Appendix 4D

ASX PRELIMINARY HALF-YEAR REPORT

Engenco Limited

ASX Listing Code : EGN

ABN : 99 120 432 144

31 December 2013

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

This information should be read in conjunction with the 30 June 2013 Annual Report.

Appendix 4D

ENGENCO LIMITED AND ITS CONTROLLED ENTITIES

HALF-YEAR ENDED 31 DECEMBER 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue / Profit	Movement	Change (%)	31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue from ordinary activities	↓	(26.5%)	68,260	92,925
Reported net profit / (loss) after tax for the period	↑	87.6%	(7,361)	(59,490)
Net profit / (loss) after tax for the period attributable to members	↑	87.9%	(7,186)	(59,580)
Underlying trading profit / (loss) after tax	↑	20.4%	(4,810)	(6,044)

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

Dividends	Amount Per Security Cents	Franked Amount per Security Cents
Dividends paid in respect of prior period:		
Interim dividend	0.0	0.0
Dividends declared in respect of current period:		
Interim dividend *	0.0	0.0

* *No interim dividend was declared*

Net Tangible Assets		31 Dec 2013	31 Dec 2012
Net tangible assets per ordinary share:	(Dec 2013: 310,891,432 shares) (Dec 2012: 124,224,766 shares)	$0.27	$0.67 **

** Restated for exclusions of non-controlling interest from the net asset base and reclassification of software assets from property, plant and equipment to intangible assets.

ENGENCO LIMITED AND ITS CONTROLLED ENTITIES
INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 December 2013

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 2013 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 2013 and the auditor's 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 (Managing Director)*	Full period

* Ross Dunning was a Non-Executive Director at the start of the reporting period, and was appointed as Managing Director on 15 July 2013.

Review of Operations

The Consolidated Group recorded a net loss after tax (attributable to members) for the 6 months ended 31 December 2013 of $7.2M compared to a loss of $59.6M in the corresponding period last financial year. The underlying trading result was a loss of $4.8M compared to a loss of $6.0M for the same period last year. Although an improvement, the current period result was heavily impacted by a decline in sales revenue, mainly as a consequence of the continued downturn in activity in key Australian market sectors including mining, construction and resources generally. Customers continued to reduce expenditure on maintenance, repair and overhaul as well as on new equipment purchasing commitments whilst the locomotive rental market remained depressed.

Most exposed to these factors were the Drivetrain Australia, Greentrains and Convair businesses experiencing significant decreases in sales compared to the same period last year. Training and compliance business CERT, although a relatively small revenue contributor, delivered good revenue growth whilst the Sweden based Drivetrain branch recorded reasonably stable revenue in Europe including some encouraging turbocharger sales.

Cost saving measures introduced over the last few periods have been effective and have helped mitigate the impact of the lower revenues in the first half. This resulted in consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) excluding significant items of $2.0M (H1 2013: $2.5M).

Further cost saving initiatives, particularly those relating to site consolidations, are still underway and the benefits of these are expected to flow in the medium term.

The outstanding EBITDA turnaround of Gemco Rail (Gemco), albeit from a lower revenue base, is an encouraging positive indicator of the Board's strategy to improve the Group's results by driving operational efficiencies and right-sizing the business. Consolidated earnings of the Group before interest and tax (EBIT) excluding significant items showed some improvement, despite the lower revenue.

	H1 2014 $000	H1 2013 $000
Revenue	**68,260**	92,925
EBITDA excluding significant items [2]	**1,975**	2,504
EBIT excluding significant items [1]	**(3,273)**	(3,593)
Reported net profit / (loss) after tax for the period	**(7,361)**	(59,490)
Underlying trading loss [3]	**(4,810)**	(6,044)

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

[2] EBITDA is EBIT before depreciation and amortisation.

