



APPENDIX 4D & INTERIM REPORT

31 December 2023

Lodged with the ASX Listing Rule 4.2A.3.

This information should be read in conjunction with the 30 June 2023 Annual Report.

Half-Year Ended 31 December 2023

Results for Announcement to the Market

	Up/Down	Change (%)	31 Dec 23 \$'000	31 Dec 22 \$'000
Revenue for the period	UP	8.2%	108,311	100,085
Net profit after tax for the period	UP	206.4%	1,478	(1,389)
Total net profit after tax for the period attributable to members	UP	206.4%	1,478	(1,389)
			Amount per security Cents	Franked amount per security Cents
Dividends				
2023 Final Dividend (paid on 28 September 2023)			0.5	-
Net Tangible Assets			31 Dec 23	31 Dec 22
Net tangible assets per ordinary share			\$0.26	\$0.23

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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 2023 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 2023 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 (Independent Non-Executive Director / Chairman)	Full period
Dale Elphinstone (Non-Executive Director)	Full period
Scott Cameron (Independent Non-Executive Director)	Full period
Kelly Elphinstone (Non-Executive Director)	Full period
Alison von Bibra (Independent Non-Executive Director)	Resigned 18 September 2023
Dean Draper (Managing Director & CEO)	Appointed 18 September 2023

Review of Operations

The Group reported a first half net profit before tax of \$1,998,000 (H1 FY23: net loss before tax \$201,000). Earnings before interest and tax (EBIT) were \$3,175,000, up from \$516,000 in the prior comparative period.

Revenue increased to \$108,311,000 from \$100,085,000 in the prior comparative period as the Group benefited from a strong demand for power and propulsion and rail services. The Group's continued focus on better understanding and strengthening its value proposition to customers has been the driver of revenue and margin growth and ultimately improving financial outcomes.

Key performance measures are provided in the following table:

	H1 2024 \$'000	H1 2023 \$'000
Revenue	108,311	100,085
EBIT ¹	3,175	516
EBIT excluding significant items ²	3,175	(860)
NPBT ³	1,998	(201)
NPBT excluding significant items ²	1,998	(1,577)
NPAT ⁴	1,478	(1,389)
NPAT excluding significant items ²	1,478	(2,765)

¹ EBIT is earnings before finance cost and income tax expense.

² Significant items include the insurance proceeds received in relation to the FY2022 impairment of property, plant and equipment following the flooding event at the Gemco Gladstone site of \$1,376,000 received in FY2023.

³ NPBT is net profit before income tax.

⁴ NPAT is net profit after income tax.

Note – EBIT is a 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.

Drivetrain's commitment to the continual improvement of its workshop technical capabilities and investment in existing and new branches continued to win customers' confidence.

Although the Convair business increased throughput, it was unable to pass on all increased freight costs and adverse foreign exchange movements. The financial results for Convair were unsatisfactory. Hedemora's revenue grew, supported by strong underlying demand for spare parts.

The rail business, Gemco Rail, over the period of the last financial year benefited from a strong one-off sale to a large customer. Gemco Rail has been successful in securing new repeatable business, holding revenue steady and delivering margin improvement. This is a positive outcome. Previously announced wagon builds are in-hand with deliveries likely to commence in FY2025 due to extensive design and prototype development with customers.

The reduction in revenue for Workforce Solutions can primarily be attributed to previously flagged changes in the Momentum business with the exit from unprofitable segments. Revenue in CERT was also slightly down whilst Eureka showed modest revenue growth.

Inventory management enhancements to reduce carrying costs and optimise cashflow progressed, however the need for vigilance and continued execution are well recognised. Focus on the Group's cost structure continues with gains being realised in procurement, improved productivity and discretionary expenditure.

Reportable Segments*	H1 2024 Revenue \$'000	H1 2023 Revenue \$'000	H1 2024 NPBT \$'000	H1 2023 NPBT \$'000
Gemco Rail	47,536	47,939	4,168	6,349
Drivetrain	31,035	28,587	3,906	619
Convair Engineering	16,014	10,374	841	861
Workforce Solutions	9,762	12,288	506	(382)

*Excludes "All Other" segment

Power and Propulsion

Drivetrain, the leading supplier of technical products and services to the mining, energy, transport and defence industries, continued its revenue growth and increased margins, benefiting from close relationships with customers and strong demand, particularly from the mining sector.

