# 2023 Annual Report

# We keep our customers moving

The Engenco Group provides a diverse range of innovative products and solutions for transportation, employing over 500 people (full-time equivalent) in over twenty locations in two countries.

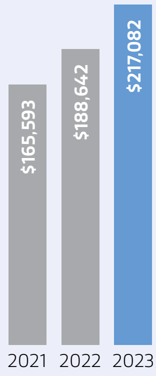
## Contents



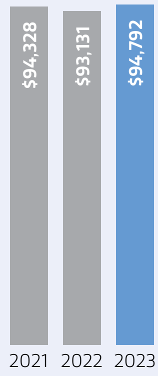

This Annual Report includes the Engenco Limited's Directors' Report, the Annual Financial Report and Independent Audit Report for the financial year ended 30 June 2023 lodged with the Australian Securities and Investments Commission and ASX Limited. The Annual Report is available on the Engenco website www.engenco.com.au. A copy of our full Corporate Governance Statement and ASX Appendix 4G outlining compliance with ASX Corporate Governance Principles and Recommendations is available on our website at **https://www.engenco.com.au/investor-center/governance/**.

Engenco Limited ABN 99 120 432 144

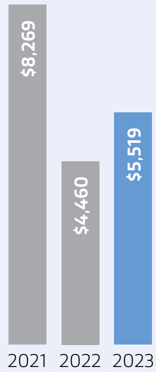
**Revenue** $'000



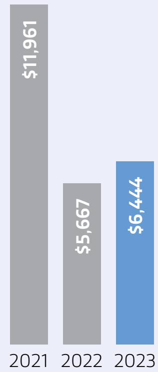

**Net Assets** $'000



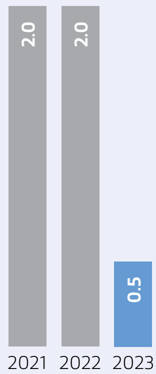

**Net Profit Before Tax** $'000



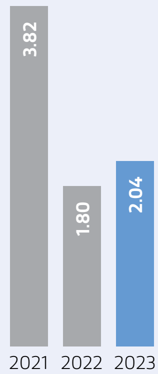

**Net Profit after Tax** $'000

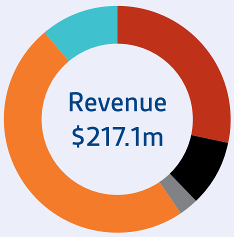



**Dividend** Cents




**Basic Earnings Per Share** Cents




- Drivetrain **$62.5m**
- Convair **$20.7m**
- Hedemora **$5.8m**
- Gemco Rail **$106.2m**
- Workforce Solutions **$23.9m**

# Chairman's Report

The past year has been one of mixed outcomes as we continue the journey towards building a better and more sustainable organisation.

**Vince De Santis** Chairman

Dear Fellow Shareholders,

## A challenging year

While continuing to operate in an environment where the timely supply of materials, and the recruitment and retention of people remained difficult, another year of top line growth where revenue increased year on year by 15.1% to $217.1 million (FY22: $188.6 million), was a great credit to the hard work and dedication of our people.

The Group also endured another year of the cost pressures faced by the broader economy many of which it was unable to fully pass onto customers. This meant that the impressive revenue growth was again not fully reflected on the bottom line. Some of the Group's current key focus areas are on gross margin improvement and achieving better returns on the capital deployed within each Group business unit.

Our net profit before tax also improved by 22.2% to $5.5 million (FY22: $4.5 million) although it is important to also acknowledge that the FY22 result was a very disappointing low point in a declining profitability performance over recent years. While the improved profit and associated return on capital generated in FY23 still remained unsatisfactory, we are optimistic that it represents the recommencement of a sustainable positive trend.

## Stable platform for growth

Another positive aspect of the full year result was the significant improvement achieved in the second half of the year after a small loss was recorded in the first half. Pleasingly, we are budgeting for a significant improvement in the Group's profitability in FY24 although, in a continuation of a trend towards stronger second half Group performances in recent years, it should be noted that a significant proportion of the uplift is once again forecast to be delivered in the second half of the year.

Our capital expenditure program was reasonably modest compared with the spending levels of the past few years ($2.6 million compared with $5.4 million in FY22 and $9.9 million in FY21). During FY24, we will continue to invest in building the capacity and capability of the business with a major portion of new capex to be directed towards enabling Gemco to fulfill contracts to assemble new iron ore rail wagons, as well as recently announced plans to establish a new rail wheel bearing shop and wagon assembly facility in Karratha, Western Australia to support a major customer.

Net cash generated from operations fell to $3.0 million (down from $10.6 million in FY22), as a result of a sharp rise in net working capital. During the year, we drew down on our $20.0 million National Australia Bank debt facility to help fund our capital expenditure program, general working capital requirements arising from growth within the business, and the ongoing but largely unavoidable time lags between purchasing certain raw materials and inventory from overseas, and the receipt of customer payments. As at the end of FY23, $13.0 million of our facility had been utilised. This facility, which is due to mature on 31 October 2023, has recently been extended by a further year until 31 October 2024.

## Dividend

The Board's decision to not declare an interim dividend during the year was a disappointing yet responsible call to make given the Group's first half performance. We are however, pleased to resume dividend payments with the declaration of a final, albeit comparatively modest dividend of 0.5 cents per share in respect to FY23 which will be payable on 28 September 2023. With our franking credits now exhausted and carry forward Australian tax losses still being utilised, this dividend will be unfranked.

## People

The low point of the year was undoubtably the tragic workplace death suffered by one of our Momentum Rail employees in August 2022. The ripples of such a tragedy have run deep and remain in our collective consciousness.

