Engenco

ASX APPENDIX 4D AND INTERIM FINANCIAL STATEMENTS

ENGENCO LIMITED

ASX Listing Code: EGN
ABN: 99 120 432 144

31 December 2016

Lodged with the ASX under Listing Rule 4.2A.3.
This information should be read in conjunction with the 30 June 2016 Annual Report.

APPENDIX 4D

ENGENCO LIMITED AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2016
RESULTS FOR ANNOUNCEMENT TO THE MARKET

REVENUE / PROFIT	UP / DOWN	CHANGE (%)	**31 DEC 2016 $000**	31 DEC 2015 $000
Revenue from continuing operations	↓	(4.4%)	**62,426**	65,295
Revenue from discontinued operations	↓	(95.5%)	**77**	1,723
TOTAL REVENUE FOR THE PERIOD	↓	(6.7%)	**62,503**	67,018
Net profit / (loss) after tax for the period from continuing operations	↑	27.4%	**3,425**	2,688
Net profit / (loss) after tax for the period from discontinued operations	↑	34.7%	**(538)**	(824)
TOTAL NET PROFIT / (LOSS) AFTER TAX FOR THE PERIOD ATTRIBUTABLE TO MEMBERS	↑	54.9%	**2,887**	1,864

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 2016**	31 DEC 2015
Net tangible assets per ordinary share	**$0.15**	$0.13

EQUITY-ACCOUNTED INVESTEE	**31 DEC 2016**	31 DEC 2015
Percentage of equity owned:		
DataHawk Pty Ltd	**50%**	50%

ENGENCO LIMITED AND ITS CONTROLLED ENTITIES
INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

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 2016 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 the Group, being Engenco Limited ("the Company") and its controlled entities, present their report, together with the condensed consolidated interim financial statements for the six months ended 31 December 2016 and the auditor's review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Vincent De Santis (Non-Executive Director / Chairman)	Full period
Dale Elphinstone (Non-Executive Director)	Full period
Ross Dunning (Non-Executive Director)	Full period
Alison von Bibra (Non-Executive Director)	Appointed 17 January 2017
Kevin Pallas (Managing Director and CEO)	Full period
Donald Hector (Non-Executive Director)	Retired 23 November 2016

REVIEW OF OPERATIONS

The Group recorded a total net profit after tax for the six months ended 31 December 2016 of $2,887,000 compared to $1,864,000 in the corresponding period last financial year. Revenue from continuing operations has declined by 4.4% against the comparative six-month period, mainly due to an absence of capital equipment sales into the gas compression sector. However, most business units experienced good base demand for products and services, especially in the rail segment.

The Group recorded improved earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations in the period of $5,556,000 (H1 FY16: $4,164,000). Expenses were down overall as a result of the ongoing focus on cost-saving and efficiency programmes and earlier restructuring programmes beginning to take effect.

Group earnings before interest and tax (EBIT) from continuing operations has continued on a positive trajectory, improving to $3,790,000 compared to $2,130,000 in the previous half year.

The following table provides key performance measures:

	H1 2017 $000	H1 2016* $000
Revenue from continuing operations	**62,426**	65,295
EBITDA from continuing operations [2]	**5,556**	4,614
EBIT from continuing operations [1]	**3,790**	2,130
Profit / (loss) after tax from continuing operations	**3,425**	2,688
Profit / (loss) from discontinued operations, net of tax	**(538)**	(824)
Net operating cash flow	**5,801**	6,286
Net assets	**51,516**	49,094
Net cash / (debt) [3]	**4,255**	(5,368)

*Net assets and Net cash / (debt) comparatives are as at 30 June 2016.

[1] EBIT is earnings before finance costs and income tax expense.
[2] EBITDA is EBIT before depreciation and amortisation.
[3] Net cash / (debt) is cash and cash equivalents less financial liabilities.

Note – EBIT, EBITDA and Net cash / (debt) are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to assist understanding of the underlying performance of the Group.

The significantly improved EBITDA performance of continuing operations and the completion of the Greentrains asset sale in the six-month period, together with good working capital control and judicious capital expenditure management, has put the Group into a net cash position of $4,255,000 at the end of December 2016 compared to a net debt position of $5,368,000 at the end of June 2016. The Group's cash reserves and financing arrangements, including the Elph Pty Ltd funding facility of $15,000,000, provide substantial headroom for growth and investment going forward.

Turning to segment performance, Drivetrain Power and Propulsion total revenue was negatively impacted by a depressed gas segment with very few capital sales opportunities, and lower sales generated in the Hedemora business in Sweden. However, the Drivetrain Mobile Powertrain business stream experienced good demand with increased spares sales and repairs activity coming from the previously flat mining sector, and good volumes in the defence sector.

The Centre for Excellence in Rail Training (CERT Training) experienced lower margins in the first half and still provided a significant contribution to the Group's overall performance. CERT's reputation in the Australian vocational training sector as a flexible, high quality service provider sets it apart from a sometimes crowded sector. Additional investments made in compliance and courseware development, expanding the national footprint, and increasing the scope of services has provided a foundation for further growth and improved performance.

