	(792)
Net cash provided by / (used in) operating activities	**701**	**(460)**
Cash Flows from Investing Activities		
Proceeds from sale of non-current assets	123	224
Purchase of non-current assets	(2,084)	(3,201)
Net cash provided by / (used in) investing activities	**(1,961)**	**(2,977)**
Cash Flows from Financing Activities		
Proceeds from borrowings	4,216	1,586
Repayment of borrowings	(3,719)	(8,275)
Net cash provided by / (used in) financing activities	**497**	**(6,689)**
Net Increase / (decrease) in Cash and Cash Equivalents	(763)	(10,126)
Cash at Beginning of Period	(2,181)	10,544
Cash at End of Period	**(2,944)**	**418**

Reconciliation of Cash and Cash Equivalents

	31 Dec 12 $'000	31 Dec 11 $'000
Cash at the end of the financial period as shown in the Condensed Consolidated Statement of Cash Flows is reconciled to items in the Condensed Consolidated Statement of Financial Position as follows:		
Cash and cash equivalents	16,432	18,701
Bank overdrafts (disclosed in current 'Financial Liabilities')	(19,376)	(18,283)
	(2,944)	**418**

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the half year ended 31 December 2012

Note 1 - Summary of accounting policies

Reporting Entity

Engenco Limited (the "Company") is a for-profit company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the delivery of a diverse range of engineering services and products.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2012 are available upon request from the Company's registered office at Level 22, 535 Bourke Street, Melbourne, VIC 3000 or at www.engenco.com.au.

Basis of Preparation

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

The interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Engenco Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2013.

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

The principal accounting policies adopted in the preparation of the interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period, except in relation to the matters discussed in the *Changes in accounting policy* paragraphs below.

Going Concern

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

The Group currently has available debt facilities (including bank overdraft facility and bank guarantees) with the Commonwealth Bank of Australia (CBA) which are due to expire in July 2013. As at 31 December 2012, Engenco Limited (excluding Greentrains) was outside its loan covenants with CBA. In January 2013 the CBA loan was fully repaid and new covenants were established upon this repayment.

Greentrains Limited (an 81% owned subsidiary of Engenco Limited) has a debt facility with a related party, Elph Pty Ltd (Elph). The facility is secured by assets owned by Greentrains Limited. The facility is non-recourse to the Group's other assets. The Elph debt facility is also due to expire in July 2013. As at 31 December 2012, Greentrains Limited was within all but one of its covenants with the Elph loan. The breach was formally waived by Elph on 20 February 2013.

The Group's profit and cash flow forecasts, which are necessarily based on best-estimate assumptions, show that the Group is expected to be able to operate within the level and terms of its current facilities. This assumes the Group will successfully extend its major finance facilities beyond July 2013. As at the date of this report, management is in discussions with the respective lenders to extend these facilities.

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

- Renegotiate and extend the Group's major facilities; and
- Return to profitable operations.

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

Going Concern (cont'd)

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern. Should all of these actions be unsuccessful the Group would be required to seek funding from other sources and implement additional measures to preserve cash. These may include (but are not limited to) working capital reductions and further restrictions of expenditures.

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 the 12 month period from the date of signing this interim financial report. For these reasons, they continue to adopt the going concern basis in preparing the interim financial report.

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

Estimates

Preparing interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2012.

Changes in accounting policy

Presentation of transactions recognised in other comprehensive income.

From 1 July 2012 the Group applied amendments to AASB 134 *Interim Financial Reporting* outlined in AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss.

Note 2 – Earnings per share (EPS)

		Consolidated Group 31 Dec 2012 $'000	Consolidated Group 31 Dec 2011 $'000
(a)	**RECONCILIATION OF EARNINGS TO PROFIT / (LOSS)**		
	Profit / (Loss)	(59,580)	883
	Profit / (Loss) attributable to non-controlling equity interest	90	51
	Earnings used to calculate basic EPS	(59,490)	934
	Earnings used in the calculation of dilutive EPS	(59,490)	934
(b)	**RECONCILIATION OF EARNINGS TO PROFIT / (LOSS) FROM CONTINUING OPERATIONS**		
	Profit / (Loss) from continuing operations	(59,580)	883
	Profit / (Loss) attributable to non-controlling equity interest in respect of continuing operations	90	51
	Earnings used to calculate basic EPS from continuing operations	(59,490)	934
	Earnings used in the calculation of dilutive EPS from continuing operations	(59,490)	934
		No. '000	**No. '000**
(c)	**WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE HALF YEAR USED IN CALCULATING BASIC EPS**	124,225	126,313
	Weighted average number of options outstanding	-	232
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	124,225	126,545