We continued to invest in programs to improve the skills, capability, and overall wellbeing of our people as we continue striving to improve our safety performance, and building an environment where our people are not only safe but are also challenged, respected and valued. Initiatives launched during the year such as our *Engenco Leaders Program and Elevate a Workmate* have been very well received. In FY22, we reported some disappointing results from our employee engagement survey and while there remains further room for improvement, subsequent pulse check survey results have been encouraging.

While our employee turnover remains far too high and recruitment of quality people in a tight labour market is still a challenge, there are some recent indications that both may be starting to moderate.


**2.04 cents**
Earnings per share

**$6.4m**
Net Profit after Tax

While the fatality we suffered will always remain with us, a further 53% year-on-year reduction in the Group's FY23 Total Recordable Injury Frequency Rate, or TRIFR, against the 13% reduction achieved in FY22 was very pleasing. Our TRIFR is however still too high and while a further decrease is one of our goals in FY24, a greater emphasis is also being placed on leading preventive safety activities and indictors such as our MakeSafe observations, *Take 5* safety checks, and workplace health and safety audit program.

## Board & Senior Leadership Changes

The Group also underwent a change in its senior leadership with the contemporaneous but unconnected resignations of our former Managing Director, Kevin Pallas and Chief Financial Officer, Paul Burrows which were both announced in September 2022. In November of that year, we were delighted to appoint Dean Draper as Engenco's new Chief Executive Officer. Dean joined the Group with a demonstrated history of success in leading and growing large and complex industrial businesses.

The recruitment of a new Chief Financial Officer has taken a little longer. We have an interim arrangement in place with a permanent appointment expected to be announced within the next few weeks.

We also continued our process of Board renewal with Elphinstone Group Executive Director, Ms Kelly Elphinstone joining the Company as a non-executive director in September 2022. Kelly's skills, and her experience across a range of sectors, particularly within the mining equipment, technology and services (METS) sector, are very relevant and complementary to Engenco's business activities.

## Share register

As stated at last year's Annual General Meeting, the ongoing illiquidity of our share register is something that is not lost upon the Board. We will continue to focus on improving the Company's profitability and growing the return on our shareholders' invested capital with the goal of making Engenco's shares more attractive to existing and prospective new shareholders, while also seeking out opportunities which will require additional fresh share capital.

## The year ahead

It's worth reflecting upon the fact that the global geopolitical landscape together with our own domestic situation have not been any less challenging over the past year and while it's almost impossible to predict with any degree of certainty, there does not appear to be any meaningful respite in sight over the next twelve months. In such times, the commitment and dedicated effort of an engaged workforce is never more critical and so we extend to the Engenco Group workforce and the senior management team in particular, our sincere thanks over the past year with the additional challenges it has presented.

With the ongoing support of our people, we remain cautiously optimistic that the Group will deliver a materially improved financial performance in FY24.

Finally, economics is about the efficient allocation of scarce or limited resources which in turn means that practising good economics should be aimed at eliminating, or at least reducing as far as reasonably possible, any wasteful (or non-value adding) uses of those limited resources. Doing so drives innovation and better productivity leading to the development of sustainable practices and behaviours which is what our customers, employees and the communities in which we live and work all expect to see. It's also good for Engenco's businesses and its shareholders.

And so for the year ahead, our primary goals again remain unchanged – *to make Engenco a company for whom great people want to work; to be a trusted and valued provider of high-quality products and services to our customers; and to generate superior returns for our investors in a sustainable and responsible manner.*

**Vince De Santis**
Chairman

# Chief Executive Officer's Report

It is a pleasure to address Engenco shareholders in my first annual report.

**Dean Draper** Chief Executive Officer

Operating sustainably is important to Engenco and we are increasing our focus on environmental, social and governance ('ESG') issues, recognising that they are an important and growing area of interest for our employees, customers, shareholders and wider stakeholders.

We are committed to sustainably delivering innovative products and solutions to the transportation industry, ensuring that our businesses contribute positively to the community and minimise environmental impact.

During the year, we completed a group-wide materiality assessment which identified and evaluated the most significant ESG areas which impact our business, specifically:

- Energy management
- Greenhouse gas emissions
- Employee engagement, diversity and inclusion
- Health and safety
- Business ethics – professional integrity
- Modern slavery.

Our business has an important part to play in helping our customers to support the world's transition to a net zero carbon future, and these material risks form the foundation of Engenco's ESG strategy which targets achieving specific goals in the key areas of safety, standards, social responsibility and sustainability.

Based on our understanding about how our business operations affect the environment, we are working with customers, suppliers and project matter experts to measure and evaluate emissions across our vehicle fleet, air travel and electricity usage. We monitor electricity usage and emissions at 16 Engenco locations currently and are evaluating future energy sourcing options, including solar installation, at our sites.

Reducing our greenhouse gas emissions, with a view to carbon neutrality, is a focus for our future. Simultaneously we support our customers in their ESG reporting and emission reduction strategies.

## People

Engenco's vision is to have inspired people creating sustainable transport solutions. The success of our business depends on our people, and we are committed to supporting them to perform at their best in a safe and inclusive environment. Engagement is a strong focus, and we have delivered a vision and strategy that motivates and recognises employees' efforts and contribution.

This year, we launched an Engenco Group Diversity and Inclusion Plan outlining our commitment to build a more inclusive workplace that reflects the communities in which we operate. Our plan targets three key areas. We are prioritising building an inclusive culture, increasing indigenous engagement and improving gender representation.

We also initiated a new Engenco Leaders Program which has identified both current and potential future leaders within our

**Engenco's vision is to have inspired people creating sustainable transport solutions.**

Engenco

POWER AND PROPULSION | Drivetrain CONVAIR HEDEMORA TURBO & DIESEL

RAIL | GEMCORAIL

WORKFORCE SOLUTIONS | Momentum CERT EUREKA

businesses, and provided increased opportunities for learning and experience sharing. This includes self-paced development opportunities and training available for all employees through our online learning platform.

