Engenco

APPENDIX 4D & INTERIM REPORT

31 December 2019
Lodged with the ASX Listing Rule 4.2A.3.
This information should be read in conjuction with the 30 June 2019 Annual Report.

2020

ABN 99 120 432 144

Half-Year Ended 31 December 2019

Results for Announcement to the Market

	Up/Down	Change (%)	**31 Dec 19 $000**	31 Dec 18 $000
Revenue for the period	↑	1.1%	**88,960**	88,030
Net profit / (loss) after tax for the period	↓	(46.0%)	**3,517**	6,510
TOTAL NET PROFIT / (LOSS) AFTER TAX FOR THE PERIOD ATTRIBUTABLE TO MEMBERS	↓	(46.0%)	**3,517**	6,510

Dividends	Amount Per Security Cents	Franked amount per Security Cents
2019 Final Dividend (paid 26 September 2019)	1.5	1.5
2020 Interim Dividend (declared 20 February 2020)	0.5	0.5

Dividend Distribution:	
Ex-Date	5 March 2020
Record Date	6 March 2020
Payment Date	20 March 2020

Net Tangible Assets	**31 Dec 19**	31 Dec 18
Net tangible assets per ordinary share	**$0.21**	$0.21

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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 2019 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 2019 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
Kevin Pallas (Managing Director & CEO)	Full period
Dale Elphinstone (Non-Executive Director)	Full period
Alison von Bibra (Independent Non-Executive Director)	Full period
Ross Dunning (Independent Non-Executive Director)	Full period

Review of Operations

The Group reported a first half net profit before tax (NPBT) of $3,552,000 (H1 FY19: $6,779,000). The lower comparative profitability, despite the strong performance of the Group's rail business, reflects the impact of expansion and restructure costs of over $1,000,000, margin erosion on imported parts and the timing of a large workforce contract completed over previous periods. Earnings before interest, tax, depreciation and amortisation (EBITDA) were not directly comparable due to the introduction of AASB 16: *Leases.*

Revenue was $88,960,000, up 1.1% (H1 FY19: $88,030,000), as the Group continued its multi-year strategy to increase market share through greater capacity, capability and product innovation. Net operating cash flow was $5,686,000, up 23.1% (H1 FY19: $4,618,000). At 31 December 2019, cash on hand was $16,256,000.

Recognising the Group's continued record of profitability, it is pleasing to declare an interim dividend for the first time in more than a decade, which reflects the increased sustainability and reliability of the business. A fully franked interim dividend of 0.5 cents per share will be paid on 20 March 2020 to shareholders on the register at 6 March 2020.

Key performance measures are provided in the following table:

	H1 2020 $'000	H1 2019 $'000
Revenue	**88,960**	88,030
EBIT[1]	**4,189**	6,964
NPBT[2]	**3,552**	6,779
NPAT[3]	**3,517**	6,510
Dividend (cents per share) – fully franked	**0.5**	-

[1] EBIT is earnings before finance cost and income tax expense
[2] NPBT is net profit before income tax
[3] NPAT is net profit after income tax

Note – EBIT is non-IFRS financial measure, which has not been subject to review or audit by the Group's external auditors. This measure is presented to assist understanding of the underlying performance of the Group.

Capital expenditure totalled $6,691,000 in the first half as development and expansion of new facilities, particularly in central Queensland, continued. These facilities are expected to support long-term sustainable contracts with reliable, repeatable revenue streams and their development is progressing well.

The positive direction of the Gemco Rail business continued with strong revenue and profit growth. This demonstrates the success of the Group's long-term strategy of building a sustainable platform which is now receiving strong customer support and continuing to generate greater value.

The Convair business performed satisfactorily in a difficult market. Notwithstanding the lower Australia dollar, competition from imported products contributed to lower margins.

Parts of the Drivetrain business that were underperforming have been restructured, and branches were closed in Sydney and in New Zealand with little customer impact. Value-added mining sector work increased as a result of greater focus on attracting repair and maintenance work to better utilise workshops. While defence markets were soft and commercial vehicles component sales slow, these markets have shown recent signs of improvement.

The Group's people focussed businesses, Total Momentum and CERT Training, will in future operate more closely within the newly formed Workforce Solutions division. Total Momentum was impacted as large projects were completed, while CERT Training improved slightly on the previous corresponding half.