The market for dry bulk road tankers remained tight, however Convair Engineering maintained a reasonable market share in a highly competitive environment driven by low-priced imported tankers, mainly from China. Demand for tankers remained patchy as customers still lack confidence and remain very hesitant in their capital purchase decisions. Tanker ancillaries and spares sales were inconsistent in what is a highly cost-conscious sector. Convair's fleet servicing and maintenance & repairs business is showing signs of improvement.

Total Momentum's improved profit performance in the half was driven mainly by reduced operational costs, as revenue declined especially in Western Australia. The majority of revenue was generated through the provision of rail operations workforce services to national freight rail operators, and there was some slow improvement in the below-rail infrastructure sector.

Gemco Rail's significantly better performance in the half was driven by a variety of positive factors. Substantial operating leverage was gained though solid revenue growth and capitalising on efficiency and process improvements made in current and prior periods, including facilities upgrades and investment in equipment. In Forrestfield, Western Australia, the wheel shop and bearing refurbishment shop performed very well as the flexible service offering continues to provide value to, and attract major customers. Locomotive maintenance activity provided good revenue and profitability, particularly in the Dynon workshop in Victoria. Additionally, the PQGY wagon fleet was well utilised in the half, further boosting Gemco's revenue and profitability.

The Group's strategy of focusing on core business, right-sizing operations, implementation and enhancement of cost saving initiatives, and investment in efficiency measures remains key. The Group's performance in the half represents a further significant advance in profitability compared to previous periods. It is expected that the Group will remain on this profitable pathway subject to no material deterioration in the general trading environment.

EVENTS SUBSEQUENT TO REPORTING DATE

On 17 January 2017, the Company announced that Alison von Bibra was appointed to the position of Non-Executive Director effective the same date.

Other than the above, there has not arisen, in the interval between 31 December 2016 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 2016.

ROUNDING OFF

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 4, and forms part of the Directors' Report for the six months ended 31 December 2016.

Signed in accordance with a resolution of the Directors.

Vincent De Santis

Chairman
Dated at Melbourne this 22nd day of February 2017

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

To the Directors of Engenco Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 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
22 February 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	**CONSOLIDATED GROUP 31 DEC 16 $000**	CONSOLIDATED GROUP 31 DEC 15* $000
Revenue		**62,426**	65,295
Other income		**455**	364
Changes in inventories of finished goods and work in progress		**(1,960)**	2,877
Raw materials and consumables used		**(25,545)**	(31,610)
Employee benefits expense		**(21,131)**	(22,818)
Depreciation and amortisation expense		**(1,766)**	(2,034)
Finance costs		**(381)**	(222)
Subcontract freight		**(681)**	(689)
Repairs and maintenance		**(715)**	(562)
Insurances		**(607)**	(778)
Rent and outgoings		**(3,172)**	(3,495)
Foreign exchange movements		**49**	18
Other expenses		**(3,515)**	(4,364)
Share of loss of equity-accounted investee, net of tax	2	**(48)**	(74)
PROFIT / (LOSS) BEFORE INCOME TAX		**3,409**	1,908
Income tax benefit / (expense)	3	**16**	780
PROFIT / (LOSS) FROM CONTINUING OPERATIONS		**3,425**	2,688
DISCONTINUED OPERATIONS			
Profit / (loss) from discontinued operations, net of tax	4	**(538)**	(824)
TOTAL PROFIT / (LOSS) FOR THE PERIOD		**2,887**	1,864
Profit / (loss) attributable to:			
Owners of the Company		**2,989**	2,021
Non-controlling interest		**(102)**	(157)
TOTAL PROFIT / (LOSS) FOR THE PERIOD		**2,887**	1,864

*2016 comparatives have been restated for the current period classifications of continuing and discontinued operations.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	**CONSOLIDATED GROUP 31 DEC 16 $000**	CONSOLIDATED GROUP 31 DEC 15* $000
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas subsidiaries		**(465)**	517
Other comprehensive income for the period, net of tax		**(465)**	517
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,422**	2,381
Total comprehensive income attributable to:			
Owners of the Company		**2,524**	2,538
Non-controlling interest		**(102)**	(157)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,422**	2,381
EARNINGS PER SHARE		**Cents**	Cents
Basic earnings per share (cents per share)	6	**0.96**	0.65
Diluted earnings per share (cents per share)	6	**0.96**	0.65
From continuing operations:			
Basic earnings per share (cents per share)	6	**1.10**	0.86
Diluted earnings per share (cents per share)	6	**1.10**	0.86

*2016 comparatives have been restated for the current period classifications of continuing and discontinued operations.