We continue to support our apprentices through apprenticeship programs, offered nationally, which enable career development and practical knowledge integral to develop the next generation of skilled tradespeople for our industry.

We are committed to recognising human rights and have implemented a Modern Slavery policy which provides a framework for our operations and supply chains.

## Health and safety

The foundations for improved workplace health and safety were laid in February 2022 with the MakeSafe7 safety plan which facilitated six key initiatives of investing in safety technologies, celebrating safety outcomes, empowering personal work, health and safety responsibilities, enhancing internal safety systems and knowledge, and integrating safety into everything we do.

Some of the achievements for the year included:

- certification of major Gemco Rail and Drivetrain sites to the *ISO 45001 Occupational Health and Safety Management System*
- implementation of a new cloud-based work, health and safety management system
- development of an organisational justice framework for post-incident investigations and corrective action
- reinvigoration of our workplace health and safety recognition and rewards program.

We have emphasised a proactive approach to safety and pleased that it has been embraced across the group, with 37,502 prework risk assessments conducted on the Take 5 app, 116 MakeSafe interactive risk reports by visiting management and site employees, 306 workplace site inspections and 451 hazards raised and resolved over the year.

Implementation of the MakeSafe plan has positively affected the health and safety of our employees. Our Total Recordable Injury Frequency Rate (TRIFR) reduced 53% year-on-year from 22.45 to 10.45 injuries per million hours worked, and group Lost Time Injuries (LTI) were down 35% to 4.18 incidents per million hours.

It is pleasing to see this improvement in proactively controlling risks which demonstrates that personal ownership of safety is becoming embedded. Safety is an evolving responsibility, and our MakeSafe plan is continually reviewed to ensure all opportunities to enhance employee, contractor and visitor safety are leveraged.

## Financial performance

A key challenge has been transformation of the company to strengthen financial outcomes and, after a difficult first half, tight cost controls and a continued focus on customers led to improvement. We are on a journey. Further effort is required to achieve a result that demonstrates the true potential of our platforms. However, we have built momentum and our progress is encouraging.

The net loss before tax, including significant items, for the first half of FY23 was $0.2 million. This result included adjustment to carrying values of inventory assets with an impairment provision of $1.7 million and recognition of insurance proceeds of $1.6 million for Gemco Rail's Gladstone workshop which was impacted by a severe flood event in FY22. Following this loss, our immediate focus was to improve financial outcomes in the second half. Net profit before tax (NPBT) for the second half was $5.7 million, and NPBT for the full year of $5.5 million was an increase of 22.2% compared to the previous year.

Revenue grew 15.1% on the previous year, with increases across all divisions. This was primarily due to strong demand for new bearings in Gemco Rail and increased workshop throughput in Drivetrain triggered by the mining sector. Workforce Solutions benefited from the reduced impact of the pandemic on the rail and training industries and steps we have taken to increase flexibility and deliver sustainable returns.

While we experienced inflationary and supply chain pressures throughout the year which impacted margins, progress was made in passing on these higher costs. Market conditions continue to provide challenges and we remain focused on improving margins through better pricing, procurement and productivity and ultimately, increasing our return on invested capital.

Net operating cashflow was $3.0 million, reflecting increased working capital commitments, and down from $10.6 million in the previous year. We continue to maintain a strong balance sheet.

## Rail

Our multi-year investment strategy to expand rail freight capabilities continued with the successful return of Gemco Rail to the new wagon supply market. Capitalising on our rail engineering and project management experience, we received two new wagon supply contracts which heralded the return of local rail wagon manufacturing in Western Australia. These included a contract to build iron ore rail wagons and establish bearing maintenance services in Karratha, Western Australia in partnership with Rio Tinto and Qiqihar Railway Rolling Stock, supported by the Western Australian government.

We were also awarded a contract to design and build 20 specialised rail wagons for Arc Infrastructure (Arc) in Western Australia, which involves development of a prototype wagon with production expected to commence in FY24. An innovative design will enable use on both standard and narrow-gauge configurations incorporating Gemco Rail's remote controlled ballast gating system which enhances operating efficiency and safety. Once commissioned, the wagons will transport ballast for rail track construction and maintenance across Arc's freight rail network. Both contracts complement our existing service network capabilities.

Rail performed well, with revenue up 15.1% year-on-year with strong growth, particularly in the second half. West coast railway wheel shop and bearing refurbishment volumes increased significantly but is expected to moderate in FY24. Demand for locomotive maintenance at Dynon, Victoria slowed with lower freight volumes from Victoria, although we benefited from strong demand at Newcastle.

## Power and Propulsion

Drivetrain leverages a strong global network of Tier-1 manufacturers to provide innovative products and services. The business expanded in FY23, and revenue increased 14.2% year-on-year with strong demand from established customers and across all branches.

Underlying business performance also improved, although impacted by inventory impairments. Significant improvements have been made to the inventory profile and management systems, and gains are expected to be realised in FY24.

Our growth was aligned to a strategic plan focused on building core business, which includes workshop activities and sales of capital products and parts across our national branch network. Highlights included sales of Kovatera underground mining vehicles in Queensland and the installation of the Guascor combined heat and power generation plant in South Australia.

After a difficult first half, our Hedemora business benefited from price improvements and a refreshed product offering. Revenue strengthened, although profitability was below par. Work from reconditioning turbochargers for existing customers was stable, as well as the supply of parts for large frame turbochargers supplied to the rail industry.

The Group has marketed its new HS Turbochargers range to the North American market, where tangible opportunities for their installation on locomotives have been identified. The HS Turbocharger has a US Environmental Protection Agency certification of conformity and offers environmental benefits ranging from lower emissions to fuel savings for railroad operators' fleets.