Convair Engineering designs and manufactures tankers for the transportation of dry bulk products by road and rail. While revenue increased, the Group was unable to mitigate the higher costs experienced shipping Feldbinder aluminium tankers from Europe. Convair maintains a very strong order book and is continuing to negotiate with customers to cover increased transportation and foreign exchange costs.

Hedemora Turbo and Diesel, the original manufacturer of Hedemora turbochargers and diesel engines, experienced strong demand for spare parts, diesel repairs and turbocharger reconditioning. In H2 FY2024, a HS7800 turbocharger will be installed on a locomotive for Canadian Pacific. This is a significant milestone in the Groups efforts to expand the presence of Hedemora in the North American market. Support for the Collins Class submarine program is continuing.

Rail

Gemco Rail is the leading independent provider of rollingstock maintenance, products, and services to the Australian and New Zealand rail markets. In addition to the previously announced wagon contracts, Gemco has secured a further wagon manufacturing contract which is expected to advance in the second half. The new wagon maintenance facility in Altona, Victoria commenced operations, and capacity in Newcastle has been expanded with an additional facility in Rutherford. Progress with establishing a new facility in Karratha in Western Australia is positive.

Workforce Solutions

Workforce Solutions, which provides training and employment opportunities to the Australian rail and transportation industries, continued to roll out its revised business model, realigning product and service offerings.

During H1 FY2024, CERT Training became aware that possibly compromised on-job-training workbooks had been supplied for some of its ARTC Safeworking courses. A review concluded that there were incidents where workbook evidence for on-job training supplied to CERT Training had been compromised. The incidents related to a single employer. The Group continues to work with ARTC on remediation steps, including reviewing the compliance framework for CERT Training. In addition, the continued refinement of the business model for Momentum and reduced demand from rail customers will impact performance in H2 FY2024.

People and Safety

As part of the ongoing strategy to ensure depth and quality of leadership, the Group bolstered its executive leadership team. Comprising the permanent appointment of the Chief Financial Officer in September, and the appointment of a new Executive General Manager – Workforce Solutions in November.

The health, safety and wellbeing of Engenco's people remains the number one priority of the Group. Throughout H1 FY2024 the continued integration of the new WHS Management System, 'Skytrust', to replace the previously segregated WHS processes. Compliance remains a priority while maintaining ISO 45001 OH&S Management System accreditation at the Group's six major sites and preparing the new Rutherford NSW site for certification in H2 FY2024. The lost time injury frequency rate (LTIFR) reduced from 4.18 incidents per million hours in July 2023 to zero incidents in November 2023 and remains at zero.

Balance Sheet and Cashflow

Net operating cash flow was \$7,370,000, up from \$2,190,000 and includes proceeds from a Western Australian Government grant of \$3,500,000. The increase reflects higher revenue, improved margins and reduced working capital requirements. Engenco's \$20,000,000 banking facility was drawn to \$13,000,000 at 31 December 2023, with the group also holding \$8,480,000 cash on hand at this date.

Outlook

The Group continues its journey to realise the potential of its platforms, and there is much to do to deliver consistently strong returns for shareholders. Work to strengthen operational performance is progressing well. While conscious of the changing macroeconomic environment characterised by interest rate rises, high inflation and an ongoing shortage of skilled staff, the Group remains cautiously optimistic of continued growth. The Group anticipates material improvement over the financial year compared to FY2023 and that performance in the second half of FY2024 will be stronger than the first half.

Drivetrain is expanding its service platform to support its customers and is preparing to open a new branch at Mount Isa, Queensland to service existing and potential new demand during the second half and explore opportunities to increase capacity in Newcastle. Convair maintains a strong forward order book, and the Group is encouraged by the progress that Hedemora has made in North America.

Revenue for Gemco Rail is expected to be similar in the second half. The new wagon contract secured by Gemco Rail is expected to commence in the fourth quarter. The timeframe for delivery for 20 specialised freight rail wagons is expected to be deferred to FY2025. Separately, while progress continues on the final concept designs for the wagon contract with Rio Tinto, Gemco Rail has secured a new property at Karratha, with operations expected to commence in FY2025.

Optimisation of the Workforce Solutions businesses is continuing as the business introduces a revised strategy and strengthens lines of business.

The Group continues to work to strengthen margins and exercise disciplined cost management, with clear opportunities for growth identified across all activities.