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

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

A limited number of significant items, mainly relating to restructuring, impacted the current period result as can be seen in the table below:

	H1 2014 $000	H1 2013 $000
Net profit / (loss) after tax for the period	(7,361)	(59,490)
Significant Items:		
Impairment of goodwill and other intangible assets	-	42,615
Impairment of inventory	552	-
Impairment of accounts receivable	465	-
Legal settlements and associated costs	-	2,000
Onerous contract provision	276	-
Staff termination costs	1,258	1,467
Derecognition of deferred tax assets	-	7,364
Underlying trading loss [3]	(4,810)	(6,044)

Revenue and EBITDA of the consolidated Drivetrain Power and Propulsion (Drivetrain) business were down significantly compared to last year's equivalent period. The continued downturn in mining related activity again impacted both component sales and MRO (maintenance, repair and overhaul) revenue in Australia. Sales to defence customers have slowed significantly whilst Gastrain projects have not yet reached anticipated levels of revenue generation, although this is expected to improve towards the end of FY14. The Swedish business performed well and helped mitigate some of the effects of the poor performance in the Australasian business. It is expected that activity and profitability in Australia will begin to improve in the second half and early signs are encouraging as workshops are beginning to reach capacity again. Cost saving and management rationalisation measures continue to be implemented.

Revenue in Gemco decreased compared to the first half of FY13 largely due to lower fabrication and bearing shop activity, whilst wheel shop revenue has improved. Gemco profitability has improved following a series of productivity improvement initiatives and better job management, work planning and project execution. Second half revenue is likely to be marginally better than the first half and profitability is expected to further improve as cost reduction actions and productivity improvements manifest themselves. There are a number of near to medium term opportunities that are being worked on to improve revenue with some positive signs of better penetration into the rail maintenance market now emerging.

Total Momentum's revenue was impacted by a stagnant infrastructure maintenance market in its key New South Wales market. Railway operators continue to cut their maintenance expenditure and consequently the market has become very competitive which has contributed to lower profitability. Labour hire activities, particularly in Western Australia, are buoyant and near term opportunities provide a very positive outlook for this segment.

CERT has performed particularly well, as it has levered the investments made in previous periods to generate good returns. The expansion of its training network to include Victoria and Queensland has placed CERT well for further growth and profitability. The previously underperforming Western Australian branch is expected to improve in the second half as delivery of training services to new iron ore projects ramps up.

Greentrains' leasing revenue has remained stagnant as the rollingstock rental market remains flat. However, the business has focused on the refurbished locomotive market with some success and this has resulted in a new rental revenue stream which is expected to commence in the second half. Fleet utilisation is also expected to improve with a number of new leasing opportunities in the offing.

Convair Engineering's (Convair) first half earnings were also lower as a result of a tightening in the market due to customers restricting capital expenditure commitments and cutting back on capital equipment maintenance. Convair continues to differentiate itself by offering innovative solutions whilst remaining cost competitive at the quality end of the market. Management expects the market to remain tight, but that profitability will improve in the second half as higher margin orders are fulfilled.

The consolidated Group's cash-generating performance improved compared to the first half of FY13 and this helped preserve the positive cash balance at reporting date, whilst financial liabilities continue to be paid down.

In summary, the underperforming units of the Group are now well-positioned to take advantage of higher volumes and are expected to deliver much improved profitability as revenue levels increase. Directors remain confident of a return to profitability in the near term.

Events Subsequent to Reporting Date

On 25 February 2014, Elph Pty Ltd formally waived the requirement to meet the December 2013 quarterly principal repayment and the covenant breaches during the period relating to the Elph Pty Ltd loan to Greentrains Limited.

Other than the above, there has not arisen, in the interval between 31 December 2013 and the date of this report, any item, transaction or event which would have a material effect on the condensed consolidated interim financial statements of the Group at 31 December 2013.

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 2013.

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

On behalf of the Directors

Dale Elphinstone

Non-Executive Director (Chairman)

26 February 2014

Independent Auditor's Declaration

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

To: the directors of Engenco Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013, there have been:

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

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

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
26 February 2014

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2013

	Note	31 Dec 13 $'000	31 Dec 12 * $'000
Revenue		68,260	92,925
Other income		1,400	797
Changes in inventories of finished goods and work in progress		(467)	(2,705)
Raw materials and consumables used		(27,568)	(44,898)
Employee benefits expense		(30,119)	(29,891)
Depreciation and amortisation expense		(5,248)	(6,097)
Impairment of goodwill and other intangibles		-	(42,615)
Finance costs		(1,061)	(2,630)
Subcontract freight		(904)	(1,107)
Repairs and maintenance		(644)	(901)
Insurances		(916)	(958)
Rent and outgoings		(4,089)	(4,476)
Vehicle expenses		(352)	(349)
Fuel		(137)	(170)
Foreign exchange movements		168	(227)
Other expenses		(5,092)	(9,003)
Share of profit / (loss) of equity accounted investee, net of tax	11	(116)	-
Profit / (loss) before income tax		**(6,885)**	**(52,305)**
Income tax expense	8	(476)	(7,185)
Profit / (loss) for the period		**(7,361)**	**(59,490)**
Profit / (loss) attributable to:			
Members of the parent entity		(7,186)	(59,580)
Non-controlling interest		(175)	90
		(7,361)	**(59,490)**
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences of overseas subsidiaries		1,100	499
Other comprehensive income / (loss) for the period, net of tax		**1,100**	**499**
Total comprehensive income / (loss) for the period		**(6,261)**	**(58,991)**
Total comprehensive income / (loss) attributable to:			
Members of the parent entity		(6,086)	(59,081)
Non-controlling interest		(175)	90
		(6,261)	**(58,991)**
EARNINGS PER SHARE		Cents	Cents **
FROM CONTINUING OPERATIONS			
Basic earnings per share (cents per share)	2	(2.31)	(43.16)
Diluted earnings per share (cents per share)	2	(2.31)	(43.16)

* Comparatives in the prior period have been reclassified to conform with current period presentation. Full details are disclosed in Note 1.

** Restated for renounceable entitlement offer in the previous financial year.

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 2013

	Note	31 Dec 13 $'000	30 Jun 13 $'000
Assets			
Current Assets			
Cash and cash equivalents		4,969	5,028
Trade and other receivables		23,986	30,174
Inventories		38,712	39,179
Current tax receivables		292	336
Other current assets		1,688	1,358
Total Current Assets		**69,647**	**76,075**
Non-Current Assets			
Trade and other receivables		-	2
Financial assets		467	20
Property, plant and equipment		58,887	61,404
Deferred tax assets		289	192
Intangible assets		2,783	3,536
Total Non-Current Assets		**62,426**	**65,154**
Total Assets		**132,073**	**141,229**
Current Liabilities			
Trade and other payables		15,201	15,864
Financial liabilities	5	21,812	23,468
Current tax liabilities		309	-
Short-term provisions		7,455	8,591
Total Current Liabilities		**44,777**	**47,923**
Non-Current Liabilities			
Financial liabilities	5	396	427
Long-term provisions		2,187	2,106
Deferred tax liabilities		1,945	1,744
Total Non-Current Liabilities		**4,528**	**4,277**
Total Liabilities		**49,305**	**52,200**
Net Assets		**82,768**	**89,029**
Equity			
Issued capital	3	302,260	302,260
Reserves		1,691	591
Non-controlling interest		(953)	(778)
Retained earnings / (accumulated losses)		(220,230)	(213,044)
Total Equity		**82,768**	**89,029**

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 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 2012 *	**275,342**	**(125,505)**	**3,006**	**(1,242)**	**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**	**(185,085)**	**3,096**	**(743)**	**192**	**92,802**
Share options expired during the period	-	-	-	-	-	-
Balance at 31 December 2012	**275,342**	**(185,085)**	**3,096**	**(743)**	**192**	**92,802**

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 2013	**302,260**	**(213,044)**	**(778)**	**591**	**-**	**89,029**
Profit / (Loss) for the period	-	(7,186)	(175)	-	-	(7,361)
Other comprehensive income for the period, net of tax	-	-	-	1,100	-	1,100
SUB-TOTAL	**302,260**	**(220,230)**	**(953)**	**1,691**	**-**	**82,768**
Share options expired during the period	-	-	-	-	-	-
Balance at 31 December 2013	**302,260**	**(220,230)**	**(953)**	**1,691**	**-**	**82,768**

* Comparatives in the prior period have been reclassified to conform with current period presentation. Full details are disclosed in Note 1.