Note 3 – Issued capital

	31 Dec 12 $'000	31 Dec 11 $'000
124,224,766 (31 December 2011: 124,224,766) fully paid ordinary shares	275,342	275,342
	275,342	275,342

Ordinary Shares

	No.	No.
At beginning of reporting period	124,224,766	1,242,242,634
Shares issued		
18 Nov 11 – 10:1 share consolidation (a)	-	(1,118,017,868)
At reporting date	124,224,766	124,224,766

(a) Share Consolidation

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

At the Engenco Limited Annual General Meeting held on 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.

Note 4 – Operating segments

Segment Information

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors and Executive Management (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

Types of Products and Services by Segment

The chief operating decision makers consider the business from a Business Line perspective and have identified eight (8) reportable segments as follows:

(a) Convair

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

(b) Drivetrain Power and Propulsion

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

(c) Gemco Rail

Gemco Rail 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.

(d) CERT

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

(e) Momentum

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

(f) Engenco Investments (formerly Coote Investments)

This segment comprises miscellaneous investments and shareholdings.

(g) Greentrains

Greentrains leases rolling stock to freight rail operators throughout Australia.

(h) All Other Segments

This includes the parent entity and consolidation / elimination adjustments.

Note 4 - Operating segments (cont'd)

Segment Information (cont'd)

Basis of Accounting for Purposes of Reporting by Operating Segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors and Executive Management as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions

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

(c) Segment assets

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

(d) Segment liabilities

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

(e) Unallocated items

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

- Finance costs
- Impairment of intangible assets
- Deferred tax assets and liabilities

Note 4 - Operating segments (cont'd)

(i) Segment Performance

6 months ended 31 December 2012

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Momen-tum $000	Gemco Rail $000	Green-trains $000	Engenco Invest-ments $000	All Other $000	Consol. Group $000
REVENUE									
External sales	37,518	2,960	8,852	13,037	25,218	5,251	-	73	92,909
Inter-segment sales	271	18	-	1,200	2,866	-	-	-	4,355
Interest revenue	5	-	2	-	-	9	-	-	16
TOTAL SEGMENT REVENUE	37,794	2,978	8,854	14,237	28,084	5,260	-	73	97,280
Reconciliation of segment revenue to Group revenue:									
Inter-segment elimination								(4,355)	(4,355)
TOTAL GROUP REVENUE									92,925
SEGMENT EBITDA excluding significant items	687	425	1,559	1,388	(2,443)	3,452	5	(6,036)	(963)
Reconciliation of segment to Group net profit / (loss) before tax:									
Amounts not included in Segment result but reviewed by Board:									
Depreciation and amortisation	(867)	(25)	(73)	(224)	(1,316)	(1,829)	-	(1,763)	(6,097)
Impairment of intangibles	(21,509)	-	-	(3,181)	(7,559)	-	-	(10,366)	(42,615)
Unallocated items including significant items:									
Finance costs									(2,630)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS									(52,305)

Note 4 - Operating segments (cont'd)

6 months ended 31 December 2011

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Momen-tum $000	Gemco Rail $000	Green-trains $000	Engenco Invest-ments $000	All Other $000	Consol. Group $000
REVENUE									
External sales	44,390	2,537	8,369	9,425	26,505	4,755	-	247	96,228
Inter-segment sales	170	31	-	692	645	-	-	-	1,538
Interest revenue	21	-	2	-	60	34	-	140	257
TOTAL SEGMENT REVENUE	44,581	2,568	8,371	10,117	27,210	4,789	-	387	98,023
Reconciliation of segment revenue to Group revenue:									
Inter-segment elimination								(1,538)	(1,538)
TOTAL GROUP REVENUE									96,485
SEGMENT EBITDA excluding significant items	5,444	588	1,457	754	2,030	3,303	(74)	(3,473)	10,029
Reconciliation of segment to Group net profit / (loss) before tax:									
Amounts not included in Segment result but reviewed by Board:									
Depreciation and amortisation	(923)	(21)	(44)	(297)	(993)	(1,847)	-	(1,326)	(5,451)
Unallocated items including significant items:									
Finance costs									(2,666)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS									1,912

The classifications between some segments for the prior period comparatives have been restated to be consistent with the current period segment reporting.