Reportable Segments*	**H1 2020 Revenue $'000**	H1 2019 Revenue $'000	**H1 2020 NPBT $'000**	H1 2019 NPBT $'000
Gemco Rail	**43,161**	31,040	**5,552**	4,009
Convair Engineering	**7,647**	7,947	**281**	610
Drivetrain	**23,030**	24,978	**1,438**	3,100
Total Momentum	**7,260**	14,708	**614**	2,048
CERT Training	**5,590**	5,383	**702**	704

*Excludes "All Other" segment

The positive direction of Gemco Rail continued. The significant investment in building this platform is now demonstrating value. The Group's Newcastle operations continued to strengthen, supporting increased Hunter Valley work, and operations at Forrestfield, Western Australia also grew strongly. Investment continues at the central Queensland facility in Gladstone, which became operational in January 2020. This will increase capacity to service rail rolling stock maintenance contracts and general work for rail operators.

Convair Engineering reported slightly lower revenue and earnings. While demand for dry bulk goods tankers remained buoyant, competition increased. Convair in part relies on imported aluminium equipment and was unable to pass on additional foreign exchange costs. The business continues to focus on production efficiency improvement, and on the development of new and innovative bulk materials transport equipment.

Drivetrain's performance was impacted by expansion and restructuring costs, and the lower Australian dollar relative to US and other currencies. Most trading inventory is imported, and foreign exchange movements could not be entirely passed on in a competitive market, affecting margins. The strategy of increasing the Group's proportion of value-added workshop work, in facilities such as that established at Newcastle, has successfully targeted the mining, mining contractor and transport markets.

The Perth workshop is operating at higher rates of capacity. A new, larger workshop in Adelaide is now established and expected to generate improved returns in the second half, with several customers seeking reliable partners for maintenance work in South Australia.

Revenue from the Hedemora Sweden business, now included in "All Other" revenue, continues to benefit from the life extension of the Collins Class submarine fleets. This is a small and profitable business which supports the fleet through Drivetrain. Encouraging trials for customers around the world have resulted in increased orders of the HS Turbocharger range. Two business development resources have been employed by Hedemora Sweden in the United States to facilitate HS Turbocharger sales. The business is also investing in US EPA certification for newly developed turbocharger technology so as to address the Class I Railroad and other sectors in the USA.

Total Momentum revenue decreased after completion of recent large projects. While the business has become a prime provider of supplementary rail personnel, opportunities are somewhat cyclical, and it was unable to immediately replace large contracts due to timing of future opportunities. The CERT Training business continued to benefit from government-funded and rail vocational training. An Executive General Manager has been appointed to lead the newly formed Workforce Solutions division which now incorporates Momentum and CERT's people focussed businesses. The division has significant opportunities for growth in the mining and resources markets, Inland Rail projects, as well as in general industry sectors.

Following the addition of the Workforce Solutions division, the new structure of the Group is presented below:

Outlook

A stronger second half is anticipated with net profit before tax expected to exceed the first half. The Group is cautiously optimistic that it will finish the year broadly in line with FY19 net profit before tax, adjusted for the FY19 gain on sale of non-core assets (wagons).

Investment in new facilities at Gladstone and Adelaide continues and a strong contribution from these facilities is expected during the second half. The Drivetrain business is benefiting from recent restructuring. Having completed the majority of the FY20 capital programs in the first half, capital expenditure in the second half is expected to be substantially lower at around $1,500,000.

The Group's multi-year investment strategy is delivering growth and building increased scale, enabling capacity to take on longer-term, more sustainable projects. Although it is too early to anticipate possible impacts of the coronavirus which may affect customer demand or our supply chain, we are confident that industries we serve will remain strong; the resource segment currently remains robust, and long-term federal government infrastructure investment is continuing.

The Gemco Rail business is the most advanced in terms of the Group's plans to build greater scale, and continues to provide a model for the Group's growth which is being replicated in our other businesses.

To drive the next phase of the Group's evolution the Group structure has been changed to recognise an additional division. The Road and Rail division includes the Gemco Rail and Convair businesses, and the Power and Propulsion division will continue to incorporate Drivetrain and Hedemora. A third division, Workforce Solutions, which includes the Momentum and CERT businesses has been added. This recognises the potential for closer collaboration between our training and labour hire operations and unlocks the opportunity to leverage the substantial synergies that exist between the businesses to the benefit of customers.

During January 2020, the Gemco Rail maintenance facility at Gladstone in central Queensland became operational. This facility will service the bulk materials rail market and support continued expansion of rail rolling stock maintenance services on Australia's east coast. The facility has the capacity to service recently won and additional long-term contracts.

Dividend

Since the end of the previous financial year, the Board declared a final dividend of 1.5 cents per ordinary share (fully franked) on 21 August 2019 and subsequently paid the dividend on 26 September 2019.