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 2013

	31 Dec 13 $'000	31 Dec 12 $'000
Cash Flows from Operating Activities		
Receipts from customers	81,455	104,735
Payments to suppliers and employees	(77,325)	(100,131)
Interest received	58	16
Finance costs	(1,061)	(2,630)
Income tax received / (paid)	(230)	(1,289)
Net cash provided by / (used in) operating activities	**2,897**	**701**
Cash Flows from Investing Activities		
Proceeds from sale of non-current assets	303	123
Purchase of non-current assets	(1,030)	(2,084)
Investment in equity accounted investee	(542)	-
Net cash provided by / (used in) investing activities	**(1,269)**	**(1,961)**
Cash Flows from Financing Activities		
Proceeds from borrowings	-	4,216
Repayment of borrowings	(1,478)	(3,719)
Net cash provided by / (used in) financing activities	**(1,478)**	**497**
Net increase / (decrease) in cash and cash equivalents	150	(763)
Cash (net of bank overdrafts) at beginning of period	4,191	(2,181)
Cash (net of bank overdrafts) at end of period	**4,341**	**(2,944)**

Reconciliation of Cash and Cash Equivalents

	31 Dec 13 $'000	31 Dec 12 * $'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	4,969	4,009
Bank overdrafts (disclosed in current 'Financial Liabilities')	(628)	(6,953)
	4,341	**(2,944)**

* Comparatives in the prior period have been reclassified to conform with current period presentation. Full details are disclosed in Note 1.

As at reporting date, where the Group has the legally enforceable right of set-off and intention to settle on a net basis, the Group has set-off bank overdrafts of $15,580,000 (2012: $15,681,000) against cash and cash equivalents of $17,289,000 (2012: $12,423,000) resulting in a net cash position of $1,709,000 (2012: net bank overdraft position of $3,258,000).

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

Condensed Notes to the Financial Statements

for the half year ended 31 December 2013

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 2013 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 2013 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 2013 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 26 February 2014.

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 and Disclosures* and *Prior Period Reclassifications* paragraphs below.

Going Concern

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

At the time of issuing this report, the Group has available debt facilities with the Commonwealth Bank of Australia (CBA) which are due to expire on 31 October 2014, and then subject to annual review. As at 31 December 2013, Engenco Limited (excluding Greentrains) was within its loan covenants with CBA.

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 currently non-recourse to the Group's other assets. The Elph debt facility has requirements for quarterly fixed principal repayment and the facility is due to expire on 30 September 2014. As at 31 December 2013, Greentrains Limited did not make the December 2013 quarterly principal repayment due to cash investments that were made in the existing fleet during the period. The Elph debt facility is also subject to termination events linked to covenants. During the period, Greentrains Limited was in breach of covenants under the Elph debt facility. On 25 February 2014, Elph formally waived the requirement to meet the December 2013 quarterly principal repayment and the covenant breaches during the period.

Based on current management forecasts for Greentrains Limited, further variations to the future quarterly principal repayment terms and covenant breach waivers may be required to be sought from Elph.

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

Going Concern (cont'd)

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

- Renegotiate and extend the Group's major facilities;
- Renegotiate variations of principal repayment terms and/or obtain waivers for covenant breaches under the Elph debt facility; and
- Achieve forecast cash flows from operations.

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, the directors have determined that it is appropriate for the Group to continue to adopt the going concern basis in preparing this financial report and no adjustments have been made to the carrying value and classification of assets and the amount and classification of liabilities that may be required if the Group does not continue as a going concern.

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 2013.

Changes in Accounting Policy and Disclosures

The Group has adopted all of 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:

- AASB 10 *Consolidated Financial Statements*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 11 *Joint Arrangements*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 12 *Disclosures of Interests in Other Entities*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 127 *Separate Financial Statements (2011)*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 128 *Investments in Associates and Joint Ventures (2011)*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 13 *Fair Value Measurement* and related AASB 2011-8 *Amendments to Australian Accounting Standards arising from* AASB 13
- AASB 119 *Employee Benefits (2011)*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from* AASB 119 (2011)
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*
- AASB 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

The adoption of these standards did not have any financial impact on the current reporting period or the prior comparative reporting period.

Prior Period Reclassifications

The prior period comparative figures have been reclassified as follows:

Condensed Consolidated Statement of Comprehensive Income

'Changes in inventories of finished goods and work in progress' and 'Raw materials and consumables used' were previously reported as 'Cost of goods sold'. These have been reported separately in the current financial period with the prior period comparatives being reclassified.

'Employee benefits expense' has been reclassified to account for direct labour being reclassified from 'Cost of goods sold'.