Note 4 - Operating segments (cont'd)

(ii) Segment Assets

as at 31 December 2012

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Momen-tum $000	Gemco Rail $'000	Green-trains $000	Engenco Invest-ments $000	All Other $000	Consol. Group $000
ASSETS									
Segment assets (excluding capital expenditure, investments and intangibles)	55,283	3,634	12,513	8,390	46,601	53,528	651	5,797	186,397
Capital expenditure	281	36	26	250	881	-	-	188	1,662
Investments	7	-	-	-	-	-	20,062	(20,048)	21
Intangibles	-	-	-	-	-	-	-	659	659
Reconciliation of segment assets to Group assets:									
Segment eliminations									(3,990)
Unallocated items:									
Deferred tax assets									1,774
TOTAL ASSETS	55,571	3,670	12,539	8,640	47,482	53,528	20,713	(13,404)	186,523

as at 30 June 2012

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Momen-tum $000	Gemco Rail $'000	Green-trains $000	Engenco Invest-ments $000	All Other $000	Consol. Group $000
ASSETS									
Segment assets (excluding capital expenditure, investments and intangibles)	70,554	3,278	9,829	6,509	45,003	55,504	651	3,697	195,025
Capital expenditure	1,999	171	106	497	5,827	-	-	3,496	12,096
Investments	7	-	-	-	-	-	20,058	(20,048)	17
Intangibles	20,890	-	-	3,181	8,308	-	-	11,496	43,875
Reconciliation of segment assets to Group assets:									
Segment eliminations									(5,063)
Unallocated items:									
Deferred tax assets									8,344
TOTAL ASSETS	93,450	3,449	9,935	10,187	59,138	55,504	20,709	(1,359)	254,294

The classifications between some segments for the prior period comparatives have been restated to be consistent with the current period segment reporting.

Note 4 - Operating segments (cont'd)

(iii) Segment Liabilities

as at 31 December 2012

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Momen-tum $000	Gemco Rail $'000	Green-trains $000	Engenco Invest-ments $000	All Other $000	Consol. Group $000
LIABILITIES									
Segment liabilities	79,473	1,215	4,957	7,460	95,172	29,884	29,750	(150,200)	97,711
Reconciliation of segment liabilities to Group liabilities:									
Segment eliminations									(3,990)
Unallocated items:									
Deferred tax liabilities									-
TOTAL LIABILITIES	79,473	1,215	4,957	7,460	95,172	29,884	29,750	(150,200)	93,721

as at 30 June 2012

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Momen-tum $000	Gemco Rail $'000	Green-trains $000	Engenco Invest-ments $000	All Other $000	Consol. Group $000
LIABILITIES									
Segment liabilities	94,693	1,423	3,812	6,942	94,723	32,674	29,750	(158,198)	105,819
Reconciliation of segment liabilities to Group liabilities:									
Segment eliminations									(5,063)
Unallocated items:									
Deferred tax liabilities									1,745
TOTAL LIABILITIES	94,693	1,423	3,812	6,942	94,723	32,674	29,750	(158,198)	102,501

The classifications between some segments for the prior period comparatives have been restated to be consistent with the current period segment reporting.

Note 5 – Financial liabilities

	$'000
Balance as at 1 July 2012	62,157
Drawdowns:	
Related party loan (Elph Pty Ltd)	5,000
Repayments:	
Bank loan (CBA)	(2,000)
Related party loan (Elph Pty Ltd)	(500)
Insurance premium funding	(711)
Other movements:	
Other financial liabilities	442
Balance as at 31 December 2012	64,388

Note 6 – Restructuring costs

During the period to 31 December 2012 restructuring costs relating to redundancies of $1,467,000 (2011: $NIL) were incurred.