While feedback has been positive, the sales cycle has proved longer than anticipated. We remain optimistic that these opportunities will be realised and deliver material improvement.

Sales in Eastern Europe and Northern Asia continued and we have exited the Russian market.

Convair's pneumatic dry bulk tankers, which have established an enviable reputation for improving productivity for our customers' bulk freight fleets, increased sales by 34.3%, which included some carry-over orders from FY22. This year, the strength of our long order book was offset by exposure to higher raw material costs and a dramatic increase in sea freight costs in the second half. We could not fully pass on costs, and margins were compressed. New measures to mitigate these financial effects will take effect in the second half of 2024.

**$217.1m**
Total revenue

**0.5¢**
Total dividends per share

## Workforce Solutions

The Workforce Solutions business was impacted by unseasonal wet weather and derailments which disrupted our customers. Our business structure had exposed the business to significant financial risk, including in the first half. We have modified our business model which is being progressively introduced and has enabled financial performance to stabilise.

The adjusted business model has particularly benefited Momentum, which provides supplementary rail personnel. The CERT Training business which provides training, assessment and rectification services for the rail industry also improved and Eureka 4WD & Truck Training gained from increased business-to-business market demand.

## Outlook

Looking forward, we believe that after a long period of disruption from the pandemic and supply chain volatility, market conditions are stabilising. We have a clear goal to achieve sustainable financial growth, and to unlock the value of our platforms.

Demand remains robust in Gemco Rail which is experiencing positive momentum. We are excited by the prospect of delivering the first Western Australia built iron ore rail car in mid-2024. The new facility to be established at Karratha is expected by the end of 2024. Strong demand at our Newcastle facility for rollingstock maintenance is expected to continue.

At Drivetrain, we continue to strengthen our national network and its associated sales of products and services. As an example, an innovative way we are developing our Guascor product range is by enhancing industrial gas engines for power generation using a wide range of alternative fuels including biogas, hydrogen and syngas, which supports the energy transition of our customers.

The Kovatera light mining vehicle offers hard rock miners significant safety and durability benefits.

Our Workforce Solutions operations have sales strategies in place to capture business growth, and we anticipate improved performance, with good opportunities for CERT Training in the second half of FY24.

In closing, I would like to thank our employees for their hard work and effort. We are grateful for your dedication in support of our customers. I would also like to thank our customers for their partnership.

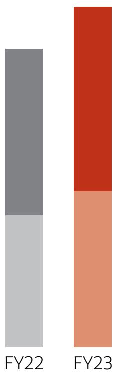
**Dean Draper**
Chief Executive Officer

# Business Unit Overview

## Power and Propulsion

# Drivetrain

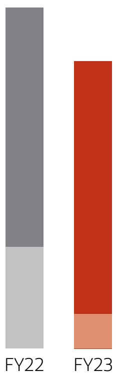
Drivetrain's services span the complete engineering product life cycle for heavy mobile powertrain systems, large-frame turbochargers, heavy diesel and gas power generation and compression equipment.




**$62.5m**

Total Revenue 2023

$'000
- **FY23 H2** $33,930
- **FY23 H1** $28,587
- **FY22 H2** $30,633
- **FY22 H1** $24,129




**$5.2m**

Total NPBT 2023

$'000
- **FY23 H2** $4,574
- **FY23 H1** $619
- **FY22 H2** $4,320
- **FY22 H1** $1,835

Drivetrain is a leading supplier of technical products and services for the mining, energy, transport, rail and defence industries. Its growing network of specialised workshops and technical and supply capability, enable Drivetrain to provide customised solutions that optimise operations, reduce downtime and drive productivity for customers.

Capabilities include engineering and supply of new mining and energy assets and equipment through to service, maintenance repair and overhaul, parts support and advanced fleet diagnostics. Drivetrain is positioned to provide through-life support to industrial companies spanning the full product life cycle.

As an authorised dealer for the Kovatera underground utility mining vehicle, Drivetrain partners with customers to deliver safe and reliable transport solutions for underground mining.

### Outlook

Delivery of spare parts sales and maintenance, repair and overhaul (MRO) activities in line with our strategy, particularly for the mining industry. Expansion of our sales pipeline for capital equipment sales of Gauscor engines for power generation, and the Kovatera light mining vehicle to support hard rock mining. Continued evaluation of opportunities to expand Drivetrain's branch network.

**CASE STUDY:**

## Drivetrain Thornton Expansion

In response to increasing customer demand, extended product lines and additional staffing requirements, Drivetrain expanded its New South Wales facility in Thornton, Newcastle, in late 2022. This doubled workshop capacity to over 1,000 square metres, allowing the branch to take on new maintenance, repair, and overhaul work. The modern warehousing facilities, coupled with new digital technologies and process flows, have improved customer service.


**Pictured above:**
KT200 Dual Cab Personnel Transporter

CASE STUDY:

# Drivetrain support Glencore's mining operations

Drivetrain continues to support Glencore's Mount Isa mining operations, in providing reliable, custom-built capital equipment tailored for underground mining in Australia.

Glencore's fleet includes 13 Kovatera utility vehicles, delivered in FY23, comprising utes, scissor lift, and personnel carriers. Further four vehicles will be delivered in FY24.

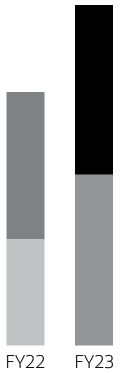
Kovatera's fail-safe braking system, automatic speed-limiting capabilities, roll-over protection and falling object protection (ROPs and FOPs) safety certification ensures these vehicles are safer and more suitable for underground mining operations than other light vehicles.

Using the Kovatera vehicles has helped to reduce vehicle failures and asset downtime. In collaboration with Glencore, Drivetrain has developed an understanding of the operational and practical specifications and has implemented Glencore's mine site specific requirements across its fleet.