On 20 February 2020, the Board resolved to declare an interim dividend of 0.5 cents per share (fully franked). Payment of the dividend to shareholders will take place on 20 March 2020.

Events Subsequent to Reporting Date

On 20 February 2020, the Board resolved to declare an interim dividend of 0.5 cents per share (fully franked). Payment of the dividend to shareholders will take place on 20 March 2020.

Other than the above, there has not arisen, in the interval between 31 December 2019 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 2019.

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 7, and forms part of the Directors' Report for the six months ended 31 December 2019.

Signed in accordance with a resolution of the Directors.

V. De Santis

Vincent De Santis

Chairman

Dated at Melbourne this 20th day of February 2020.

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 10 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 2019 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.

V. De Santis

Vincent De Santis

Chairman

Dated in Melbourne this 20th day of February 2020.

Lead Auditors' Independence Declaration

KPMG

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 of Engenco Limited for the half-year ended 31 December 2019 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

S Bell

Suzanne Bell
Partner

Melbourne
20 February 2020

Independent Auditor's Report

KPMG

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 2019 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:

- Consolidated statement of financial position as at 31 December 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information;
- 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 2019.

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 Company's financial position as at 31 December 2019 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 Period 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.

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

KPMG

KPMG

Suzanne Bell
Partner

Melbourne

20 February 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2019

	Note	**Group 31 Dec 19 $'000**	Group 31 Dec 18* $'000
Revenue	3	**88,960**	88,030
Other income		**832**	655
Changes in inventories of finished goods and work in progress		**862**	2,848
Raw materials and consumables used		**(43,172)**	(40,207)
Employee benefits expense		**(31,522)**	(33,344)
Depreciation and amortisation expense		**(3,312)**	(1,911)
Finance costs		**(637)**	(185)
Subcontract freight		**(368)**	(409)
Repairs and maintenance		**(686)**	(511)
Insurances		**(656)**	(632)
Rent and outgoings		**(1,604)**	(3,089)
Foreign exchange movements		**(57)**	(115)
Other expenses		**(5,088)**	(4,351)
PROFIT / (LOSS) BEFORE INCOME TAX		**3,552**	6,779
Income tax benefit / (expense)	4	**(35)**	(269)
TOTAL PROFIT / (LOSS) FOR THE PERIOD		**3,517**	6,510
Profit / (loss) attributable to:			
Owners of the Company		**3,517**	6,510
Non-controlling interest		**-**	-
TOTAL PROFIT / (LOSS) FOR THE PERIOD		**3,517**	6,510
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas subsidiaries		**56**	501
Other comprehensive income for the period, net of tax		**56**	501
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3,573**	7,011
Total comprehensive income attributable to:			
Owners of the Company		**3,573**	7,011
Non-controlling interest		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3,573**	7,011
EARNINGS PER SHARE		**Cents**	Cents
Basic & Diluted earnings per share (cents per share)	5	**1.12**	2.08

*The Group has initially applied AASB 16: *Leases* from 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 1.

The condensed notes on pages 14 to 25 are in integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 December 2019

	Note	Group 31 Dec 19 $'000	Group 30 Jun 19* $'000
CURRENT ASSETS			
Cash and cash equivalents		**16,256**	23,702
Trade and other receivables		**25,410**	30,312
Contract assets**		**2,575**	-
Inventories		**37,436**	36,574
Current tax assets		**207**	30
Financial assets		**658**	-
Other current assets		**1,640**	2,026
TOTAL CURRENT ASSETS		**84,182**	92,644
NON-CURRENT ASSETS			
Property, plant and equipment		**16,489**	11,732
Right-of-use assets		**19,135**	-
Deferred tax assets		**8,639**	7,366
Intangible assets		**167**	200
TOTAL NON-CURRENT ASSETS		**44,430**	19,298
TOTAL ASSETS		**128,612**	111,942
CURRENT LIABILITIES			
Trade and other payables		**15,330**	19,408
Contract liabilities**		**732**	-
Financial liabilities		**850**	294
Lease liabilities		**1,560**	-
Current tax liabilities		**25**	25
Provisions		**5,573**	7,070
TOTAL CURRENT LIABILITIES		**24,070**	26,797
NON-CURRENT LIABILITIES			
Lease liabilities		**18,294**	-
Provisions		**5,664**	523
Deferred tax liabilities		**551**	547
TOTAL NON-CURRENT LIABILITIES		**24,509**	1,070
TOTAL LIABILITIES		**48,579**	27,867
NET ASSETS		**80,033**	84,075
EQUITY			
Issued capital	7	**302,719**	302,719
Reserves		**114**	58
Profit reserve		**2,732**	2,433
Accumulated losses		**(219,703)**	(215,306)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**85,862**	89,904
Non-controlling interest		**(5,829)**	(5,829)
TOTAL EQUITY		**80,033**	84,075

*The Group has initially applied AASB 16: *Leases* from 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 1.

