



APPENDIX 4D & INTERIM REPORT

31 December 2020

Lodged with the ASX Listing Rule 4.2A.3.

This information should be read in conjunction with the 30 June 2020 Annual Report.

Half-Year Ended 31 December 2020

Results for Announcement to the Market

	Up/Down	Change (%)	31 Dec 20 \$'000	31 Dec 19 \$'000
Revenue for the period	↓	(2.9%)	86,423	88,960
Net profit after tax for the period	↑	51.2%	5,316	3,517
TOTAL NET PROFIT AFTER TAX FOR THE PERIOD ATTRIBUTABLE TO MEMBERS	↑	51.2%	5,316	3,517
			Amount per security Cents	Franked amount per security Cents
Dividends				
2020 Final dividend (paid 29 September 2020)			1.5	1.5
2021 Interim dividend			0.5	0.5
Dividend Distribution:				
Ex-date				4 March 2021
Record date				5 March 2021
Payment date				19 March 2021
Net Tangible Assets			31 Dec 20	31 Dec 19
Net tangible assets per ordinary share			\$0.23	\$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 2020 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 2020 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)	Retired on 18 November 2020
Scott Cameron (Independent Non-Executive Director)	Appointed on 18 August 2020

Review of Operations

The Group reported a first half net profit before tax (NPBT) of \$5,316,000 (H1 FY20: \$3,552,000). The increase reflects the Group's commitment to growing the quality and diversification of revenue streams as well as its ongoing expansion strategy. Earnings before interest and tax (EBIT) were \$6,085,000 (H1 FY20: \$4,189,000).

Revenue was \$86,423,000, down 2.9% (H1 FY20: \$88,960,000), due to lower cyclical demand for Gemco Rail's and Drivetrain's services. Net operating cash flow was \$11,233,000, up 97.6% (H1 FY20: \$5,686,000). At 31 December 2020, cash on hand was \$13,689,000.

Recognising the Group's sustained profitability and strong cash position, the directors have declared an interim dividend of 0.5 cents per share fully franked (H1 FY20: 0.5 cents), payable on 19 March 2021 to shareholders on the register at 4 March 2021.

Key performance measures are provided in the following table:

	H1 2021 \$'000	H1 2020 \$'000
Revenue	86,423	88,960
EBIT ¹	6,085	4,189
NPBT ²	5,316	3,552
NPAT ³	5,316	3,517
Dividend (cents per share) – fully franked	0.5	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 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.

To date, the Group has successfully navigated the difficult environment presented by the COVID-19 pandemic. Disruption to business units has been minimised and performance has held reasonably steady, helped by the majority of industries the Group serves continuing as essential services.

Gemco Rail performed well early in the first half but was impacted by lower demand from mining customers in November and December. This was largely due to the maintenance cycle of certain bearing and wheelshop customers, which we expect to improve in the second half.

Drivetrain started the half strongly. The impact of investments in people and facilities, lead to an improved profit result when compared to the prior corresponding period.

Expansion initiatives, such as Drivetrain's Adelaide workshop and a new facility in Kalgoorlie, are expected to drive growth in the second half alongside Gemco's Gladstone operation which is performing above expectations.

Reportable Segments*	H1 2021 Revenue \$'000	H1 2020 Revenue \$'000	H1 2021 NPBT \$'000	H1 2020 NPBT \$'000
Gemco Rail	39,160	43,161	5,008	5,552
Convair Engineering	9,920	7,647	1,110	281
Drivetrain	22,231	23,030	2,386	1,438
Total Momentum	7,644	7,260	1,449	614
CERT Training	4,671	5,590	1,366	702

*Excludes "All Other" segment

Rail and Road

Gemco Rail continued to expand into a more resilient business unit able to undertake larger, more complex and longer-term contracts. Last year, Gemco commenced operations at its Gladstone facility, focused on servicing tier-one customers on the East Coast and bulk freight operators in Central Queensland and, so far, these have exceeded expectations.