Dividend

Since the end of the previous financial year, the Board resolved to declare a final unfranked dividend of 0.5 cents per ordinary share on 31 August 2023, and subsequently paid this dividend on 28 September 2023.

Events Subsequent to Reporting Date

On 21 December 2023, the Group entered into an agreement to purchase a new property in Karratha, Western Australia for \$4,250,000. The purchase was completed on 19 February 2024 and was funded through a property loan with the National Australia Bank with a term of four years.

Other than the above, there has not arisen, in the interval between 31 December 2023 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 2023.

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 2023.

Signed in accordance with a resolution of the Directors.



Vincent De Santis

Chairman

Dated at Melbourne this 22nd day of February 2024.

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 24, 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 2023 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 2024.

Lead Auditor's Independence Declaration



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Auditor's Independence Declaration

To the Directors of Engenco Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Engenco Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson

M J Climpson
Partner – Audit & Assurance
Melbourne, 22 February 2024

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Independent Auditor's Report



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Independent Auditor's Review Report

To the Members of Engenco Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Engenco Limited (the Group) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2023, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Engenco Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report (cont'd)

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year 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 half-year 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 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance
Melbourne, 22 February 2024

Grant Thornton Audit Pty Ltd

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2023

	Note	Group 31 Dec 23 \$'000	Group 31 Dec 22 \$'000
Revenue	3	108,311	100,085
Other income	3	1,329	2,408
Changes in inventories of finished goods and work in progress		2,140	4,918
Impairment of inventory		(189)	(2,043)
Raw materials and consumables used		(56,904)	(54,474)
Employee benefits expense		(35,099)	(35,379)
Depreciation and amortisation expense		(4,496)	(3,862)
Finance costs		(1,177)	(717)
Subcontract freight		(1,157)	(1,302)
Repairs and maintenance		(1,247)	(1,060)
Insurances		(794)	(822)
Rent and outgoings		(1,703)	(1,574)
Foreign exchange movements		(481)	(171)
Computer expenses		(1,302)	(1,134)
Other expenses		(5,233)	(5,074)
PROFIT / (LOSS) BEFORE INCOME TAX		1,998	(201)
Income tax expense		(520)	(1,188)
TOTAL PROFIT / (LOSS) FOR THE PERIOD		1,478	(1,389)
<i>Profit / (Loss) attributable to:</i>			
Owners of the Company		1,478	(1,389)
Non-controlling interest		-	-
TOTAL PROFIT / (LOSS) FOR THE PERIOD		1,478	(1,389)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit:</i>			
Exchange differences on translation of overseas subsidiaries		670	(34)
Cash flow hedging loss for the period		(255)	-
Other comprehensive income for the period, net of tax		415	(34)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,893	(1,423)
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		1,893	(1,423)
Non-controlling interest		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,893	(1,423)
EARNINGS PER SHARE		Cents	Cents
Basic & Diluted earnings per share (cents per share)	5	0.47	(0.44)

The condensed notes on pages 14 to 24 are in integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 December 2023

	Note	Group 31 Dec 23 \$'000	Group 30 Jun 23 \$'000
CURRENT ASSETS			
Cash and cash equivalents		8,480	8,478
Trade and other receivables		38,068	38,296
Contract assets	3	8,301	6,962
Inventories		61,561	59,617
Current tax assets		-	30
Other current assets		2,481	2,103
TOTAL CURRENT ASSETS		118,891	115,486
NON-CURRENT ASSETS			
Property, plant, and equipment		23,110	22,174
Right-of-use assets		19,470	16,279
Deferred tax assets		16,687	17,378
Intangible assets		3,315	3,407
TOTAL NON-CURRENT ASSETS		62,582	59,238
TOTAL ASSETS		181,473	174,724
CURRENT LIABILITIES			
Trade and other payables		26,986	29,677
Financial liabilities		255	-
Contract liabilities	3	11,100	5,176
Current tax liabilities		2	-
Lease liabilities		5,195	4,489
Short-term borrowings	6	13,000	13,000
Provisions		9,114	9,405
TOTAL CURRENT LIABILITIES		65,652	61,747
NON-CURRENT LIABILITIES			
Lease liabilities		15,658	13,260
Provisions		4,944	4,589
Deferred tax liabilities		49	336
TOTAL NON-CURRENT LIABILITIES		20,651	18,185
TOTAL LIABILITIES		86,303	79,932
NET ASSETS		95,170	94,792
EQUITY			
Issued capital	8	303,951	303,900
Reserves		(179)	(594)
Profit reserve		16,856	16,944
Accumulated losses		(219,629)	(219,629)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		100,999	100,621
Non-controlling interest		(5,829)	(5,829)
TOTAL EQUITY		95,170	94,792