**Contract assets of $2,575k ($2,875k at 30 June 2019) were previously disclosed as part of Trade and other receivables. Contract liabilities of $732k ($1,151k at 30 June 2019) were previously disclosed as part of Trade and other payables.

The condensed notes on pages 14 to 25 are in integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2019

Consolidated Group	Issued Capital $'000	Accumulated Losses* $'000	Profit Reserve $'000	Foreign Currency Translation Reserve $'000	Sub-Total $'000	Non-Controlling Interest $'000	Total Equity $'000
BALANCE AT 1 JULY 2018	302,719	(223,592)	271	(351)	79,047	(5,829)	73,218
Adjustments from adoption of AASB 9 & 15	-	(645)	-	-	(645)	-	(645)
ADJUSTED BALANCE AT 1 JULY 2018	302,719	(224,237)	271	(351)	78,402	(5,829)	72,573
COMPREHENSIVE INCOME							
Profit / (loss)	-	6,510	-	-	6,510	-	6,510
Transfer to profit reserve	-	(5,296)	5,296	-	-	-	-
Other comprehensive income	-	-	-	501	501	-	501
TOTAL COMPREHENSIVE INCOME	-	1,214	5,296	501	7,011	-	7,011
TRANSACTIONS WITH OWNERS OF THE COMPANY							
Contributions and Distributions:							
Dividends Paid	-	-	(3,134)	-	(3,134)	-	(3,134)
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY	-	-	(3,134)	-	(3,134)	-	(3,134)
BALANCE AT 31 DECEMBER 2018	302,719	(223,023)	2,433	150	82,279	(5,829)	76,450

Consolidated Group	**Issued Capital $'000**	**Accumulated Losses* $'000**	**Profit Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Sub-Total $'000**	**Non-Controlling Interest $'000**	**Total Equity $'000**
BALANCE AT 1 JULY 2019	**302,719**	**(215,306)**	**2,433**	**58**	**89,904**	**(5,829)**	**84,075**
Adjustments from adoption of AASB 16	**-**	**(2,914)**	**-**	**-**	**(2,914)**	**-**	**(2,914)**
ADJUSTED BALANCE AT 1 JULY 2019	**302,719**	**(218,220)**	**2,433**	**58**	**86,990**	**(5,829)**	**81,161**
COMPREHENSIVE INCOME							
Profit / (loss)	**-**	**3,517**	**-**	**-**	**3,517**	**-**	**3,517**
Transfer to profit reserve	**-**	**(5,000)**	**5,000**	**-**	**-**	**-**	**-**
Other comprehensive income	**-**	**-**	**-**	**56**	**56**	**-**	**56**
TOTAL COMPREHENSIVE INCOME		**(1,483)**	**5,000**	**56**	**3,573**	**-**	**3,573**
TRANSACTIONS WITH OWNERS OF THE COMPANY							
Contributions and Distributions:							
Dividends Paid	**-**	**-**	**(4,701)**	**-**	**(4,701)**	**-**	**(4,701)**
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY	**-**	**-**	**(4,701)**	**-**	**(4,701)**	**-**	**(4,701)**
BALANCE AT 31 DECEMBER 2019	**302,719**	**(219,703)**	**2,732**	**114**	**85,862**	**(5,829)**	**80,033**

*The Group has initially applied AASB 16: *Leases* from 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 1.

The condensed notes on pages 14 to 25 are in integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2019

	Group 31 Dec 19 $'000	Group 31 Dec 18* $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**99,491**	94,192
Payments to suppliers and employees	**(91,875)**	(88,974)
Finance costs	**(148)**	(185)
Interest received	**50**	24
Variable lease payments	**(1,604)**	-
Income tax paid	**(228)**	(439)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**5,686**	4,618
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	**899**	825
Purchase of non-current assets	**(7,088)**	(1,994)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**(6,189)**	(1,169)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(4,701)**	(3,134)
Payments of lease liabilities	**(2,140)**	-
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**(6,841)**	(3,134)
Net increase / (decrease) in cash and cash equivalents	**(7,344)**	315
Cash (net of bank overdrafts) at beginning of period	**23,408**	8,318
CASH (NET OF BANK OVERDRAFTS) AT 31 DECEMBER	**16,064**	8,633

*The Group has initially applied AASB 16: *Leases* from 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 1.