Convair Engineering recorded higher revenue due to the sale of imported tankers from Germany which were originally planned for H2 FY20, but were delayed due to COVID-19 restrictions, boosting revenue during the half. Orders from customers for steel tankers have nearly returned to pre-pandemic levels resulting in an increase in production in Victoria. The business continues to focus on improving production efficiency, developing high-quality innovative bulk transport equipment and evolving its highly efficient tanker designs.

Power and Propulsion

Drivetrain's performance is expected to increase in H2 as expansion plans progress. Activity in the Adelaide workshop is growing as planned and a new facility in Kalgoorlie is under development to capture business from the booming hard-rock mining industry. The Adelaide operation demonstrates Drivetrain's ability to undertake large scale projects for tier-one mining clients. With additional products and services added to Drivetrain's portfolio, the service-centre's footprint also serves to maximise business development opportunities.

Hedemora Turbo & Diesel continued its penetration into the turbocharger retrofit market, with customers responding positively to its HS Turbocharger technology, particularly in Eastern Europe. The COVID-19 pandemic impacted operations in Sweden and our ongoing investment in the USA. Impacts included supply chain disruptions from European partners, the inability to travel to customers for business development and to complete international projects in the Diesel business. Fortunately, orders placed before the pandemic have sustained the Hedemora business with new orders now being received supporting workshop production in H2.

Workforce Solutions

Demand for CERT Training's services rebounded as COVID-19 restrictions eased and students returned to the classroom. Online assessment channels have increased in popularity and CERT Training is aiming to increase its range of available courses and locations in order to grow revenue. The use of online technology in course delivery is expected to continue to increase.

Total Momentum's performance was stable as demand for rail freight services remained strong during the period. Growth in online shopping helped keep rail freight volumes buoyant, benefiting the unit which provides personnel services to the rail maintenance industry and augments operations staff for rail freight operators.

Outlook

A steady second half is anticipated despite the continuing uncertain environment and associated headwinds. Net profit before tax, inclusive of the gain from the sale of assets, is expected to be consistent with the first half, with continued investment in new capacity and facilities, such as Gemco Rail's Gladstone facility and Drivetrain's new operation in Kalgoorlie.

Full-year NPBT is expected to be broadly in line with FY20, however this will heavily depend on external pandemic-related factors such as the success and timing of the vaccine roll-out, further restrictions in movement across State borders, and the global recovery trajectory.

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 19 August 2020 and subsequently paid the dividend on 29 September 2020.

On 17 February 2021, 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 19 March 2021.

Events Subsequent to Reporting Date

On 1 January 2021, the sale of Tranche 4 (wagon assets classified as held for sale as at reporting date) of the asset sale agreement was executed and subsequently completed on 21 January 2021. On 17 February 2021, 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 19 March 2021.

Other than the above, there has not arisen, in the interval between 31 December 2020 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 2020.

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 2020.

Signed in accordance with a resolution of the Directors.



Vincent De Santis

Chairman

Dated at Melbourne this 18th day of February 2021.

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 23, 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 2020 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 18th day of February 2021.

Lead Auditors' Independence Declaration



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

To the Directors of Engenco Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Engenco Limited for the half-year ended 31 December 2020 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

A handwritten signature in black ink, appearing to read 'S Bell'.

Suzanne Bell
Partner

Melbourne
18 February 2021

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Independent Auditor's Report



Independent Auditor's Review Report

To the shareholders of Engenco Limited

Report on the Interim Financial Report

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Engenco Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2020 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:

- Condensed consolidated statement of financial position as at 31 December 2020;
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 10 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 2020.

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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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 gives a true and fair view and 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

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.