The condensed notes on pages 14 to 24 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 2023

	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 2022	303,834	(219,629)	15,217	(462)	98,960	(5,829)	93,131
COMPREHENSIVE INCOME							
Loss for the period	-	(1,389)	-	-	(1,389)	-	(1,389)
Other comprehensive income	-	-	-	(34)	(34)	-	(34)
TOTAL COMPREHENSIVE INCOME	-	(1,389)	-	(34)	(1,423)	-	(1,423)
TRANSACTIONS WITH OWNERS OF THE COMPANY							
Contributions and Distributions:							
Employee share purchase plan	66	-	-	-	66	-	66
Dividends paid	-	-	(4,717)	-	(4,717)	-	(4,717)
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY	66	-	(4,717)	-	(4,651)	-	(4,651)
BALANCE AT 31 DECEMBER 2022	303,900	(221,018)	10,500	(496)	92,886	(5,829)	87,057

	Issued Capital \$'000	Accumulated Losses \$'000	Profit Reserve \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Sub-Total \$'000	Non- Controlling Interest \$'000	Total Equity \$'000
BALANCE AT 1 JULY 2023	303,900	(219,629)	16,944	-	(594)	100,621	(5,829)	94,792
COMPREHENSIVE INCOME								
Profit for the period	-	-	1,478	-	-	1,478	-	1,478
Other comprehensive income	-	-	-	-	670	670	-	670
Hedging loss for the period	-	-	-	(255)	-	(255)	-	(255)
TOTAL COMPREHENSIVE INCOME	-	-	1,478	(255)	670	1,893	-	1,893
TRANSACTIONS WITH OWNERS OF THE COMPANY								
Contributions and Distributions:								
Employee share purchase plan	51	-	-	-	-	51	-	51
Dividends paid	-	-	(1,566)	-	-	(1,566)	-	(1,566)
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY	51	-	(1,566)	-	-	(1,515)	-	(1,515)
BALANCE AT 31 DECEMBER 2023	303,951	(219,629)	16,856	(255)	76	100,999	(5,829)	95,170

The condensed notes on pages 14 to 24 are in integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2023

	Group 31 Dec 23 \$'000	Group 31 Dec 22 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	119,431	109,024
Receipt from government grant*	3,500	-
Payments to suppliers and employees	(115,008)	(106,644)
Interest received	80	-
Finance costs	(549)	(236)
Income tax paid	(84)	(35)
NET CASH FROM OPERATING ACTIVITIES	7,370	2,109
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	70	57
Purchase of non-current assets	(2,679)	(977)
NET CASH USED IN INVESTING ACTIVITIES	(2,609)	(920)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,566)	(4,717)
Proceeds from borrowings	2,000	10,000
Repayment of borrowings	(2,000)	-
Payments of lease liabilities	(3,193)	(2,792)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(4,759)	2,491
Net increase in cash and cash equivalents	2	3,680
Cash (net of bank overdrafts) at beginning of period	8,478	4,746
CASH (NET OF BANK OVERDRAFTS) AT 31 DECEMBER	8,480	8,426

* Engenco's business unit Gemco Rail is partnering with Rio Tinto Limited to bring local iron ore rail car manufacturing and bearing maintenance to the Pilbara region, Western Australia. Under the partnership, Gemco Rail will establish a facility in Karratha, Western Australia to support Rio Tinto's Pilbara operations. Establishment of the facility in Karratha has the support of the Western Australia Government and cash flow from operating activities in the period includes proceeds from a Western Australian Government grant of \$3,500,000. The grant is to be used to fund future capital expenditure directly related to establishing the facility in Karratha. The Government grant has not been included in the profit and loss in the period.

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 \$27,129,253 (31 Dec 2022: \$15,930,538) against cash and cash equivalents of \$29,748,828 (31 Dec 2022: \$20,976,554) resulting in a net NAB facility cash position of \$2,619,575 (31 Dec 2022: \$5,046,016) 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.

The condensed notes on pages 14 to 24 are in integral part of these condensed consolidated interim financial statements.

Note 1 – Significant Accounting Policies

for the half year ended 31 December 2023

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 2023 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 2023 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 2023.