Reconciliation of Cash and Cash Equivalents

	Group 31 Dec 19 $'000	Group 31 Dec 18 $'000
Cash at the end of the financial period as shown in the Condensed Consolidated Statement of Cash Flows is reconciled to items in the Condensed Consolidated Statement of Financial Position as follows:		
Cash and cash equivalents	**16,256**	8,862
Bank overdrafts (disclosed in current 'Financial Liabilities')	**(192)**	(229)
	16,064	8,633

As at the reporting date, where the Group has the legally enforceable right of set-off and intention to settle on a net basis some accounts within the NAB facility, the Group has set-off bank overdrafts of $24,688,000 (31 Dec 2018: $21,815,000) against cash and cash equivalents of $31,517,000 (31 Dec 2018: $27,132,000) resulting in a net NAB facility cash position of $6,829,000 (31 Dec 2018: $5,317,000) for these eligible accounts. The remainder of the cash and cash equivalents balance is included in bank accounts that are not part of the NAB set-off facility.

Reconciliation of Financial Liabilities in Financing Activities

	1 Jul 2019 $'000	Cash Flows $'000	Non-Cash Changes $'000	**31 Dec 19 $'000**
Bank overdraft	(294)	-	102	(192)
Financial liabilities	-	-	(658)	(658)
TOTAL FINANCIAL LIABILITIES	(294)	-	(556)	(850)

The condensed notes on pages 14 to 25 are in integral part of these condensed consolidated interim financial statements.

Note 1 – Significant Accounting Policies

for the half year ended 31 December 2019

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 2019 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 2019 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 2019.

These interim financial statements were authorised for issue by the Company's Board of Directors on 20 February 2020.

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 2019, except as mentioned otherwise. 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 expenses. 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 2019, except as noted below.

Leases – The Group has applied judgement to determine the lease term of some lease contracts in which it is a lease that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Group has used its incremental borrowing rate of 5.3% as the discount rate when calculating lease liabilities in accordance with AASB 16: *Leases*.

Going Concern

The interim financial statements have 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.

Note 1 – Significant Accounting Policies (cont'd)

Financial Instruments

During the period, the Group entered a derivative financial instrument to hedge its foreign currency risk exposure.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates. The Group initially measures derivatives at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and any changes therein are recognised in profit or loss.

At inception of the designated hedging relationship, the Group documented the risk management objective and strategy for undertaking the hedge. The Group also documented the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

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:

- AASB 16: *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation* (AASB 9)
- *Long term Interest in Associates and Joint Ventures* (AASB 128)
- *Plan Amendment, Curtailment or settlement* (AASB 119)
- *Annual Improvements to IFRS's 2015-2017 Cycle – various standards*

Information on future accounting developments and their potential effect on the financial statements of the Group are disclosed in the 2019 Annual Report on pages 37 to 41.

The following standards have a material impact on the Group's financial statements in the period of initial adoption.

I. IFRS 16: *Leases*

AASB 16: *Leases* has replaced AASB 117: *Leases* with a mandatory effective date for the Group of 1 July 2019.

The key change under AASB 16, and impact on the Group, is the requirement that operating leases be recognised on-balance sheet through the recognition of a Right-of-Use (ROU) Asset and Lease Liability. Lease expenditure is also no longer recognised as operating expenditure, but instead as depreciation and interest. This change directly impacts EBITDA (earnings before finance costs, income tax expense, and depreciation and amortisation), which is a key metric used by the Group.

AASB 16 eliminates the previous operating/finance lease dual accounting model for leases. Instead, there is a single, on-balance sheet accounting model, similar to previous finance lease accounting. The assessment of whether a contract contains a lease determines whether the arrangement is recognised on- or off-balance sheet.

Definition of a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. There are three key elements of the new lease definition, and all three must be met in order for the contract to contain a lease and the entity therefore be able to apply lease accounting under AASB 16:

- Contract contains an identified asset;
- The lessee obtains substantially all the economic benefits from the use of the asset; and
- The lessee directs the use of the asset.

Transition

The Group transitioned to AASB 16 from 1 July 2019, using the "modified retrospective" transition method whereby the right-of-use asset has been calculated as its carrying amount as if AASB 16 had been applied since the lease commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application.

Under this method, there was no requirement to restate comparatives.

On transition the Group elected to apply the practical expedient to 'grandfather' the assessment of which contracts are leases – AASB 16 lease accounting is only applied to those contracts previously identified to contain a lease under AASB 117. The new lease definition requirement is only applied to those contracts entered after the date of initial application.