The condensed notes on pages 10 to 25 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	**CONSOLIDATED GROUP 31 DEC 16 $000**	CONSOLIDATED GROUP 30 JUN 16 $000
CURRENT ASSETS			
Cash and cash equivalents		**12,110**	11,517
Trade and other receivables		**20,442**	18,865
Inventories		**24,235**	26,195
Current tax assets		**31**	-
Other current assets		**3,580**	3,134
Assets held for sale	7	**250**	6,300
TOTAL CURRENT ASSETS		**60,648**	66,011
NON-CURRENT ASSETS			
Financial assets		**7**	7
Equity-accounted investee		**99**	106
Property, plant and equipment		**18,233**	18,489
Deferred tax assets		**111**	125
Intangible assets		**528**	657
TOTAL NON-CURRENT ASSETS		**18,978**	19,384
TOTAL ASSETS		**79,626**	85,395
CURRENT LIABILITIES			
Trade and other payables		**11,452**	11,284
Financial liabilities		**7,855**	16,885
Current tax liabilities		**511**	537
Provisions		**7,244**	6,701
TOTAL CURRENT LIABILITIES		**27,062**	35,407
NON-CURRENT LIABILITIES			
Provisions		**652**	421
Deferred tax liabilities		**396**	473
TOTAL NON-CURRENT LIABILITIES		**1,048**	894
TOTAL LIABILITIES		**28,110**	36,301
NET ASSETS		**51,516**	49,094
Share capital	10	**302,260**	302,260
Reserves		**224**	689
Retained earnings / (accumulated losses)		**(245,077)**	(248,066)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS EQUITY OF THE COMPANY		**57,407**	54,883
Non-controlling interest		**(5,891)**	(5,789)
TOTAL EQUITY		**51,516**	49,094

The condensed notes on pages 10 to 25 are an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

CONSOLIDATED GROUP	SHARE CAPITAL $000	RETAINED EARNINGS / (ACCUMULATED LOSSES) $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	SUB-TOTAL $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
BALANCE AT 1 JULY 2015	302,260	(251,894)	604	50,970	(6,101)	44,869
Profit / (loss)	-	2,021	-	2,021	(157)	1,864
Other comprehensive income	-	-	517	517	-	517
TOTAL COMPREHENSIVE INCOME	-	2,021	517	2,538	(157)	2,381
BALANCE AT 31 DECEMBER 2015	302,260	(249,873)	1,121	53,508	(6,258)	47,250

CONSOLIDATED GROUP	**SHARE CAPITAL $000**	**RETAINED EARNINGS / (ACCUMULATED LOSSES) $000**	**FOREIGN CURRENCY TRANSLATION RESERVE $000**	**SUB-TOTAL $000**	**NON-CONTROLLING INTEREST $000**	**TOTAL EQUITY $000**
BALANCE AT 1 JULY 2016	**302,260**	**(248,066)**	**689**	**54,883**	**(5,789)**	**49,094**
Profit / (loss)	**-**	**2,989**	**-**	**2,989**	**(102)**	**2,887**
Other comprehensive income	**-**	**-**	**(465)**	**(465)**	**-**	**(465)**
TOTAL COMPREHENSIVE INCOME	**-**	**2,989**	**(465)**	**2,524**	**(102)**	**2,422**
BALANCE AT 31 DECEMBER 2016	**302,260**	**(245,077)**	**224**	**57,407**	**(5,891)**	**51,516**

The condensed notes on pages 10 to 25 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	CONSOLIDATED GROUP 31 DEC 16 $000	CONSOLIDATED GROUP 31 DEC 15 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**69,282**	77,449
Payments to suppliers and employees	**(62,807)**	(69,852)
Finance costs	**(570)**	(856)
Income tax received / (paid)	**(104)**	(455)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**5,801**	6,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**31**	13
Proceeds from sale of non-current assets	**5,225**	52
Purchase of non-current assets	**(1,434)**	(746)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**3,822**	(681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**9,500**	-
Repayment of borrowings	**(18,674)**	(1,500)
Repayment of finance lease liabilities	**-**	(129)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**(9,174)**	(1,629)
Net increase / (decrease) in cash and cash equivalents	**449**	3,976
Cash (net of bank overdrafts) at beginning of period	**11,306**	4,159
CASH (NET OF BANK OVERDRAFTS) AT 31 DECEMBER	**11,755**	8,135

RECONCILIATION OF CASH AND CASH EQUIVALENTS

	31 DEC 16 $000	31 DEC 15 $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	**12,110**	8,780
Bank overdrafts (disclosed in current 'Financial Liabilities')	**(355)**	(645)
	11,755	8,135

As at the reporting date, where the Group has the legally enforceable right of set-off and intention to settle on a net basis within the CBA pooling facility, the Group has set-off bank overdrafts of $20,920,000 (31 Dec 2015: $18,349,000) against cash and cash equivalents of $25,877,000 (31 Dec 2015: $24,308,000) resulting in a net cash position of $4,957,000 (31 Dec 2015: $5,959,000).

The condensed notes on pages 10 to 25 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Engenco Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2016 comprise the Company and its subsidiaries ("the Group"). The Group is a for-profit entity and 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 2016 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

These 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*.