KPMG

KPMG

Suzanne Bell

Suzanne Bell
Partner

Melbourne
18 February 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2020

	Note	Group 31 Dec 20 \$'000	Group 31 Dec 19 \$'000
Revenue	3	86,423	88,960
Other income		2,134	832
Changes in inventories of finished goods and work in progress		59	862
Impairment of inventory		(449)	-
Raw materials and consumables used		(40,555)	(43,172)
Employee benefits expense		(31,024)	(31,522)
Depreciation and amortisation expense		(3,578)	(3,312)
Finance costs		(769)	(637)
Subcontract freight		(431)	(368)
Repairs and maintenance		(749)	(686)
Insurances		(558)	(656)
Rent and outgoings		(1,423)	(1,604)
Foreign exchange movements		(54)	(57)
Other expenses		(3,710)	(5,088)
PROFIT BEFORE INCOME TAX		5,316	3,552
Income tax benefit / (expense)	4	-	(35)
TOTAL PROFIT FOR THE PERIOD		5,316	3,517
<i>Profit attributable to:</i>			
Owners of the Company		5,316	3,517
Non-controlling interest		-	-
TOTAL PROFIT FOR THE PERIOD		5,316	3,517
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit:</i>			
Exchange difference on translation of overseas subsidiaries		100	56
Other comprehensive income for the period, net of tax		100	56
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,416	3,573
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		5,416	3,573
Non-controlling interest		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,416	3,573
EARNINGS PER SHARE		Cents	Cents
Basic & Diluted earnings per share (cents per share)	5	1.70	1.12

The condensed notes on pages 14 to 23 are in integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 December 2020

	Note	Group 31 Dec 20 \$'000	Group 30 Jun 20 \$'000
CURRENT ASSETS			
Cash and cash equivalents		13,689	14,447
Trade and other receivables		22,770	26,369
Contract assets		5,090	4,897
Inventories		41,453	41,843
Current tax assets		389	56
Financial assets		-	658
Assets held for sale	6	1,668	-
Other current assets		2,101	3,960
TOTAL CURRENT ASSETS		87,160	92,230
NON-CURRENT ASSETS			
Property, plant and equipment		20,311	18,834
Right-of-use assets		18,326	20,246
Deferred tax assets		12,177	12,159
Intangible assets		101	127
TOTAL NON-CURRENT ASSETS		50,915	51,369
TOTAL ASSETS		138,075	143,599
CURRENT LIABILITIES			
Trade and other payables		15,031	17,227
Contract liabilities		1,603	2,690
Financial liabilities		-	971
Lease liabilities		4,547	3,338
Provisions		7,664	7,876
TOTAL CURRENT LIABILITIES		28,845	32,102
NON-CURRENT LIABILITIES			
Lease liabilities		15,370	18,414
Provisions		4,042	4,042
Deferred tax liabilities		454	447
TOTAL NON-CURRENT LIABILITIES		19,866	22,903
TOTAL LIABILITIES		48,711	55,005
NET ASSETS		89,364	88,594
EQUITY			
Issued capital	8	302,774	302,719
Reserves		617	517
Profit reserve		10,780	10,165
Accumulated losses		(218,978)	(218,978)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		95,193	94,423
Non-controlling interest		(5,829)	(5,829)
TOTAL EQUITY		89,364	88,594

The condensed notes on pages 14 to 23 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 2020

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	-	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

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 2020	302,719	(218,978)	10,165	517	94,423	(5,829)	88,594
COMPREHENSIVE INCOME							
Profit	-	-	5,316	-	5,316	-	5,316
Other comprehensive income	-	-	-	100	100	-	100
TOTAL COMPREHENSIVE INCOME	-	-	5,316	100	5,416	-	5,416
TRANSACTIONS WITH OWNERS OF THE COMPANY							
Contributions and Distributions:							
Employee share purchase plan	55	-	-	-	55	-	55
Dividends paid	-	-	(4,701)	-	(4,701)	-	(4,701)
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY	55	-	(4,701)	-	(4,646)	-	(4,646)
BALANCE AT 31 DECEMBER 2020	302,774	(218,978)	10,780	617	95,193	(5,829)	89,364

The condensed notes on pages 14 to 23 are in integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2020

	Group 31 Dec 20 \$'000	Group 31 Dec 19 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	112,127	99,491
Payments to suppliers and employees	(100,366)	(93,479)
Finance costs	(188)	(148)
Interest received	4	50
Income tax paid	(344)	(228)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	11,233	5,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	176	899
Purchase of non-current assets	(4,757)	(7,088)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(4,581)	(6,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(4,701)	(4,701)
Payments of lease liabilities	(2,396)	(2,140)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(7,097)	(6,841)
Net increase / (decrease) in cash and cash equivalents	(445)	(7,344)
Cash (net of bank overdrafts) at beginning of period	14,134	23,408
CASH (NET OF BANK OVERDRAFTS) AT 31 DECEMBER	13,689	16,064