# Business Unit Overview

## Power and Propulsion

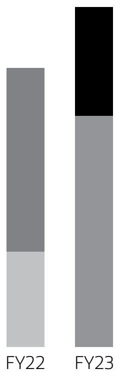
Convair designs and manufactures tankers for the transportation of dry bulk products by road and rail.




**$20.7m**

Total Revenue 2023

$'000
- **FY23 H2** $10,307
- **FY23 H1** $10,374
- **FY22 H2** $8,942
- **FY22 H1** $6,454




**$1.3m**

Total NPBT 2023

'$000
- **FY23 H2** $406
- **FY23 H1** $861
- **FY22 H2** $684
- **FY22 H1** $354

Convair Engineering specialises in the design, manufacture and supply of pneumatic dry bulk tankers.

Convair's range of tankers, blowers, compressors and pinch valves leverage a wealth of knowledge and the latest technology from around the world, resulting in highly efficient and durable transportation solutions for the food, chemical, construction, and oil and gas industries.

Convair is an agent for Feldbinder Spezialfahrzeugwerke GmbH of Germany, supplementing the company's range of products with aluminium dry bulk tankers and stainless steel liquid tankers.

Our tanker manufacturing facility at Epping also supports spare part sales, tanker servicing and repairs for the Australian and New Zealand transportation industry.

### Outlook

Increased production with a focus on innovative engineering to create new products and drive value for our customers in safety, productivity and reliability. Powerpack production capability is growing. Spare parts and service centres support our customers.

**Pictured above:**
Convair's highly skilled team preparing a tanker for delivery.

CASE STUDY:

# Convair delivers a tailored tanker solution

Convair's innovative product design optimises tanker productivity and safe operational performance using Australian Standards.

A customer recently engaged Convair to develop a bespoke solution to improve tanker payload. The customer moves more than 50,000 tonnes of flour from central NSW to Melbourne annually using B Double combinations, with a payload of approximately 40 tonnes per trip.

Convair and Feldbinder collaborated to develop the first A Double combination, which improved trip payload to 56 tonnes, an increase of 40%. This resulted in 350 fewer trips being required each year, representing a 29% productivity improvement.

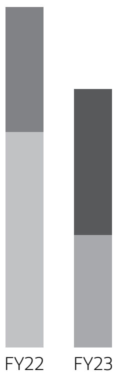
Convair facilitated the Performance Based Standards (PBS) approval process which has enabled this unique A Double configuration to operate on the road network under controlled conditions.

# Business Unit Overview

## Power and Propulsion

HEDEMORA TURBO & DIESEL

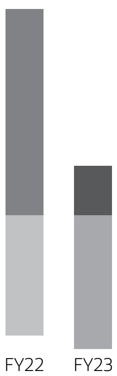
Hedemora Turbo and Diesel is the original manufacturer of Hedemora Turbochargers and Diesel Engines.




**$5.8m**

Total Revenue 2023

$'000
- **FY23 H2** $3,247
- **FY23 H1** $2,506
- **FY22 H2** $2,779
- **FY22 H1** $4,800




**$(0.2)m**

Total NPBT 2023

$'000
- **FY23 H2** $109
- **FY23 H1** $(297)
- **FY22 H2** $(267)
- **FY22 H1** $458

Operating from Hedemora, Sweden, with customers around the world, our experienced and highly skilled team perform installation, overhaul, training, turbocharger testing and balancing to support customer needs. From design, manufacture and installation to ongoing product support Hedemora provides comprehensive solutions for the rail, power generation and marine industries.

### Outlook

Business development is expected to drive new opportunities in North America. Focus on HS 7800 retrofits for GE EVO in North America and Northern Asia continues, as well as the ongoing retrofit project with Mongolian railways and support for the Collins Class program. A significant maintenance order is under way for the Swedish submarine program.

CASE STUDY:

# Hedemora drives locomotive efficiencies

**Pictured above:** The HS7800 Turbocharger delivers performance improvements.

Working in collaboration with a customer, Hedemora was committed to increasing locomotive efficiency and improving asset utilisation.

The solution, to complete the first installation of a HS 7800 turbocharger on a locomotive equipped with a GE EVO 12 engine, to replace the existing GE turbocharger.

Leveraging the experience of its team of highly skilled technicians, Hedemora developed a tailored turbocharger solution. The installation was completed by Hedemora in Almaty, Kazakhstan, in March 2023. Subsequent testing was successful, and the performance of the HS 7800 turbocharger demonstrated performance improvement in several areas including fewer emissions, reduced fuel consumption, temperature control, increased boost pressure and quicker speed response.

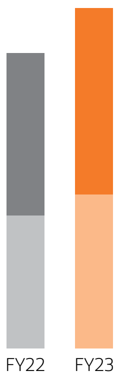
Having proven its ability to increase the operational efficiencies on GE EVO Engines, the Hedemora team anticipates further work with customers in Kazakhstan and North America.

# Business Unit Overview

## Rail

GEMCORAIL

Gemco Rail is the leading independent provider of rollingstock maintenance, products and services to the Australian and New Zealand rail markets.

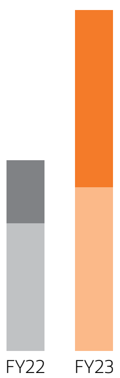



**$106.2m**

Total Revenue 2023

'$000

- **FY23 H2** $58,273
- **FY23 H1** $47,939
- **FY22 H2** $50,843
- **FY22 H1** $41,366




**$13.1m**

Total NPBT 2023

'$000

- **FY23 H2** $6,746
- **FY23 H1** $6,349
- **FY22 H2** $2,447
- **FY22 H1** $4,952

Gemco Rail specialises in the manufacture, maintenance and overhaul of wagons, locomotives, passenger cars, rollingstock components and track maintenance equipment, allowing customers to maintain efficient operations and maximise the life of their assets.