	H1 FY13 Interim Report $000	H1 FY13 Reclassified $000	Change $000
Raw materials and consumables used	-	(44,898)	44,898
Changes in inventories of finished goods and work in progress	-	(2,705)	2,705
Employee benefits expense	(29,717)	(29,891)	174
Cost of goods sold	(47,777)	-	(47,777)

Condensed Consolidated Statement of Changes in Equity

'Profit reserve for foreign deferred tax' has been reclassified as 'Retained earnings / (accumulated losses)'.

	H1 FY13 Interim Report $000	H1 FY13 Reclassified $000	Change $000
Retained earnings / (accumulated losses)	(130,311)	(125,505)	4,806
Foreign deferred tax reserve	4,806	-	(4,806)

Condensed Consolidated Statement of Cash Flows (Reconciliation of Cash and Cash Equivalents)

'Cash and cash equivalents' has been reclassified to account for the net cash balance where the Group has a legal right of set-off and the intention to settle on a net basis (offsetting adjustment within current 'Financial liabilities').

	H1 FY13 Interim Report $000	H1 FY13 Reclassified $000	Change $000
Cash and cash equivalents	16,432	4,009	(12,423)
Bank overdrafts (disclosed in current 'Financial liabilities')	(19,376)	(6,953)	12,423

Note 2 – Earnings per share (EPS)

		Consolidated Group 31 Dec 13 $'000	Consolidated Group 31 Dec 12 $'000
(a)	**RECONCILIATION OF EARNINGS TO PROFIT / (LOSS)**		
	Profit / (loss) for the period	(7,361)	(59,490)
	Attributable to non-controlling equity interest	175	(90)
	Earnings used to calculate basic EPS	(7,186)	(59,580)
	Earnings used in the calculation of dilutive EPS	(7,186)	(59,580)
(b)	**RECONCILIATION OF EARNINGS TO PROFIT / (LOSS) FROM CONTINUING OPERATIONS**		
	Profit / (loss) from continuing operations	(7,361)	(59,490)
	Attributable to non-controlling equity interest in respect of continuing operations	175	(90)
	Earnings used to calculate basic EPS from continuing operations	(7,186)	(59,580)
	Earnings used in the calculation of dilutive EPS from continuing operations	(7,186)	(59,580)
		No. '000	**No. '000 ***
(c)	**WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE HALF YEAR USED IN CALCULATING BASIC EPS**	310,891	138,038
	Weighted average number of options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	310,891	138,038

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

Note 3 – Issued capital

	31 Dec 13 $'000	30 Jun 13 $'000
310,891,432 (30 June 2013: 310,891,432) fully paid ordinary shares	302,260	302,260
	302,260	302,260

Ordinary Shares

For the half year ended 31 December 2013	31 Dec 13 No.	31 Dec 12 No.
At beginning of reporting period	310,891,432	124,224,766
At reporting date	310,891,432	124,224,766

Note 4 – Operating segments

Segment Information

Identification of Reportable Segments

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

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

Types of Products and Services by Segment

The chief operating decision maker (CODM) 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 throughout Australia.

(c) Convair Engineering (Convair)

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

(d) Total Momentum

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

(e) Gemco Rail

Gemco Rail specialises in the remanufacture and repair of locomotives, wagons, bearings and other rail products for rail operators and maintainers. Gemco 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 rolling stock to freight rail operators throughout Australia.

(g) All Other

This includes the parent entity and consolidation / elimination adjustments.

Note 4 - Operating segments (cont'd)

Segment Information (cont'd)

Basis of Accounting for Purposes of Reporting by Operating Segments

(a) Accounting policies adopted

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

(b) Inter-segment transactions

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

(c) Segment assets

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

(d) Segment liabilities

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

(e) Unallocated items

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

- Deferred tax assets and liabilities

The presentation of the operating segments for the current and prior periods has been modified to be consistent with internal management reporting changes. All discontinued segments are now reported within 'All Other'.