These interim financial statements were authorised for issue by the Company’s Board of Directors on 22 February 2024.

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 2023, 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 2023.

The first six months of FY2024 has seen significant changes in economic factors that have affected all businesses in Australia, including the Group. The impact of rising interest rates, heightened inflation and low unemployment features in most discussions with management with a focus on passing on costs where possible and ensuring the Group’s ordinary business activities are not compromised. This area of concern will continue to receive the necessary attention to ensure that all financial risks are mitigated and sound communications continue between all relevant stakeholders.

Going Concern

The interim financial statements have been prepared on a going concern basis, which contemplates the continuity of 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)

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:

- *Definition of Accounting Estimates* (Amendments to IAS 8)
- *Disclosure Initiative: Accounting Policies* (Amendments to IAS 1)
- *Insurance Contracts* (Amendments to AASB 17)
- *Classification of Liabilities as Current or Non-Current* (Amendment to AASB 101)
- *IFRIC Agenda Decision: Classification of debt with covenant as current or non-current*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12)

Standards issued but not yet effective

Other Accounting Standards

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

- *Supplier Finance Arrangements* (Amendments to AASB 107 and AASB 7)
- *Lease liability in a sale-and leaseback* (Amendments to AASB 16)
- *Lack of Exchangeability* (Amendments to AASB 121)

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 four (4) reportable segments as follows:

a) 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 wheelset, 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.

b) 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.

c) 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.

d) Workforce Solutions

Workforce Solutions is Engenco's people focused business, providing training and labour hire under the brands of Centre for Excellence in Rail Training (CERT Training), Total Momentum and Eureka 4WD Training.

e) 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 2023

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Workforce Solutions \$'000	All Other \$'000	Group \$'000
REVENUE						
External revenue	47,535	16,014	30,964	9,649	4,069	108,231
Inter-segment revenue	1	-	71	113	744	929
Interest revenue	-	-	-	-	80	80
TOTAL SEGMENT REVENUE	47,536	16,014	31,035	9,762	4,893	109,240
Reconciliation of segment revenue to Group revenue:						
Inter-segment eliminations	-	-	-	-	(929)	(929)
TOTAL GROUP REVENUE	47,536	16,014	31,035	9,762	3,964	108,311
SEGMENT EBITDA	7,412	1,116	4,527	992	(6,376)	7,671
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:						
Depreciation and amortisation	(2,845)	(242)	(534)	(434)	(441)	(4,496)
Finance cost	(399)	(33)	(87)	(52)	(606)	(1,177)
NET PROFIT / (LOSS) BEFORE TAX	4,168	841	3,906	506	(7,423)	1,998

6 months ended 31 December 2022

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Workforce Solutions \$'000	All Other \$'000	Group \$'000
REVENUE						
External revenue	47,849	10,374	28,558	11,976	1,328	100,085
Inter-segment revenue	90	-	29	312	748	1,179
TOTAL SEGMENT REVENUE	47,939	10,374	28,587	12,288	2,076	101,264
Reconciliation of segment revenue to Group revenue:						
Inter-segment eliminations	-	-	-	-	(1,179)	(1,179)
TOTAL GROUP REVENUE	47,939	10,374	28,587	12,288	897	100,085
SEGMENT EBITDA	9,028	1,129	1,156	83	(7,018)	4,378
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:						
Depreciation and amortisation	(2,382)	(229)	(458)	(415)	(378)	(3,862)
Finance cost	(297)	(39)	(79)	(50)	(252)	(717)
NET PROFIT / (LOSS) BEFORE TAX	6,349	861	619	(382)	(7,648)	(201)

Note 2 - Operating Segments (cont'd)

II. Segment Assets

As at 31 December 2023

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Workforce Solutions \$'000	All Other \$'000	Group \$'000
ASSETS						
Segment assets (excl. capital expenditure, investments, and intangibles)	81,360	16,689	49,904	14,281	1,268	163,502
Capital expenditure	1,641	147	60	-	359	2,207
Intangibles	-	-	-	556	2,759	3,315
Reconciliation of segment assets to Group assets:						
Segment eliminations	-	-	-	-	-	(4,238)
Unallocated items:						
Deferred tax assets	-	-	-	-	-	16,687
TOTAL ASSETS	83,001	16,836	49,964	14,837	4,386	181,473