Reconciliation of Cash and Cash Equivalents

	Group 31 Dec 20 \$'000	Group 31 Dec 19 \$'000
<i>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:</i>		
Cash and cash equivalents	13,689	16,256
Bank overdrafts (disclosed in current 'Financial Liabilities')	-	(192)
	13,689	16,064

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 \$15,674,565 (31 Dec 2019: \$24,688,000) against cash and cash equivalents of \$24,334,986 (31 Dec 2019: \$31,517,000) resulting in a net NAB facility cash position of \$8,660,422 (31 Dec 2019: \$6,829,000) 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 2020 \$'000	Cash Flows \$'000	Non-Cash Changes \$'000	31 Dec 20 \$'000
Bank overdraft	(313)	-	313	-
Financial liabilities	(658)	-	658	-
TOTAL FINANCIAL LIABILITIES	(971)	-	686	-

The condensed notes on pages 14 to 23 are in integral part of these condensed consolidated interim financial statements.

Note 1 – Significant Accounting Policies

for the half year ended 31 December 2020

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 2020 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 2020 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 2020.

These interim financial statements were authorised for issue by the Company’s Board of Directors on 18 February 2021.

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 2020, 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 2020.

With regard to COVID-19 considerations, our judgements continue to be relevant to those disclosed for the year ended 30 June 2020 with the following updates.

- A number of COVID-19 vaccines have been approved in global markets and vaccinations for COVID-19 have commenced. It is expected that the vaccines will have a positive impact on global markets over the next 12 months.
- Our international operations in Sweden and the USA will continue to be impacted by local restrictions and impacts within the European Supply Chain.
- It is expected that States within Australia will continue to experience impacts from COVID-19 and operate with differing and changing degrees of COVID-19 impacts and restrictions and our diversity of operations across States will assist our operations as COVID-19 responses change.
- Many of the services the Group provides, and the industries serviced will continue to be considered essential services, in the event of localised COVID-19 outbreaks and these sites will continue to operate with strict COVID-19 safe plans in place.

Note 1 – Significant Accounting Policies (cont'd)

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.

Share Based Payments

The Group operates an employee share purchase plan that allows staff members, based on the Plan rules, to purchase Engenco shares on a pre-tax basis and at a 5% market discount. The value of the 5% discount benefit to which employees become entitled is measured at grant date and recognised as an expense over the minimum holding period, with a corresponding increase to an equity account. The shares are valued at the volume-weighted average price of the Company's shares traded on the Australian Securities Exchange during the five business days immediately preceding the day the shares are issued.

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:

- *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)*
- *Interest Rate Benchmark – Reform (Amendments to AASB 9, AASB 7, AASB 4, AASB 16 and AASB 139)*
- *Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia (Amendments to AASB 1054 Australian Additional Disclosures)*
- *COVID-19 Related Rent Concessions (Amendments to AASB 1060)*

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:

- *Amendments to Australian Accounting Standard Improvements 2018-2020 and Other Amendments*
- *Classification of Liabilities as Current or Non-Current (Amendments to AASB 101)*
- *Sale of Contribution of Assets between an Inventory and its Associate or Joint Ventures (Amendments to AASB 3)*
- *Insurance Contracts (Amendments to AASB 17)*

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) 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) 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) 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.

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 2020

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Total Momentum \$'000	CERT Training \$'000	All Other \$'000	Group \$'000
REVENUE							
External revenue	39,160	9,920	22,231	7,644	4,671	2,797	86,423
Inter-segment revenue	-	-	4	34	27	515	580
TOTAL SEGMENT REVENUE	39,160	9,920	22,235	7,678	4,698	3,312	87,003
Reconciliation of segment revenue to Group revenue:							
Inter-segment eliminations						(580)	(580)
TOTAL GROUP REVENUE	39,160	9,920	22,235	7,678	4,698	2,732	86,423
SEGMENT EBITDA	7,770	1,397	2,998	1,461	1,531	(5,494)	9,663
Reconciliation of segment EBITDA to Group net profit / (loss) before tax:							
Depreciation and amortisation	(2,359)	(236)	(521)	(12)	(128)	(322)	(3,578)
Finance cost	(403)	(51)	(91)	-	(37)	(187)	(769)
NET PROFIT / (LOSS) BEFORE TAX	5,008	1,110	2,386	1,449	1,366	(6,003)	5,316