Note 4 - Operating segments (cont'd)

(i) Segment Performance

6 months ended 31 December 2013

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

Note 4 - Operating segments (cont'd)

6 months ended 31 December 2012

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	Greentrains $000	All Other $000	Consol. Group $000
REVENUE								
External sales	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	1,629	425	1,559	1,416	(1,966)	3,452	(4,011)	2,504
Reconciliation of segment EBITDA excluding significant items to Group net profit / (loss) before tax:								
Depreciation and amortisation	(867)	(25)	(73)	(224)	(1,316)	(1,829)	(1,763)	(6,097)
Finance costs	(269)	(6)	(11)	(14)	(37)	(950)	(1,343)	(2,630)
Significant Items:								
Impairment of intangibles	(21,509)	-	-	(3,181)	(7,559)	-	(10,366)	(42,615)
Staff termination costs	(942)	-	-	(28)	(477)	-	(20)	(1,467)
Legal settlements and costs	-	-	-	-	-	-	(2,000)	(2,000)
NET PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(21,958)	394	1,475	(2,031)	(11,355)	673	(19,503)	(52,305)

Note 4 - Operating segments (cont'd)

(ii) Segment Assets

as at 31 December 2013

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	Greentrains $000	All Other $000	Consol. Group $000
ASSETS								
Segment assets (excluding capital expenditure, investments and intangibles)	54,679	4,601	11,816	8,446	30,963	32,406	(10,071)	132,840
Capital expenditure	125	2	207	3	602	-	47	986
Investments	7	-	-	-	-	-	460	467
Intangibles	-	-	-	-	-	-	2,783	2,783
Reconciliation of segment assets to Group assets:								
Segment eliminations							(5,292)	(5,292)
Unallocated items:								
Deferred tax assets							289	289
TOTAL ASSETS	54,811	4,603	12,023	8,449	31,565	32,406	(11,784)	132,073

as at 30 June 2013

Primary Reporting: Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	Greentrains $000	All Other $000	Consol. Group $000
ASSETS								
Segment assets (excluding capital expenditure, investments and intangibles)	54,708	3,930	10,771	7,329	30,875	33,822	(4,983)	136,452
Capital expenditure	1,002	83	418	615	2,426	-	747	5,291
Investments	7	-	-	-	-	-	13	20
Intangibles	-	-	-	-	-	-	3,536	3,536
Reconciliation of segment assets to Group assets:								
Segment eliminations							(4,262)	(4,262)
Unallocated items:								
Deferred tax assets							192	192
TOTAL ASSETS	55,717	4,013	11,189	7,944	33,301	33,822	(4,757)	141,229

Note 4 - Operating segments (cont'd)

(iii) Segment Liabilities

as at 31 December 2013

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	Greentrains $000	All Other $000	Consol. Group $000
LIABILITIES								
Segment liabilities	75,778	1,224	3,416	6,520	90,821	27,226	(152,333)	52,652
Reconciliation of segment liabilities to Group liabilities:								
Segment eliminations							(5,292)	(5,292)
Unallocated items:								
Deferred tax liabilities							1,945	1,945
TOTAL LIABILITIES	75,778	1,224	3,416	6,520	90,821	27,226	(155,680)	49,305

as at 30 June 2013

Primary Reporting – Business Segments	Drivetrain Power & Propulsion $000	CERT $000	Convair $000	Total Momentum $000	Gemco Rail $000	Greentrains $000	All Other $000	Consol. Group $000
LIABILITIES								
Segment liabilities	75,439	1,266	3,138	6,588	91,785	27,719	(151,217)	54,718
Reconciliation of segment liabilities to Group liabilities:								
Segment eliminations							(4,262)	(4,262)
Unallocated items:								
Deferred tax liabilities							1,744	1,744
TOTAL LIABILITIES	75,439	1,266	3,138	6,588	91,785	27,719	(153,735)	52,200

Note 5 – Financial liabilities

	$'000
Balance as at 1 July 2013	23,895
Drawdowns:	
Related party loan (Elph Pty Ltd)	-
Repayments:	
Related party loan (Elph Pty Ltd)	(1,000)
Insurance premium funding	(178)
Other movements:	
Other financial liabilities	(509)
Balance as at 31 December 2013	22,208

Note 6 – Restructuring costs

During the period to 31 December 2013 restructuring costs relating to redundancies of $1,258,000 (2012: $1,467,000) were incurred.

Note 7 – Contingent liabilities

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

The Group has arranged for its bankers to guarantee its performance to third parties. The maximum amount of these guarantees at 31 December 2013 is $4,048,000 (June 2013: $3,376,100).