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

These interim financial statements were authorised for issue by the Company's Board of Directors on 22 February 2017.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards.

USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made 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.

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 2016.

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 intention or necessity to liquidate the Group or cease trading.

At the time of issuing this report, the Group has an available funding facility with a related party, Elph Pty Ltd ("Elph") which is due to expire on 30 April 2018. Elph and its related entity, Elph Investments Pty Ltd, together hold 65.05% of the issued shares in Engenco Limited. The Elph funding facility is subject to one financial covenant and secured by the assets of Engenco Limited and its wholly owned Australian subsidiaries. As at 31 December 2016, the Group was within the covenant under the Elph funding facility.

The Group also has a multi-option facility (bank overdraft facility and bank guarantees) with the Commonwealth Bank of Australia (CBA). This facility expires on 30 June 2018.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

GOING CONCERN (CONT'D)

The ability of the Group to remain within the limits and covenant terms of its funding arrangements will be determined by operational trading results and cash flows from operations. The Group generated a profit after tax from continuing operations of $3,425,000 for the 6 months ended 31 December 2016 and a net operating cash flow from continuing operations of $6,236,000. The directors have assessed the forecast trading results and cash flows for the Group. These forecasts are necessarily based on best estimate assumptions at the date of the interim financial statements, and are subject to influences and events outside the control of the Group, including the current operating environment which presents challenges in terms of volatile demand patterns and price pressures.

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

- operate within the limits and covenant terms under the current CBA and Elph financing facilities for at least the next 12 months from the date of the interim financial statements; and
- continue profitable and cash-generating performance.

After making enquiries, the directors are satisfied that the Group will have sufficient cash and undrawn facilities to continue to operate and pay its debts as and when they fall due for at least the 12-month period from the date of signing these interim financial statements. For these reasons, the directors have determined that it is appropriate for the Group to continue to adopt the going concern basis in preparing the interim financial statements 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.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New Accounting Standards Adopted

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

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

- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*
- *Equity Method in Separate Financial Statements (Amendments to IAS 27)*
- *Annual Improvements to Australian Accounting Standards 2012 – 2014 Cycle*
- *Investment Entities: Applying the Consolidation Exception (Amendments to AASB 10, AASB 12 and IAS 28)*
- *Disclosure Initiative (Amendments to IAS1)*

The adoption of these standards did not result in any changes to disclosures in these interim financial statements, and did not have any material financial impact on the current reporting period or the prior comparative reporting period.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

New Accounting Standards Not Yet Adopted

A number of new standards, amendments to standards and interpretations were available for early adoption but have not been applied by the Group in these interim financial statements.

New or Amended Standards	Summary of the Requirements	Possible Impact on Consolidated Financial Statements
AASB 9 *Financial Instruments*	AASB 9, published in July 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.
AASB 15 *Revenue from Contracts with Customers*	AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 *Revenue*, AASB 11 *Construction Contracts*, and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.
AASB 16 *Leases*	AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. It replaces existing lessee accounting guidance in AASB 117 *Leases*. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

A number of other new or amended standards were available for early adoption but have not been applied by the Group in these interim financial statements, and are not expected to have a significant impact on the Group's consolidated financial statements.

NOTE 2 – EQUITY-ACCOUNTED INVESTEE

DataHawk Pty Ltd (DataHawk) is the only joint arrangement in which the Group participates. DataHawk is not publicly listed. DataHawk is structured as a separate vehicle and the Group has a 50% interest in the net assets of DataHawk. Accordingly, the Group has classified its interest in DataHawk as a joint venture. The total value contributed to DataHawk, in the form of a long-term loan, is $792,075. The loan is fully repayable no later than 30 June 2017.

The Group's share of loss in DataHawk for the period was $47,500 (31 Dec 2015: loss of $73,500). During the period ended 31 December 2016, no dividends were received from the investment in DataHawk (31 Dec 2015: $NIL).

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

NOTE 3 – 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 reporting period.

The Group's consolidated effective tax rate for the six months ended 31 December 2016 was (0.5%) (for the six months ended 31 December 2015: (72%)). The change in effective tax rate was caused mainly by the utilisation of carried forward tax losses by the Australian Tax Consolidated Group in the current financial period.