As at 30 June 2023

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Workforce Solutions \$'000	All Other \$'000	Group \$'000
ASSETS						
Segment assets (excl. capital expenditure, investments, and intangibles)	75,122	13,229	46,107	14,050	7,671	156,179
Capital expenditure	1,780	233	398	49	189	2,649
Intangibles	-	-	-	618	2,789	3,407
Reconciliation of segment assets to Group assets:						
Segment eliminations	-	-	-	-	-	(4,889)
Unallocated items:						
Deferred tax assets	-	-	-	-	-	17,378
TOTAL ASSETS	76,902	13,462	46,505	14,717	10,649	174,724

Note 2 - Operating Segments (cont'd)

III. Segment Liabilities

As at 31 December 2023

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Workforce Solutions \$'000	All Other \$'000	Group \$'000
LIABILITIES						
Segment liabilities	70,736	14,645	56,113	8,634	(59,636)	90,492
Reconciliation of segment liabilities to Group liabilities:						
Segment eliminations	-	-	-	-	-	(4,238)
Unallocated items:						
Deferred tax liabilities	-	-	-	-	-	49
TOTAL LIABILITIES	70,736	14,645	56,113	8,634	(59,636)	86,303

As at 30 June 2023

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Workforce Solutions \$'000	All Other \$'000	Group \$'000
LIABILITIES						
Segment liabilities	65,623	11,058	54,580	8,352	(55,128)	84,485
Reconciliation of segment liabilities to Group liabilities:						
Segment eliminations	-	-	-	-	-	(4,889)
Unallocated items:						
Deferred tax liabilities	-	-	-	-	-	336
TOTAL LIABILITIES	65,623	11,058	54,580	8,352	(55,128)	79,932

Note 3 – Revenue and Other Income

	Group 31 Dec 23 \$'000	Group 31 Dec 22 \$'000
REVENUE		
Sales of goods and services	107,982	99,817
Lease rental income	329	268
TOTAL REVENUE	108,311	100,085
OTHER INCOME		
Gain on disposal of property, plant and equipment	55	129
Other gains	1,274	2,279
TOTAL OTHER INCOME	1,329	2,408

During the prior period the Group received insurance proceeds of \$1,589,000 relating to the open insurance claim for Gemco Rail's Gladstone workshop which was subject to a severe flood event that impacted the Northeast Coast of Australia in 2022 (see Note 7: Contingent Assets and Liabilities).

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

	Revenue Recognition	Group 31 Dec 23 \$'000	Group 31 Dec 22 \$'000
Sale of goods	Point in time	26,397	23,106
Rendering of services	Over time	26,191	24,465
Maintenance and construction contracts	Over time	50,045	46,898
RTO training	Point in time	5,349	5,348
Lease rental income	Over time	329	268
TOTAL SALES REVENUE		108,311	100,085

Contract Assets and Liabilities

Contract assets are recognised as the right to consideration in exchange for work completed on maintenance and construction contracts and services rendered but not billed on the reporting date. Contract liabilities are recognised when the Group has an obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

	Group 31 Dec 23 \$'000	Group 30 Jun 23 \$'000
Contract assets	8,301	6,962
Contract liabilities	11,100	5,176

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 2023 was 26.0%.

Note 5 – Earnings Per Share

	Group 31 Dec 23 \$'000	Group 31 Dec 22 \$'000
a) RECONCILIATION OF EARNINGS TO PROFIT / (LOSS)		
Profit / (Loss) for the period	1,478	(1,389)
(Profit) / Loss for the period, attributable to non-controlling interest	-	-
Earnings used to calculate basic EPS	1,478	(1,389)
Earnings used in the calculation of dilutive EPS	1,478	(1,389)
b) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE HALF YEAR USED IN CALCULATING BASIC EPS	No. '000	No. '000
	315,793	315,585
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	315,793	315,585

Note 6 – Borrowings

	Group 31 Dec 23 \$'000	Group 30 Jun 23 \$'000
CURRENT		
<i>Secured Liabilities:</i>		
Short-term borrowings	(13,000)	(13,000)
	(13,000)	(13,000)

Bank facility

The bank facility with the National Australia Bank (NAB) is comprised of a \$20,000,000 Revolving Credit Facility, \$6,000,000 Bank Guarantee Facility, and \$600,000 Credit Card Facility. These facilities are secured against the Australian assets of the Group. The revolving credit facility expires on 31 October 2024, with the other facilities renewed annually.