6 months ended 31 December 2019

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

Note 2 - Operating Segments (cont'd)

II. Segment Assets

As at 31 December 2020

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Total Momentum \$'000	CERT Training \$'000	All Other \$'000	Group \$'000
ASSETS							
Segment assets (excl. capital expenditure, investments and intangibles)	55,642	9,894	40,175	6,322	7,329	5,477	124,839
Capital expenditure	2,388	51	116	1	2	2,160	4,718
Intangibles	-	-	-	-	-	101	101
Reconciliation of segment assets to Group assets:							
Segment eliminations	-	-	-	-	-	-	(3,760)
Unallocated items:							
Deferred tax assets	-	-	-	-	-	-	12,177
TOTAL ASSETS	58,030	9,945	40,291	6,323	7,331	7,738	138,075

As at 30 June 2020

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Total Momentum \$'000	CERT Training \$'000	All Other \$'000	Group \$'000
ASSETS							
Segment assets (excl. capital expenditure, investments and intangibles)	55,661	12,962	40,767	7,973	11,478	(4,139)	124,702
Capital expenditure	7,736	391	155	-	55	2,778	11,115
Intangibles	-	-	-	-	-	127	127
Reconciliation of segment assets to Group assets:							
Segment eliminations	-	-	-	-	-	-	(4,504)
Unallocated items:							
Deferred tax assets	-	-	-	-	-	-	12,159
TOTAL ASSETS	63,397	13,353	40,922	7,973	11,553	(1,234)	143,599

Note 2 - Operating Segments (cont'd)

III. Segment Liabilities

As at 31 December 2020

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Total Momentum \$'000	CERT Training \$'000	All Other \$'000	Group \$'000
LIABILITIES							
Segment liabilities	51,889	5,303	51,248	2,371	2,390	(61,184)	52,017
Reconciliation of segment liabilities to Group liabilities:							
Segment eliminations	-	-	-	-	-	-	(3,760)
Unallocated items:							
Deferred tax liabilities	-	-	-	-	-	-	454
TOTAL LIABILITIES	51,889	5,303	51,248	2,371	2,390	(61,184)	48,711

As at 30 June 2020

Reportable Segments	Gemco Rail \$'000	Convair \$'000	Drivetrain \$'000	Total Momentum \$'000	CERT Training \$'000	All Other \$'000	Group \$'000
LIABILITIES							
Segment liabilities	52,755	8,410	49,598	3,947	6,991	(62,639)	59,062
Reconciliation of segment liabilities to Group liabilities:							
Segment eliminations	-	-	-	-	-	-	(4,504)
Unallocated items:							
Deferred tax liabilities	-	-	-	-	-	-	447
TOTAL LIABILITIES	52,755	8,410	49,598	3,947	6,991	(62,639)	55,005

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 20 \$'000	Group 31 Dec 19 \$'000
Sale of Goods	Point in time	22,578	24,198
Rendering of Services	Over time	21,203	21,277
Construction Contracts	Over time	37,503	37,262
RTO Training	Point in time	4,698	5,654
Lease Rental Income	Over time	441	519
TOTAL SALES REVENUE		86,423	88,910

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 2020 was NIL (for the six months ended 31 December 2019: 1.0%). 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 20 \$'000	Group 31 Dec 19 \$'000
a) RECONCILIATION OF EARNINGS TO PROFIT		
Profit for the period	5,316	3,517
(Profit) / loss for the period, attributable to non-controlling interest	-	-
Earnings used to calculate basic EPS	5,316	3,517
Earnings used in the calculation of dilutive EPS	5,316	3,517
b) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE HALF YEAR USED IN CALCULATING BASIC EPS	No. '000	No. '000
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	313,439	313,381
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	313,439	313,381

Note 6 – Assets Held for Sale

As at reporting date, management was committed to an unconditional sale agreement to sell its remaining rail rental wagon fleet. The sale will be finalised as existing rental agreements expire on 31 December 2020. The assets held for sale are stated at the lower of carrying amount and fair value less costs to sell and are comprised of the following assets:

	31 Dec 20 \$'000
Property, Plant and Equipment	1,668
	1,668

Further developments occurred subsequent to reporting date, and these have been disclosed as part of Note 10 – Events Subsequent to Reporting Date.