Note 1 – Significant Accounting Policies (cont'd)

In applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the Group has elected, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. Engenco has applied a number of the practical expedients and exemptions including:

- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Recognition exemption for short-term and low-value leases – Leases which have a lease term of less than 12 months or are less than A$10,000 in annual value will not be accounted for under AASB 16;
- Utilising previous assessments of onerous leases;
- The use of hindsight in determining the lease term.

Another practical expedient that was available to the Group, is to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The Group did not elect to combine lease and non-lease components for its property leases. As such, the calculated lease liability excludes an estimate of the stand-alone price of the non-lease component.

The Group applied judgement to determine the lease term for some contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts on the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Impact on Retained Earnings at Transition

On transition to AASB 16, the Group recognised additional right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 Jul 2019 $'000
Right-of-use assets	17,362
Deferred tax assets	1,245
Current lease liabilities	(3,008)
Non-current lease liabilities	(15,491)
Make good provision	(3,022)
Transition impact for AASB 16 recognised in opening Retained earnings / (Accumulated losses)	(2,914)

	$'000
Retained earnings/ (Accumulated losses) as at 30 June 2019	(215,306)
Transition impact for AASB 16	(2,914)
Restated Retained earnings / (Accumulated losses) as at 1 July 2019 under AASB 16	(218,220)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 5.3% at 1 July 2019.

For impact of AASB 16 on segment information, see Note 2.

Impacts for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $17,362,000 of right-of-use assets and $18,499,000 of lease liabilities as at 1 July 2019.

Also, in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During the six months ended 31 December 2019, the Group recognised $1,848,000 of depreciation charges and $539,000 of interest costs from these leases.

There was no change is the Group's approach to calculating Net Tangible Assets (NTA), as allowed by the standard. The Group's NTA is calculated as the net of net assets (excluding net deferred tax, non-controlling interest and intangible assets) over fully paid ordinary shares.

II. Other Accounting Standards

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *Amendments to References to the Conceptual Framework in IFRS Standards*
- *Definition of a Material* (Amendments to AASB 101 and AASB 108)
- *Definition of a Business* (Amendments to AASB 3)

Note 2 – 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 has identified five (5) reportable segments as follows:

a) 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 Training)

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) All Other

This includes the parent entity, non-reportable segments and consolidation/inter-segment elimination adjustments.

Note 2 - 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 2 - Operating Segments (cont'd)

I. Segment Performance

6 months ended 31 December 2019

Reportable Segments	Drivetrain $'000	CERT Training $'000	Convair $'000	Total Momentum $'000	Gemco Rail $'000	All Other $'000	Group $'000
REVENUE							
External Revenue	**23,030**	**5,590**	**7,647**	**7,260**	**43,161**	**2,272**	**88,960**
Inter-Segment Revenue	**100**	**64**	**-**	**207**	**-**	**1,604**	**1,975**
TOTAL SEGMENT REVENUE	**23,130**	**5,654**	**7,647**	**7,467**	**43,161**	**3,876**	**90,935**
Reconciliation of segment revenue to Group revenue:							
Inter-segment eliminations	**-**	**-**	**-**	**-**	**-**	**(1,975)**	**(1,975)**
TOTAL GROUP REVENUE	**23,130**	**5,654**	**7,647**	**7,467**	**43,161**	**1,901**	**88,960**
SEGMENT EBITDA	**2,111**	**857**	**601**	**626**	**7,784**	**(4,478)**	**7,501**
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:							
Depreciation and amortisation	**(574)**	**(129)**	**(266)**	**(12)**	**(1,905)**	**(426)**	**(3,312)**
Finance Cost	**(99)**	**(26)**	**(54)**	**-**	**(327)**	**(131)**	**(637)**
NET PROFIT / (LOSS) BEFORE TAX	**1,438**	**702**	**281**	**614**	**5,552**	**(5,035)**	**3,552**

6 months ended 31 December 2018*

Reportable Segments	Drivetrain $'000	CERT Training $'000	Convair $'000	Total Momentum $'000	Gemco Rail $'000	All Other $'000	Group $'000
REVENUE							
External Revenue	24,978	5,383	7,947	14,708	31,040	3,974	88,030
Inter-Segment Revenue	76	26	-	10	29	2,595	2,736
TOTAL SEGMENT REVENUE	25,054	5,409	7,947	14,718	31,069	6,569	90,766
Reconciliation of segment revenue to Group revenue:							
Inter-segment eliminations	-	-	-	-	-	(2,736)	(2,736)
TOTAL GROUP REVENUE	25,054	5,409	7,947	14,718	31,069	3,833	88,030
SEGMENT EBITDA	3,305	750	757	2,064	5,238	(3,239)	8,875
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:							
Depreciation and amortisation	(198)	(33)	(145)	(16)	(1,227)	(292)	(1,911)
Finance Cost	(7)	(13)	(2)	-	(2)	(161)	(185)
NET PROFIT / (LOSS) BEFORE TAX	3,100	704	610	2,048	4,009	(3,692)	6,779