Note 7 – Contingent Assets and Liabilities

In March 2022, Gemco Rail's Gladstone workshop was subject to a severe flood event that impacted the Northeast Coast of Australia. This event caused business disruption and destroyed the then recently commissioned Under Floor Wheel Lathe, which had been subject to a \$1,649,000 impairment in the 2022 statutory financial results. The Group maintains insurance for flood events at all facilities, and at the time of the December 2022 interim accounts being published, the insurance claim for the impaired asset and associated business interruption had been lodged with the Group's insurer and partially processed with \$1,589,000 recognised against Other Income (see Note 3: Revenue and Other Income) during the 2023 financial year. Dialogue for claims for abandoned infrastructure and business interruption remain ongoing, and the amounts cannot be reasonably measured or quantified at 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 2023 is \$2,378,163 (June 2023: \$2,543,521).

Other than the above, there has been no material change in contingent liabilities since the 2023 Annual Report.

Note 8 – Issued Capital

	Group 31 Dec 23 \$'000	Group 30 Jun 23 \$'000
315,793,413 (30 June 2023: 315,650,256) fully paid ordinary shares	303,951	303,900
	303,951	303,900

Ordinary Shares

For the six months ended 31 December	31 Dec 23 No.	30 Jun 23 No.
At beginning of reporting period	315,650,256	315,495,882
Employee share purchase plan	143,157	154,374
At reporting date	315,793,413	315,650,256

Employee Share Purchase Plan (ESPP)

The value of shares issued under the ESPP that was recognised during the period, and any amounts of consideration by eligible participants at balance sheet date was \$51,000 (December 2023: \$66,000).

Note 9 – 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:

Related Party	Director	Revenue / (Cost) for the period ended		Receivable / (Payable) as at	
		31 Dec 23	31 Dec 22	31 Dec 23	30 Jun 23
		\$	\$	\$	\$
Elphinstone Group (Aust) Pty Ltd ¹	D Elphinstone / K Elphinstone	(209,402)	(64,649)	(26,837)	-
United Equipment Pty Ltd ²	D Elphinstone / K Elphinstone	40,317	(101,251)	77,085	51,139
Southern Prospect Pty Ltd ³	D Elphinstone / K Elphinstone	-	384	-	-
Elphinstone Pty Ltd ⁴	D Elphinstone / K Elphinstone	452,316	800,901	992	1,270,314
Gekko Systems Pty Ltd ⁵	K Elphinstone	22,772	37,433	6,532	16,181
William Adams Pty Ltd ⁶	D Elphinstone	13,382	-	-	-

¹ Director fees and travel expense reimbursements were paid to Elphinstone Group (Aust) Pty Ltd for the services of Dale Elphinstone (Non-Executive Director) and Kelly Elphinstone (Non-Executive Director). Dale Elphinstone is the Chairman of this entity. Kelly Elphinstone is also a director of this entity. The increased expenses during the period result from delayed invoices of costs from the previous period, which were previously accrued and therefore had no impact on the profit or loss for the current reporting period.

² Goods were purchased from and sold to United Equipment Pty Ltd during the period. Kelly Elphinstone is a Director (Chair) of this entity. Dale Elphinstone is also a director of this entity.

³ Goods were sold to Southern Prospect Pty Ltd during the previous period. Dale Elphinstone is the Chairman of this entity. Kelly Elphinstone is also a director of this entity.

⁴ Goods were sold to Elphinstone Pty Ltd during the period. Dale Elphinstone is a director and the Chairman of this entity. Kelly Elphinstone is also a director of this entity.

⁵ Goods were sold to Gekko Systems Pty Ltd during the period. Kelly Elphinstone is a director of this entity. Dale Elphinstone was also a director of this entity during the previous period.

⁶ Goods were sold to Williams Adams Pty Ltd during the period. Dale Elphinstone is a director of this entity.

Note 10 – Events Subsequent to Reporting Date

On 21 December 2023, the Group entered into an agreement to purchase a new property at Karratha, Western Australia for \$4,250,000. The purchase was completed on 19 February 2024 and funded through a property loan with the National Australia Bank with a term of four years.

Other than the above, there has not arisen, in the interval between 31 December 2023 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 2023.

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Independent Non-Executive Director

Kelly Elphinstone
Adv Dip Bus (Mktg), GAICD
Non-Executive Director

Dean Draper
MBA, BBus
Managing Director & Chief Executive Officer

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