NOTE 4 – DISCONTINUED OPERATIONS

On 28 April 2016, the Group entered into an asset sale agreement to sell the majority of its locomotive fleet to Holdco Holdings Pty Ltd, the holding company of Southern Shorthaul Railroad Pty Ltd. A selection of associated locomotive spare parts was also included in the transaction. The transaction was completed on 26 July 2016. This asset sale agreement led to the Greentrains segment being classified as a discontinued operation at 30 June 2016. The comparative Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (OCI) has been restated to show the discontinued operations separately from continuing operations.

a. Results of Discontinued Operations	**31 DEC 16 $000**	31 DEC 15 $000
Revenue	**77**	1,723
Other income	**-**	-
Reversal of impairment of property, plant and equipment	**250**	-
Expenses	**(865)**	(2,547)
RESULTS FROM OPERATING ACTIVITIES	**(538)**	(824)
Income tax benefit / (expense)	**-**	-
PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	**(538)**	(824)
Basic earnings per share (cents)	**(0.14)**	(0.21)
Diluted earnings per share (cents)	**(0.14)**	(0.21)

b. Cash Flows from / (used in) Discontinued Operations	**31 DEC 16 $000**	31 DEC 15 $000
Net cash from / (used in) operating activities	**(435)**	715
Net cash from / (used in) investing activities	**5,172**	(363)
Net cash from / (used in) financing activities	**(4,766)**	(500)
NET CASH FLOWS FOR THE PERIOD	**(29)**	(148)

NOTE 5 – OPERATING SEGMENTS

SEGMENT INFORMATION

Identification of Reportable Segments

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

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

Types of Products and Services by Segment

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

a. Drivetrain Power and Propulsion (Drivetrain)

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

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 Rail provides wheel-set, bogie and in-field wagon maintenance and manufactures new and refurbished wagons, bogie component parts, customised remote controlled ballast car discharge gates, and a range of rail maintenance equipment and spares.

f. Greentrains

Greentrains leases rollingstock to freight rail operators throughout Australia. This segment has been classified as a discontinued operation in the current financial period, consistent with the classification in the 2016 consolidated annual financial statements.

g. All Other

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

NOTE 5 – OPERATING SEGMENTS (CONT'D)

Basis of Accounting for Purposes of Reporting by Operating Segments

a. **Basis of reporting**

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

b. **Inter-segment transactions**

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

c. **Segment assets**

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

d. **Segment liabilities**

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

e. **Unallocated items**

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

- Deferred tax assets and liabilities

NOTE 5 – OPERATING SEGMENTS (CONT'D)

I. SEGMENT PERFORMANCE

6 MONTHS ENDED 31 DECEMBER 2016

	CONTINUING OPERATIONS							DISCONTINUED OPERATIONS	
REPORTABLE SEGMENTS	DRIVETRAIN $000	CERT $000	CONVAIR $000	TOTAL MOMENTUM $000	GEMCO RAIL $000	ALL OTHER $000	SUB-TOTAL $000	GREENTRAINS $000	CONSOLIDATED GROUP $000
REVENUE									
External revenue	**20,452**	**4,637**	**6,983**	**4,355**	**25,868**	**60**	**62,355**	**77**	**62,432**
Inter-segment revenue	**100**	**9**	**-**	**11**	**30**	**-**	**150**	**-**	**150**
Interest revenue	**10**	**-**	**1**	**-**	**-**	**60**	**71**	**-**	**71**
TOTAL SEGMENT REVENUE	**20,562**	**4,646**	**6,984**	**4,366**	**25,898**	**120**	**62,576**	**77**	**62,653**
Reconciliation of segment revenue to Group revenue:									
Inter-segment elimination	**-**	**-**	**-**	**-**	**-**	**(150)**	**(150)**	**-**	**(150)**
TOTAL GROUP REVENUE							**62,426**	**77**	**62,503**
SEGMENT EBITDA	**2,540**	**635**	**515**	**766**	**5,298**	**(4,198)**	**5,556**	**(349)**	**5,207**
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:									
Depreciation and amortisation	**(281)**	**(38)**	**(113)**	**(22)**	**(1,067)**	**(245)**	**(1,766)**	**-**	**(1,766)**
Finance costs	**(23)**	**(16)**	**(3)**	**-**	**(2)**	**(337)**	**(381)**	**(189)**	**(570)**
NET PROFIT / (LOSS) BEFORE TAX	**2,236**	**581**	**399**	**744**	**4,229**	**(4,780)**	**3,409**	**(538)**	**2,871**

NOTE 5 – OPERATING SEGMENTS (CONT'D)

6 MONTHS ENDED 31 DECEMBER 2015

	CONTINUING OPERATIONS							DISCONTINUED OPERATIONS	
REPORTABLE SEGMENTS	DRIVETRAIN $000	CERT $000	CONVAIR $000	TOTAL MOMENTUM $000	GEMCO RAIL $000	ALL OTHER $000	SUB-TOTAL $000	GREENTRAINS $000	CONSOLIDATED GROUP $000
REVENUE									
External revenue	27,970	4,263	7,369	5,507	20,071	61	65,241	1,722	66,963
Inter-segment revenue	84	15	-	19	993	-	1,111	-	1,111
Interest revenue	7	-	5	-	-	42	54	1	55
TOTAL SEGMENT REVENUE	28,061	4,278	7,374	5,526	21,064	103	66,406	1,723	68,129
Reconciliation of segment revenue to Group revenue:									
Inter-segment elimination	-	-	-	-	-	(1,111)	(1,111)	-	(1,111)
TOTAL GROUP REVENUE							65,295	1,723	67,018
SEGMENT EBITDA	3,447	1,157	556	620	2,977	(4,593)	4,164	611	4,775
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:									
Depreciation and amortisation	(388)	(42)	(103)	(16)	(1,148)	(337)	(2,034)	(801)	(2,835)
Finance costs	(33)	(11)	(5)	-	(3)	(170)	(222)	(634)	(856)
NET PROFIT / (LOSS) BEFORE TAX	3,026	1,104	448	604	1,826	(5,100)	1,908	(824)	1,084

2016 comparatives have been restated for the current period classifications of continuing and discontinued operations.