*The Group has initially applied AASB 16 from 1 July 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognised $17,362,000 of right-of-use assets and $18,499,000 of lease liabilities from those lease contracts. The assets and liabilities are included in segment assets/liabilities as at 31 December 2019. The Group has applied AASB 16 using the modified retrospective approach, under which comparative information is not restated (see Note 1).

Note 2 - Operating Segments (cont'd)

II. Segment Assets

As at 31 December 2019

Reportable Segments	Drivetrain $'000	CERT Training $'000	Convair $'000	Total Momentum $'000	Gemco Rail $'000	All Other $'000	Group $'000
ASSETS							
Segment assets (excl. capital expenditure, investments and intangibles)	**37,961**	**10,677**	**15,633**	**6,793**	**51,752**	**(5,014)**	**117,802**
Capital expenditure	**69**	**10**	**100**	**-**	**6,367**	**145**	**6,691**
Intangibles	**-**	**-**	**-**	**-**	**-**	**167**	**167**
Reconciliation of segment assets to Group assets:							
Segment eliminations	**-**	**-**	**-**	**-**	**-**	**-**	**(4,687)**
Unallocated items:							
Deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**	**8,639**
TOTAL ASSETS	**38,030**	**10,687**	**15,733**	**6,793**	**58,119**	**(4,702)**	**128,612**

As at 30 June 2019*

Reportable Segments	Drivetrain $'000	CERT Training $'000	Convair $'000	Total Momentum $'000	Gemco Rail $'000	All Other $'000	Group $'000
ASSETS							
Segment assets (excl. capital expenditure, investments and intangibles)	38,689	9,678	13,905	6,150	35,612	2,770	106,804
Capital expenditure	82	187	369	-	1,801	528	2,967
Intangibles	-	-	-	-	-	200	200
Reconciliation of segment assets to Group assets:							
Segment eliminations	-	-	-	-	-	-	(5,395)
Unallocated items:							
Deferred tax assets	-	-	-	-	-	-	7,366
TOTAL ASSETS	38,771	9,865	14,274	6,150	37,413	3,498	111,942

*The Group has initially applied AASB 16 from 1 July 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognised $17,362,000 of right-of-use assets and $18,499,000 of lease liabilities from those lease contracts. The assets and liabilities are included in segment assets/liabilities as at 31 December 2019. The Group has applied AASB 16 using the modified retrospective approach, under which comparative information is not restated (see Note 1).

Note 2 - Operating Segments (cont'd)

III. Segment Liabilities

As at 31 December 2019

Reportable Segments	Drivetrain $'000	CERT Training $'000	Convair $'000	Total Momentum $'000	Gemco Rail $'000	All Other $'000	Group $'000
LIABILITIES							
Segment liabilities	**49,624**	**1,720**	**9,455**	**1,672**	**97,484**	**(107,240)**	**52,715**
Reconciliation of segment liabilities to Group liabilities:							
Segment eliminations	**-**	**-**	**-**	**-**	**-**	**-**	**(4,687)**
Unallocated items:							
Deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**551**
TOTAL LIABILITIES	**49,624**	**1,720**	**9,455**	**1,672**	**97,484**	**(107,240)**	**48,579**

As at 30 June 2019*

Reportable Segments	Drivetrain $'000	CERT Training $'000	Convair $'000	Total Momentum $'000	Gemco Rail $'000	All Other $'000	Group $'000
LIABILITIES							
Segment liabilities	49,359	1,047	2,529	835	76,247	(97,301)	32,715
Reconciliation of segment liabilities to Group liabilities:							
Segment eliminations	-	-	-	-	-	-	(5,395)
Unallocated items:							
Deferred tax liabilities	-	-	-	-	-	-	547
TOTAL LIABILITIES	49,359	1,047	2,529	835	76,247	(97,301)	27,867

*The Group has initially applied AASB 16 from 1 July 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognised $17,362,000 of right-of-use assets and $18,499,000 of lease liabilities from those lease contracts. The assets and liabilities are included in segment assets/liabilities as at 31 December 2019. The Group has applied AASB 16 using the modified retrospective approach, under which comparative information is not restated (see Note 1).