Note 7 – Contingent liabilities

There are a number of legal claims and exposures which arise from the ordinary course of business. The amount of the liability, if any, which may arise cannot be reliably measured at this time.

Other than the above, there has been no change in contingent liabilities since the 2012 Annual Report.

Note 8 – Impairment test for intangible assets

As at the half year reporting date, there existed key impairment indicators. These include 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 Greentrains goodwill of $659,000) on the Condensed Consolidated Statement of Financial Position has been impaired, with the impact split as follows:

	$'000
Goodwill	31,800
Other intangibles	10,815
Total Impairment	42,615

Note 9 – Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate for the six months ended 31 December 2012 was (13.7)% (for the 6 months ended 31 December 2011: 51%). The change in effective tax rate was largely caused by the effect of derecognition of previously recognised deferred tax assets within the Australian Tax Group as explained in Note 12.

Note 10 – Events subsequent to reporting date

The Company launched an Entitlement Offer in the latter half of the period, raising $28m before transaction costs, to pay down debt and provide working capital for the business. After the rights issue closed in January 2013 bank debt of $15m was fully repaid upon which new covenants became effective. The Company was then left with a positive cash balance, an overdraft facility of $8.9m and the $23m loan from Elph Pty Ltd to Greentrains.

On 8 February 2013 the Company announced that Mr Kevin Pallas replaced Mr Peter Coombe as Chief Financial Officer.

Other than the above, there have been no events subsequent to 31 December 2012 which would have a material effect on the condensed consolidated interim financial statements of the Group at 31 December 2012.

Note 11 – Related party transactions

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

(a) Other transactions

Management fees of $NIL (2011: $341,250) were paid to Elphinstone Pty Ltd for the services of Vincent De Santis. Non-Executive Director fees of $127,200 (2011: $87,200) were paid to Elphinstone Pty Ltd for the services of Vincent De Santis and Dale Elphinstone. Vincent De Santis and Dale Elphinstone are also directors of Elphinstone Pty Ltd.

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

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

Related Party Transaction	As at 31 Dec 2012 $'000	As at 30 June 2012 $'000
Tax consolidation legislation:		
Current tax payable assumed from wholly-owned tax consolidated entities	-	1,234

(c) Loans to / from related parties

Related Party Transaction	As at 31 Dec 2012 $'000	As at 30 June 2012 $'000
Loans to/from other related parties:		
Loans from Elph Pty Ltd	(26,500)	(22,000)

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

Note 12 – Recognition of deferred tax assets

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

Based on profit forecasts the directors do not expect to be in a position to utilise deferred tax assets within the Australian Tax Group in the near future.

As a result the net deferred tax assets relating to the Australian Tax Group in the Condensed Consolidated Statement of Financial Position have been fully derecognised. The impact on the Condensed Consolidated Statement of Comprehensive Income is $7,364,000.

The directors will assess whether to recognise a deferred tax asset in the future based upon the expected future profitability of the Australian Tax Group.

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

Vince De Santis
BCom/LLB (Hons)
Non-Executive Director

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

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

Chief Executive Officer

Dennis Quinn
BEAg (Hons), MA (Mktg)

Company Secretary & Corporate Counsel

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

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

Directors' Declaration

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

1. The interim financial statements and notes, as set out on pages 6 to 21 are in accordance with the *Corporations Act 2001* including:
   a. Giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and
   b. Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

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

On behalf of the Directors,

Donald Hector

Donald Hector

Non-Executive Director (Chairman of the Audit Committee)

21 February 2013

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

Report on the financial report

We have reviewed the accompanying interim financial report of Engenco Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Engenco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Basis for Qualified Conclusion

We were appointed as auditors of the company on 14 November 2012 and consequently did not observe the counting of the physical inventories at the beginning of the period. We were not given access to the predecessor auditor's working papers. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 30 June 2012. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the period reported in the condensed consolidated statement of comprehensive income and the net cash flows from operating activities reported in the condensed consolidated statement of cash flows.

Qualified Conclusion

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

a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Without further modification to the conclusion set out above, we draw attention to note 1 in the financial report regarding the going concern basis of preparation of the financial report and the expiry of the Group's major facilities. 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.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
21 February 2013