The flagship facility in Forrestfield, Western Australia is complemented by an Australia-wide network of modern maintenance facilities strategically located on rail main lines in Victoria, South Australia, New South Wales and Queensland.

### Outlook

Gemco Rail anticipates expansion of its Newcastle facility to service increased demand, and the Altona wagon maintenance facility will commence support for an ongoing SCT Logistics wagon maintenance contract. A new facility is being established at Karratha to deliver the Rio Tinto iron ore car contracts and supporting bearing refurbishment.

CASE STUDY:

### Industry leading bearing refurbishment capability

Gemco Rail provides railway bearing refurbishment services to BHP Iron Ore's, Pilbara, Western Australia operations. The services include bearing inspection and requalification, as well as supplying new bearings to support BHP's 10,000 strong iron ore wagon fleet. Each ore wagon contains eight bearings that require regular maintenance throughout its life cycle.


**Pictured above:**
Gemco's highly skilled team demonstrate wagon manufacture capabilities.

CASE STUDY:

# Gemco Rail leading the return of wagon manufacturing in Australia

## Gemco Rail is partnering with Rio Tinto to establish the first ever rail ore car manufacturing and maintenance facility in the Pilbara.

This will create new jobs, involve local and Indigenous businesses, and support local economic growth. From a contract for 100 iron ore rail cars, the first 40 will be built at Gemco Rail's existing facility in Forrestfield, while a facility in Karratha is established.

Once the new facility is operational, Gemco Rail is expected to build an average of 10 ore cars per year, replacing ore cars as they are retired from Rio Tinto's existing fleet. The new Karratha facility will also support the supply of new and reconditioned ore car bearings from the Pilbara in an industry-first.

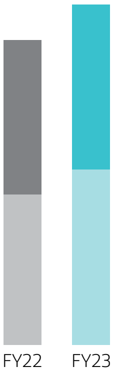
The partnership has been developed by Rio Tinto and Gemco Rail and is supported by Qiqihar Railway Rolling Stock (QRRS) and the Western Australian State Government. The first WA-built rail car is expected to be delivered in 2024 and the Karratha-based facility is expected to be established by the end of 2024.

The new Karratha facility will reduce the need to transport iron ore cars and bearings between the Pilbara and Perth, removing an estimated 150 truck journeys from WA roads and 300 tonnes of $CO_2$ each year.

# Business Unit Overview

## Workforce Solutions

Providing tailored workforce solutions to the Australian Rail and Transportation industries.

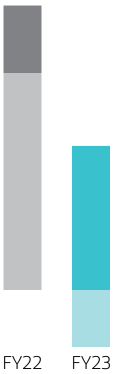



**$23.9m**

Total Revenue 2023

'$000

- **FY23 H2** $11,584
- **FY23 H1** $12,288
- **FY22 H2** $10,814
- **FY22 H1** $10,540




**$0.6m**

Total NPBT 2023

'$000

- **FY23 H2** $968
- **FY23 H1** $(382)
- **FY22 H2** $452
- **FY22 H1** $1,453

Workforce Solutions provides customised and total end-to-end workforce management solutions for the Australian Rail and Transportation industries. This includes up-skilling and re-skilling, formal education programs, government funded employment, career development pathways and diversity programs.

Workforce Solutions works in collaboration with customers to provide holistic and practical solutions.

The Workforce Solutions division includes Momentum Rail, and the Registered Training Organisations, CERT Training and Eureka 4WD & Truck Training.

### Outlook

Target an increase in product and service offerings across the Workforce Solutions portfolio of businesses, drive higher enrolments through implementing a refreshed digital and database marketing strategy, and increase the proportion of "class time" for trainers in Eureka 4WD and CERT.

**Pictured above:**
Providing career opportunities in the rail industry.

CASE STUDY:

# Workforce Solutions develops best practice rail Career Path Program

Experiencing skills shortages and needing to improve workforce diversity and female participation, the rail industry sought a new way to source skilled talent.

In response, Momentum Rail and CERT Training developed innovative, flexible rail Career Path Programs. These included the three most prominent programs, Street-to-Seat (for train drivers and their assistants), Terminal Operator and Wagon Maintainer, driving change in the sourcing and recruitment of rail staff.

Career Path Programs are opening doors for individuals from underrepresented groups, including women, minorities, and individuals with diverse backgrounds, to enter and advance within the rail industry. As a result, Momentum Rail's own labour force has become more diverse and representative of its communities. At July 2023, its male to female staffing ratio was approximately 3:1 and improving. Momentum is proud to be supporting other rail businesses to achieve similar results.

By actively recruiting and training individuals from underrepresented groups, the rail industry has become more inclusive. Client employers of staff have observed improved collaboration and communication on sites as well as enhanced overall productivity and employee satisfaction. National rail freight operators are fully supportive of increased female and minority group participation in all Career Path Programs.

The Career Path Programs provide employees with the necessary skills and knowledge to progress in their careers. Following structured training and clear career paths improves individuals' opportunity to advance in the rail industry, breaking barriers that previously impeded their career progress.

# Directors' Report

for the year ended 30 June 2023

The directors present their report, together with the consolidated financial statements of the Group, comprising of Engenco Limited ("the Company") and its controlled entities, for the financial year ended 30 June 2023 and the auditor's report thereon.