NOTE 5 - OPERATING SEGMENTS (CONT'D)

II. SEGMENT ASSETS
AS AT 31 DECEMBER 2016

	CONTINUING OPERATIONS							DISCONTINUED OPERATIONS	
REPORTABLE SEGMENTS	DRIVETRAIN $000	CERT $000	CONVAIR $000	TOTAL MOMENTUM $000	GEMCO RAIL $000	ALL OTHER $000	SUB-TOTAL $000	GREENTRAINS $000	CONSOLIDATED GROUP $000
ASSETS									
Segment assets (excl. capital expenditure, investments and intangibles)	**43,010**	**7,277**	**14,855**	**4,029**	**28,644**	**(14,939)**	**82,876**	**435**	**83,311**
Capital expenditure	**130**	**112**	**496**	**9**	**529**	**41**	**1,317**	-	**1,317**
Investments	**7**	-	-	-	-	**99**	**106**	-	**106**
Intangibles	-	-	-	-	-	**528**	**528**	-	**528**
Reconciliation of segment assets to Group assets:									
Segment eliminations	-	-	-	-	-	-	-	-	**(5,747)**
Unallocated items:									
Deferred tax assets	-	-	-	-	-	-	-	-	**111**
TOTAL ASSETS	**43,147**	**7,389**	**15,351**	**4,038**	**29,173**	**(14,271)**	**84,827**	**435**	**79,626**

NOTE 5 - OPERATING SEGMENTS (CONT'D)

AS AT 30 JUNE 2016

	CONTINUING OPERATIONS							DISCONTINUED OPERATIONS	
REPORTABLE SEGMENTS	DRIVETRAIN $000	CERT $000	CONVAIR $000	TOTAL MOMENTUM $000	GEMCO RAIL $000	ALL OTHER $000	SUB-TOTAL $000	GREENTRAINS $000	CONSOLIDATED GROUP $000
ASSETS									
Segment assets (excl. capital expenditure, investments and intangibles)	44,889	7,481	15,931	3,446	27,080	(15,984)	82,843	5,884	88,727
Capital expenditure	424	21	216	4	476	325	1,466	443	1,909
Investments	7	-	-	-	-	106	113	-	113
Intangibles	-	-	-	-	-	657	657	-	657
Reconciliation of segment assets to Group assets:									
Segment eliminations	-	-	-	-	-	-	-	-	(6,136)
Unallocated items:									
Deferred tax assets	-	-	-	-	-	-	-	-	125
TOTAL ASSETS	45,320	7,502	16,147	3,450	27,556	(14,896)	85,079	6,327	85,395

NOTE 5 – OPERATING SEGMENTS (CONT'D)

III. SEGMENT LIABILITIES
AS AT 31 DECEMBER 2016

	CONTINUING OPERATIONS							DISCONTINUED OPERATIONS	
REPORTABLE SEGMENTS	DRIVETRAIN $000	CERT $000	CONVAIR $000	TOTAL MOMENTUM $000	GEMCO RAIL $000	ALL OTHER $000	SUB-TOTAL $000	GREENTRAINS $000	CONSOLIDATED GROUP $000
LIABILITIES									
Segment liabilities	**53,723**	**624**	**4,391**	**659**	**84,851**	**(132,032)**	**12,216**	**21,245**	**33,461**
Reconciliation of segment liabilities to Group liabilities:									
Segment eliminations	-	-	-	-	-	-	-	-	**(5,747)**
Unallocated items:									
Deferred tax liabilities	-	-	-	-	-	-	-	-	**396**
TOTAL LIABILITIES	**53,723**	**624**	**4,391**	**659**	**84,851**	**(132,032)**	**12,216**	**21,245**	**28,110**

NOTE 5 – OPERATING SEGMENTS (CONT'D)

AS AT 30 JUNE 2016

	CONTINUING OPERATIONS							DISCONTINUED OPERATION	
REPORTABLE SEGMENTS	DRIVETRAIN $000	CERT $000	CONVAIR $000	TOTAL MOMENTUM $000	GEMCO RAIL $000	ALL OTHER* $000	SUB-TOTAL $000	GREENTRAINS $000	CONSOLIDATED GROUP $000
LIABILITIES									
Segment liabilities	57,343	693	5,403	505	86,333	(118,239)	32,038	9,926	41,964
Reconciliation of segment liabilities to Group liabilities:									
Segment eliminations	-	-	-	-	-	-	-	-	(6,136)
Unallocated items:									
Deferred tax liabilities	-	-	-	-	-	-	-	-	473
TOTAL LIABILITIES	57,343	693	5,403	505	86,333	(118,239)	32,038	9,926	36,301

*The related party loan with Elph Pty Ltd of $16,674,000 has been disclosed as part of the 'All Other' segment. This was previously disclosed as part of the 'Greentrains' segment, now classified as a Discontinued Operation. The related party loan was repaid in the current reporting period through means of the sale of Greentrains assets, and under the parent company guarantee with Engenco Limited.