Note 3 – Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Revenue Recognition	**Group 31 Dec 19 $'000**	Group 31 Dec 18 $'000
Sale of Goods	Point in time	**24,198**	26,506
Rendering of Services	Over time	**21,277**	27,049
Construction Contracts	Over time	**37,262**	27,922
RTO Training	Point in time	**5,654**	5,409
Lease Rental Income	Over time	**519**	1,144
TOTAL SALES REVENUE		**88,910**	88,030

Note 4 – 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 2019 was 1.0% (for the six months ended 31 December 2018: 4.0%). The effective tax rate materially differs to actual tax rates due to no tax expense being recognised in respect to Australian subsidiaries (due to carry-forward tax losses).

Note 5 – Earnings Per Share

	Group 31 Dec 19 $'000	Group 31 Dec 18 $'000
a) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS		
Profit / (loss) for the period	**3,517**	6,510
(Profit) / loss for the period, attributable to non-controlling interest	**-**	-
Earnings used to calculate basic EPS	**3,517**	6,510
Earnings used in the calculation of dilutive EPS	**3,517**	6,510
b) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS		
Profit / (loss) for the period from continuing operations	**3,517**	6,510
(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	**3,517**	6,510
Earnings used in the calculation of dilutive EPS continuing operations	**3,517**	6,510
	No. '000	No. '000
c) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE HALF YEAR USED IN CALCULATING BASIC EPS	**313,381**	313,381
Weighted average number of options outstanding	**-**	-
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	**313,381**	313,381

Note 6 – 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 2019 is $1,166,687 (June 2019: $1,424,516).

Other than the above, there has been no material change in contingent liabilities since the 2019 Annual Report.

Note 7 – Issued Capital

	Group 31 Dec 19 $'000	Group 30 Jun 19 $'000
313,380,943 (30 June 2019: 313,380,943) fully paid ordinary shares	**302,719**	302,719
	302,719	302,719

Ordinary Shares

For the six months ended 31 December	**31 Dec 19 No.**	30 Jun 19 No.
At beginning of reporting period	**313,380,943**	313,380,943
At reporting date	**313,380,943**	313,380,943

Note 8 – 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 year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

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	
		31 Dec 19	31 Dec 18	**31 Dec 19**	30 Jun 19
Related Party	**Director**	**$**	$	**$**	$
Elph Pty Ltd[1]	V De Santis/ D Elphinstone	**-**	(91,135)	**-**	-
Elphinstone Group (Aust) Pty Ltd[2]	V De Santis/ D Elphinstone	**(150,183)**	(222,131)	**(8,030)**	(8,030)
William Adams Pty Ltd[3]	V De Santis/ D Elphinstone	**(1,211)**	(1,575)	**-**	(1,738)
United Equipment Pty Ltd[4]	D Elphinstone	**(169,449)**	(204,606)	**(34,650)**	(12,534)
Southern Prospect Pty Ltd[5]	D Elphinstone	**3,234**	36,227	**11,063**	9,526
Elphinstone Pty Ltd[6]	D Elphinstone	**684,640**	1,409,101	**(257,364)**	329,021
Energy Power Systems Pty Ltd[7]	D Elphinstone	**-**	-	**(2,603)**	-

[1] Line fees were incurred and paid to Elph Pty Ltd during the previous period in relation to the related party funding facility with the Group. Dale Elphinstone is a director and the Chairman of this entity. Vincent De Santis was also a director of Elph Pty Ltd during the previous period, resigning 21 December 2018.

[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. Dale Elphinstone is Chairman of this entity. Vincent De Santis was also a director of Elphinstone Group (Aust) Pty Ltd during the previous period, resigning 21 December 2018.

[3] Goods were purchased from and sold to William Adams Pty Ltd during the period. Dale Elphinstone is the Chairman and a director. Vincent De Santis was also a director of this entity during the previous period, resigning 21 December 2018.

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

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

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

[7] Goods were purchased from Energy Power Systems Pty Ltd during the period. Dale Elphinstone is an alternate director of this entity.

Note 9 – Events Subsequent to Reporting Date

On 20 February 2020, the Board resolved to declare an interim dividend of 0.5 cents per share (fully franked). Payment of the dividend to shareholders will take place on 20 March 2020.

Other than the above, there has not arisen, in the interval between 31 December 2019 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 2019.

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Non-Executive Chairman

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BCom, MAICD
Managing Director & CEO

Dale Elphinstone AO
FAICD
Non-Executive Director

Alison von Bibra
BSc, MBA
Independent Non-Executive Director

Ross Dunning AC
BE(Hons), BCom, FIE Aust, FIRSE, RPEQ
Independent Non-Executive Director

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