## Directors

The directors of the Company at any time during or since the end of the financial year are:

## Vincent De Santis

### BCom, LLB (Hons)

**CHAIRMAN SINCE 24 MARCH 2016, NON-EXECUTIVE DIRECTOR SINCE 19 JULY 2010, INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE 1 JANUARY 2022, MEMBER OF AUDIT AND RISK COMMITTEE SINCE 31 JULY 2013.**

Vince is an executive director of T8 Advisory Partners and a non-executive director of the Tasmanian Development Board and Tasmanian Gas Pipeline Pty Ltd. Vince was Managing Director of the Elphinstone Group for 10 years until December 2018 after having commenced in 2000 as the Group's Legal Counsel and Finance & Investment Manager. During his time with the Group, he also held a number of board roles on various subsidiary and joint venture companies. Prior to that time, Vince was a Senior Associate in the Energy, Resources & Projects team at national law firm Corrs Chambers Westgarth, based in Melbourne.

## Dale Elphinstone AO

### FAICD

**NON-EXECUTIVE DIRECTOR SINCE 19 JULY 2010.**

Dale is the Executive Chairman of the Elphinstone Group which he founded in 1975. Dale has considerable experience in the engineering, manufacturing, mining, and heavy machinery industries and among other things is one of the longest serving Caterpillar dealer principals in Australia, having acquired the Caterpillar dealership in Victoria and Tasmania in 1987. Dale was the Co-Chair of the Joint Commonwealth and Tasmanian Economic Council from 2014 – 2017 and remains Chair of the industry members of this Council.

From 2020 – 2021 he was a member of the Tasmanian Premier's Economic and Social Recovery Advisory Council and was a director of the Tasmanian Health Organisation North-West until 30 June 2015. He was a director of Caterpillar subsidiary, Caterpillar Underground Mining Pty Ltd from 1995 until December 2008 and of the formerly publicly listed Queensland Gas Company Limited from October 2002 to November 2008. Dale was also a director of ASX listed National Hire Group Limited until December 2011.

Below from left: Scott Cameron, Vincent De Santis, Kelly Elphinstone, Alison von Bibra and Dale Elphinstone.

## Alison von Bibra

### BSc, MBA

**INDEPENDENT NON EXECUTIVE DIRECTOR AND MEMBER OF THE AUDIT AND RISK COMMITTEE SINCE 17 JANUARY 2017.**

Alison has held key positions at a number of organisations including almost 10 years at ASX listed multi-national, CSL Limited. During her time at CSL, Alison's roles included Senior Director, Human Resources based in the USA and General Manager, Human Resources located at the company's Melbourne head office. Alison has previous experience in a range of board roles including among others, the Dental Board of Australia, Chiropractic Board of Australia, the Ballarat General Cemeteries Trust, CSL Superannuation Fund and Westernport Regional Water Corporation.

## Kelly Elphinstone

### Adv Dip Bus (Mkgt), GAICD

**NON-EXECUTIVE DIRECTOR AND MEMBER OF THE AUDIT AND RISK COMMITTEE SINCE 19 SEPTEMBER 2022**

Kelly has been part of the Elphinstone Group of Companies for 30 years and currently holds the position of Executive Director. Kelly has held several leadership roles, predominantly within the Mining Equipment, Technology and Services (METS) and Earthmoving industries, the most recent being Managing Director of the Elphinstone Group's underground mining manufacturing business. Kelly studied Marketing at RMIT, has completed an executive leadership program with Stanford University and is a Graduate of the AICD Company Director's program. Kelly holds multiple directorships (including a Chair position) and participates on various Government advisory councils.

## Scott Cameron

### BCom, FCA, FAICD

**INDEPENDENT NON-EXECUTIVE DIRECTOR AND MEMBER OF THE AUDIT AND RISK COMMITTEE SINCE 1 SEPTEMBER 2020, CHAIRMAN OF THE AUDIT AND RISK COMMITTEE SINCE 18 NOVEMBER 2020.**

Scott has more than 27 years' experience in senior management with exposure to a broad range of relevant industry sectors. He commenced his professional career at PricewaterhouseCoopers and then spent 27 years with leading Malaysian listed industrial services conglomerate, Sime Darby Berhad in various roles including Finance Director and then Managing Director of Australian based Caterpillar Dealer, Hastings Deering. Prior to his retirement from executive management at the end of 2019, Scott had spent the last 13 years as an Executive Vice-President of Sime Darby Industrial. He was appointed as a non-executive director of Sime Darby Berhad in 2023.

## Kevin Pallas

### BCom, MAICD

**MEMBER OF THE BOARD SINCE 17 DECEMBER 2014, MANAGING DIRECTOR & CEO SINCE 1 FEBRUARY 2015. RESIGNED 18 NOVEMBER 2022.**

Kevin possesses senior management and leadership experience through an extensive career in engineering, mining supplies, metals and manufacturing industries. Holding a Bachelor of Commerce degree, Kevin specialised in the areas of financial and cost accounting systems' design and development, and operational and commercial management for a number of multinationals in South Africa, New Zealand, Singapore and Australia prior to joining the Group in 2007. He served in the position of Chief Financial Officer from 1 March 2013 to 31 January 2015. In February 2015, Kevin was appointed Managing Director and Chief Executive Officer.