Other than the above, there has been no material change in contingent liabilities since the 2013 Annual Report.

Note 8 – Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate for the six months ended 31 December 2013 was (6.9%) (for the 6 months ended 31 December 2012: (13.7%)). 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 during the 6 months ended 31 December 2012.

Note 9 – Events subsequent to reporting date

On 25 February 2014, Elph Pty Ltd formally waived the requirement to meet the December 2013 quarterly principal repayment and the covenant breaches during the period relating to the Elph Pty Ltd loan to Greentrains Limited.

Other than the above, there has not arisen, in the interval between 31 December 2013 and the date of this report, any item, transaction or event which would have a material effect on the condensed consolidated interim financial statements of the Group at 31 December 2013.

Note 10 – Related party transactions

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

(a) Transactions

Director fees of $129,700 (2012: $127,200) and travel reimbursements of $39,878 (2012: $39,485) were paid to Elphinstone Pty Ltd for the services of Vincent De Santis (Non-Executive Director) and Dale Elphinstone (Chairman). Dale Elphinstone is also Chairman of this entity.

Director fees of $50,255 (2012: $50,140) and travel reimbursements of $9,218 (2012: $9,164) were paid to Grassick Pty Ltd for the services of Don Hector (Non-Executive Director).

Fees of $201,565 (2012: $NIL) were paid to Elphinstone Pty Ltd for the services of consultants to Gemco Rail Pty Ltd.

Goods were purchased from William Adams Pty Ltd of $42,449 (2012: $305,740) during the period. Dale Elphinstone is the Chairman and Vincent De Santis is a director of this entity.

Goods were purchased from United Equipment Pty Ltd of $19,470 (2012: $31,581) during the period. United Equipment is a related party of Engenco Limited.

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

Related Party Transaction	As at 31 Dec 13 $'000	As at 30 Jun 13 $'000
Current Payables:		
Payables to Elph Pty Ltd	-	(368)
Payables to Elphinstone Pty Ltd	(28)	(26)
Payables to William Adams Pty Ltd	(27)	(12)
Payables to United Equipment Pty Ltd	(4)	(1)

(c) Loans to / from related parties

Related Party Transaction	As at 31 Dec 13 $'000	As at 30 Jun 13 $'000
Loans to/from other related parties:		
Loans from Elph Pty Ltd	(21,000)	(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 30 September 2014.

During the period, Engenco Investments Pty Ltd (a subsidiary of Engenco Limited) entered into a joint venture arrangement, DataHawk Pty Ltd, with Ultimate Positioning Group Pty Ltd (UPG). UPG is a related party of Engenco Limited due to Elph Pty Ltd owning a minority shareholding in UPG. Details of the joint venture and associated transactions are provided in Note 11.

Note 11 – Equity accounted investees

On 31 October 2013 Engenco Investments Pty Ltd (a subsidiary of Engenco Limited) entered into a joint venture arrangement and invested in a newly incorporated entity, DataHawk Pty Ltd. The Group's contribution to the joint venture was $100 and resulted in the Group obtaining a 50% investment in DataHawk. There is no goodwill included in the $100 investment. A further $542,075 was contributed to DataHawk during the period in the form of a long-term loan, fully repayable no later than 30 June 2017.

The Group's share of profit / (loss) in its equity accounted investment for the period was ($116,000) (2012: NIL). During the period ended 31 December 2013 no dividends were received from the investment in DataHawk (2012: NIL). DataHawk Pty Ltd is not a publicly listed entity and consequently does not have a published price quotation.

Directors' Declaration

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

1. The condensed consolidated interim financial statements and notes, as set out on pages 6 to 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 2013 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,

Dale Elphinstone

Non-Executive Director (Chairman)

26 February 2014

Independent Auditor's Review Report

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

Report on the financial report

We have reviewed the accompanying interim financial report of Engenco Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Engenco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

KPMG

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the interim period ended on that date; and

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

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

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

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
26 February 2014

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Non-Executive Chairman

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

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

Ross Dunning AC
BE(Hons), BCom, FCILT, FAIM, FIEAust, FIRSE, MAICD
Managing Director

Company Secretary

Anna Bagley
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