Note 7 – Contingent Liabilities

Legal claims and exposures can 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 2020 is \$1,166,687 (June 2020: \$1,166,687).

Other than the above, there has been no material change in contingent liabilities since the 2020 Annual Report.

Note 8 – Issued Capital

	Group 31 Dec 20 \$'000	Group 30 Jun 20 \$'000
313,489,018 (30 June 2020: 313,380,943) fully paid ordinary shares	302,774	302,719
	302,774	302,719

Ordinary Shares

For the six months ended 31 December	31 Dec 20 No.	30 Jun 20 No.
At beginning of reporting period	313,380,943	313,380,943
Employee share purchase plan	108,075	-
At reporting date	313,489,018	313,380,943

Employee Share Purchase Plan

At the 2020 Annual General Meeting, shareholders approved an Employee Share Plan (ESPP). The ESPP is available to all eligible employees each year to acquire ordinary shares in the Company from future remuneration (before tax). Shares to be issued or transferred under the ESPP will be valued at a 5% discount to the volume-weighted average price of the Company's shares traded on the Australian Securities Exchange during the five business days immediately preceding the day the shares are issued. Shares issued under the ESPP are not allowed to be sold, transferred or otherwise disposed of until the earlier of an initial three-year period, or the participant ceasing continuing employment with the Company.

The value of shares issued under the ESPP that was recognised during the year, and any amounts of consideration by eligible participants at balance sheet date was \$55,000.

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 20	31 Dec 19	31 Dec 20	30 Jun 20
		\$	\$	\$	\$
Elphinstone Group (Aust) Pty Ltd ¹	D Elphinstone	(49,288)	(150,183)	-	(9,058)
William Adams Pty Ltd ²	D Elphinstone	-	(1,211)	-	-
United Equipment Pty Ltd ³	D Elphinstone	(216,996)	(169,449)	(1,593)	(20,670)
Southern Prospect Pty Ltd ⁴	D Elphinstone	8,734	3,234	1,643	7,131
Elphinstone Pty Ltd ⁵	D Elphinstone	224,113	684,640	52,265	6,345

¹ Director fees and travel expense reimbursements were paid to Elphinstone Group (Aust) Pty Ltd for the services of Dale Elphinstone (Non-Executive Director). Legal service fees were also paid to Elphinstone Group (Aust) Pty Ltd during the period. Dale Elphinstone is the Chairman of this entity.

² Goods were purchased from and sold to William Adams Pty Ltd during the period. Dale Elphinstone is the Chairman and a director.

³ Goods were purchased from and sold to United Equipment Pty Ltd during the period. Dale Elphinstone is a director of this entity.

⁴ Goods were sold to Southern Prospect Pty Ltd during the period. Dale Elphinstone is the Chairman of this entity.

⁵ Goods were sold to Elphinstone Pty Ltd during the period. Dale Elphinstone is a director and the Chairman of this entity.

Note 10 – Events Subsequent to Reporting Date

On 1 January 2021, the sale of Tranche 4 (wagon assets classified as held for sale as at reporting date) of the asset sale agreement was executed and subsequently completed on 21 January 2021.

On 17 February 2021, 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 19 March 2021.

Other than the above, there has not arisen, in the interval between 31 December 2020 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 2020.

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Dale Elphinstone AO

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Non-Executive Director

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Scott Cameron

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Independent Non-Executive Director

Company Secretary

Paul Burrows

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Chief Financial Officer / Company Secretary

Meredith Rhimes

BA, LLB
Company Secretary