NOTE 6 – EARNINGS PER SHARE

	CONSOLIDATED GROUP 31 DEC 16 $000	CONSOLIDATED GROUP 31 DEC 15 $000
a. RECONCILIATION OF EARNINGS TO PROFIT OR LOSS		
Profit / (loss) for the period	**2,887**	1,864
(Profit) / loss for the period, attributable to non-controlling interest	**102**	157
Earnings used to calculate basic EPS	**2,989**	2,021
Earnings used in the calculation of dilutive EPS	**2,989**	2,021
b. RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS		
Profit / (loss) from continuing operations	**3,425**	2,688
(Profit) / loss for the period, attributable to non-controlling equity interest in respect of continuing operations	**-**	-
Earnings used to calculate basic EPS from continuing operations	**3,425**	2,688
Earnings used in the calculation of dilutive EPS from continuing operations	**3,425**	2,688
c. RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM DISCONTINUED OPERATIONS		
Profit / (loss) from discontinued operations	**(538)**	(824)
(Profit) / loss for the period, arributable to non-controlling interest in respect of discontinued operations	**102**	157
Earnings used to calculate basic EPS from discontinued operations	**(436)**	(667)
Earnings used in the calculation of dilutive EPS from discontinued operations	**(436)**	(667)
	No. '000	No. '000
d. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE HALF YEAR USED IN CALCULATING BASIC EPS	**310,891**	310,891
Weighted average number of options outstanding	**-**	-
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	**310,891**	310,891

NOTE 7 – ASSETS HELD FOR SALE

On 22 December 2016, Greentrains Limited entered into an asset sale agreement to sell a locomotive asset. As at 31 December 2016, the asset sale transaction was highly probable, and as such the locomotive asset has been classified as assets held for sale.

The assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell and comprised the following assets:

	31 DEC 16 $000	30 JUN 16 $000
Property, plant and equipment	**250**	5,512
Inventories	**-**	788
ASSETS HELD FOR SALE	**250**	6,300

NOTE 8 – ASSETS PLEDGED AS SECURITY

Assets of Engenco Limited and its wholly owned Australian subsidiaries of $63,618,000 (30 June 2016: $62,702,000) were pledged as security as part of the Group's total financing arrangements as at the reporting date.

NOTE 9 – RESTRUCTURING COSTS

During the period to 31 December 2016, restructuring costs relating to a property lease exit and staff termination costs of $169,000 (2016: $244,000) were incurred.

NOTE 10 – ISSUED CAPITAL

	CONSOLIDATED GROUP 31 DEC 16 $000	CONSOLIDATED GROUP 30 JUN 16 $000
310,891,432 (30 June 2016: 310,891,432) fully paid ordinary shares	**302,260**	302,260
	302,260	302,260

ORDINARY SHARES

FOR THE SIX MONTHS ENDED 31 DECEMBER	**31 DEC 16 No.**	31 DEC 15 No.
At beginning of reporting period	**310,891,432**	310,891,432
At reporting date	**310,891,432**	310,891,432

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. **Transactions with key management personnel**

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

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

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

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

		Revenue / (Cost) for the period ended		Receivable / (Payable) as at	
Related Party	**Director**	**31 DEC 16 $**	31 DEC 15 $	**31 DEC 16 $**	30 JUN 16 $
Elph Pty Ltd [1]	V De Santis/D Elphinstone	**(489,910)**	(672,630)	**-**	-
Elphinstone Group (Aust) Pty Ltd [2]	V De Santis/D Elphinstone	**(157,467)**	(156,857)	**(25,051)**	(23,870)
William Adams Pty Ltd [3]	V De Santis/D Elphinstone	**(2,564)**	(11,309)	**-**	(4,141)
United Equipment Pty Ltd [4]	D Elphinstone	**(176,255)**	(151,702)	**(48,361)**	599
Grassick SSG Pty Ltd [5]	D Hector	**(45,245)**	(57,162)	**-**	(10,424)
Specialised Vehicle Solutions Pty Ltd [6]	D Elphinstone	**1,322,374**	-	**157,276**	24,564
Southern Prospect Pty Ltd [7]	D Elphinstone	**43,248**	-	**5,943**	1,992
Elphinstone Pty Ltd [8]	D Elphinstone	**64,053**	-	**65,972**	-

[1] Interest was charged by Elph Pty Ltd on its related party loan to Greentrains Limited. Interest is charged and line fees are also incurred and paid to Elph Pty Ltd in relation to the related party funding facility with the Group. Vincent De Santis is a director of Elph Pty Ltd. Dale Elphinstone is also a director and the Chairman of this entity.

[2] Director fees and travel expense reimbursements were paid to Elphinstone Group (Aust) Pty Ltd for the services of Dale Elphinstone (Non-Executive Director) and Vincent De Santis (Chairman). Legal service fees were also paid to Elphinstone Group (Aust) Pty Ltd during the period. Vincent De Santis is a director of Elphinstone Group (Aust) Pty Ltd. Dale Elphinstone is also a director and the Chairman of this entity. Up until 5 February 2016, Elphinstone Group (Aust) Pty Ltd was known as Elphinstone Pty Ltd.

[3] Goods were purchased from and sold to William Adams Pty Ltd during the period. Dale Elphinstone is a director and the Chairman of this entity. Vincent De Santis is also a director of this entity.

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

[5] Director fees and travel expense reimbursements were paid to Grassick SSG Pty Ltd for the services of Donald Hector (Non-Executive Director). Donald Hector is the Principal of this entity.

[6] Goods were sold to Specialised Vehicle Solutions Pty Ltd during the period. Dale Elphinstone was appointed as a director of this entity from 1 June 2016.

[7] Goods were sold to Southern Prospect Pty Ltd during the period. Dale Elphinstone is a director and the Chairman of this entity.

[8] Goods were sold to Elphinstone Pty Ltd during the period. Dale Elphinstone is a director and the Chairman of this entity. Up until 5 February 2016, Elphinstone Pty Ltd was known as Haulmax (Aust) Pty Ltd.

NOTE 11 – RELATED PARTY TRANSACTIONS (CONT'D)

b. **Other related party transactions**

The Group has the following loans to/from related parties as at the reporting date:

Related Party Transaction	**AS AT 31 DEC 16 $000**	AS AT 30 JUN 16 $000
Loans to/from other related parties:		
Loans from Elph Pty Ltd	-	(16,674)
Funding facility from Elph Pty Ltd	**(7,500)**	-

At the reporting date, the related party funding facility from Elph Pty Ltd to the Group was on arm's length terms and maturing no earlier than 30 April 2018. During the period, the Elph funding facility limit was increased from $9,000,000 to $15,000,000, of which $7,500,000 was drawn down as at 31 December 2016 (30 June 2016: $NIL).

During the period, the Group settled the remaining debt outstanding on the loan from Elph Pty Ltd by the maturity date of 30 September 2016. This was achieved by using the Group's cash reserves and the available funding facility from Elph Pty Ltd.

NOTE 12 – 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 2016 is $1,550,612 (June 2016: $1,292,667).

Other than the above, there has been no material change in contingent liabilities since the 2016 Annual Report.

NOTE 13 – EVENTS SUBSEQUENT TO REPORTING DATE

On 17 January 2017, the Company announced that Alison von Bibra was appointed to the position of Non-Executive Director effective the same date.

Other than the above, there has not arisen, in the interval between 31 December 2016 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 2016.

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 5 to 25, 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 2016 and of its performance for the six-month period 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.

Signed in accordance with a resolution of the Directors.

Vincent De Santis

Chairman
Dated in Melbourne this 22nd day of February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

Independent Auditor's Review Report

To the shareholders of Engenco Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying Interim Financial Report of Engenco Limited.

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:

- giving a true and fair view of the Group's financial position as at 31 December 2016 and of 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*.

The Interim Financial Report comprises:

- the condensed consolidated statement of financial position as at 31 December 2016;
- the condensed consolidated statement of profit or loss and other 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 13 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

The Group comprises Engenco Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The Interim Period is the 6 months ended on 31 December 2016.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

Responsibilities of the Directors 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
- 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 for the review of the Interim Financial Report

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 2016 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 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

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
22 February 2017

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

VINCENT DE SANTIS
BCom LLB (Hons)
Non-Executive Chairman

DALE ELPHINSTONE
FAICD
Non-Executive Director

ROSS DUNNING AC
BE(Hons), BCom, FCILT, FAIM, FIEAust, FIRSE
Non-Executive Director

ALISON VON BIBRA
BSc, MBA, MAICD
Non-Executive Director

KEVIN PALLAS
BCom, MAICD
Managing Director & CEO

COMPANY SECRETARY

GRAEME CAMPBELL
FCA, BSc
Chief Financial Officer / Company Secretary

AUDITORS

KPMG
Tower Two
Collins Square
727 Collins Street
Melbourne VIC 3008

T: +61 (0)3 9288 5555
F: +61 (0)3 9288 6666

SHARE REGISTRY

SECURITY TRANSFER REGISTRARS PTY LTD
Level 9, Suite 913
530 Little Collins Street
Melbourne VIC 3000

T: +61 (0)3 9628 2200
F: +61 (0)8 9315 2233