## Meetings of Directors

The number of directors' meetings (including meeting of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| Board Member | Director Meetings | Audit and Risk Committee Meetings |
|---|---|---|
| Vincent De Santis | 12/12 | 4/4 |
| Dale Elphinstone | 12/12 | – |
| Alison von Bibra | 12/12 | 4/4 |
| Scott Cameron | 12/12 | 4/4 |
| Kelly Elphinstone | 10/10 | 3/3 |
| Kevin Pallas | 5/5 | 2/2 |

## Directors' Shareholdings

The directors' shareholding of ordinary shares as at 30 June 2023 are:

| | Ordinary shares |
|---|---|
| Vincent De Santis | 378,951 |
| Dale Elphinstone | 216,554,707 |
| Alison von Bibra | 34,793 |
| Scott Cameron | 163,500 |
| Kelly Elphinstone | – |

# Directors' Report

for the year ended 30 June 2023

## Company Officers

## Dean Draper

### MBA, BBus

**CHIEF EXECUTIVE OFFICER SINCE 21 NOVEMBER 2022.**

Dean is an experienced executive having held senior roles in the industrial sector both in Australia and overseas. Most recently, Dean held the roles of Managing Director and CEO of Ixom (former Orica Chemicals business), based in Melbourne. Prior to leading the Ixom business, Dean spent over 17 years in several senior executive positions at BASF, a large multi-national chemicals company. For a significant portion of his time with BASF, Dean served as Managing Director of BASF's operations across the ASEAN region for around 4 years. Dean holds a Master of Business Administration (MBA) from Monash Mt Eliza Business school, a Bachelor of Business from Monash University in Melbourne, and has completed the Advanced Management program at INSEAD Business School, France.

## Garth Campbell-Cowan

### BCom, FCA

**INTERIM CHIEF FINANCIAL OFFICER SINCE 10 MAY 2023.**

Garth is an experienced Chief Financial Officer with over 30 years' experience heading up Finance functions with both a strategic and commercial focus. Garth started his career with Arthur Anderson, before moving into various finance roles in the Banking and Finance, Telecommunications, and Mining industries. Garth holds a Bachelor of Commerce with Honours from the University of Cape Town, South Africa, and is a fellow of Chartered Accountants Australia and NZ. Garth has also completed a Diploma of Applied Finance and Investment with the Securities Institute of Australia.

## Company Secretary

## Meredith Rhimes

### BA, LLB

**COMPANY SECRETARY SINCE 30 MARCH 2020.**

Meredith is a lawyer with over 17 years' experience, including working in private practice and in-house for a multinational corporation. Meredith holds a Bachelor of Arts from Queen's University (Canada) and a Bachelor of Laws from Western University (Canada) and has practiced law in Canada, the United Arab Emirates and Australia.

## Paul Burrows

### BCom, CA, GAICD

**COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER FROM 10 DECEMBER 2018 TO 18 NOVEMBER 2022.**

Paul has vast experience in ASX listed entities and global businesses. He holds a Bachelor of Commerce degree, is a Chartered Accountant and is a Graduate of the Australian Institute of Company Directors. Paul has significant experience in corporate governance, mergers and acquisitions and financial reporting in high growth environments together with hands-on experience in the implementation of system and process improvements.

## Kelly Sperl

### BBus (Act), CA, AICD, GradDipAppFin

**COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER FROM 16 JANUARY 2023 TO 5 APRIL 2023 .**

Kelly has over 25 years' experience heading up Finance & IT functions with both a strategic and commercial focus. Kelly started her career with PricewaterhouseCoopers, before moving into various finance roles in the FMCG, manufacturing, retail and franchising industries. Kelly holds a Bachelor of Business (Accounting) from Victoria University in Melbourne and is a member of both the Australian Institute of Company Directors and Chartered Accountants Australia & NZ. Kelly has also completed a Graduate Diploma of Applied Finance and Investment with FINSIA.

## Principal Activities

The Engenco Group provides a diverse range of innovative products and solutions for transportation, employing over 500 people (full-time equivalent) in over twenty locations in two countries.

The Engenco Group is a national transport services business with proven capability around Australia with well-established facilities and strong relationships with industry leading customers. Across the Group we strive to source, develop, and adapt products and services that help increase our customers' competitiveness and efficiency.

Through the Group's three business streams: Power and Propulsion, Rail, and Workforce Solutions the Engenco businesses provide high-quality transportation products and solutions for customers in the defence, resources, marine, power generation, rail, heavy industrial, mining and infrastructure industries.

With a strong focus on customer service and providing sustainable solutions, and superior value for our customers the Group specialises in:

- Maintenance, repair and overhaul of heavy-duty engines, powertrain, propulsion, and gas compression systems
- Design and manufacture of road and rail transportation and storage tankers, for dry bulk products
- Product development, manufacture, installation, maintenance and spare parts services for Hedemora Turbochargers and Diesel Engines, for customers in all parts of the world
- Maintenance, repair, and overhaul of locomotives
- Rollingstock maintenance, products, and services for the Australian and New Zealand rail markets
- Nationally accredited training, contract labour solutions and outsourced workforce management for the Australian rail and transportation industries.

*We keep our customers moving.*

## Group Overview

**Engenco**

POWER AND PROPULSION | Drivetrain CONVAIR HEDEMORA TURBO & DIESEL

RAIL | GEMCORAIL

WORKFORCE SOLUTIONS | Momentum CERT EUREKA

# Operating and Financial Review

### Operating Results

The Group reported a net profit after tax, including non-controlling interests, of $6,444,000 for the year ended 30 June 2023. This included an insurance receipt of $1,589,000 for Gemco Rail's Gladstone workshop which was subject to a severe flood event that impacted the Northeast coast of Australia in 2022. During the pandemic the Group accumulated significant inventory to ensure supply for customers. The carrying values of inventory assets have been reassessed and an impairment of $2,729,000 was made during the year. Going forward the provisioning of slow moving and obsolete inventory is expected to return to more normal levels. The consolidated result for the year is summarised as follows:

| | 2023 $'000 | 2022* $'000 |
|---|---|---|
| Revenue | **217,082** | 188,642 |
| EBIT[1] | **7,398** | 5,685 |
| EBIT excluding significant items[2] | **6,022** | 7,334 |
| Net profit before tax | **5,519** | 4,460 |
| Net profit before tax excluding significant items[2] | **4,143** | 6,109 |
| Profit after tax | **6,444** | 5,667 |
| Net operating cash flow | **2,987** | 10,557 |
| Net assets | **94,792** | 93,131 |
| Net cash / (debt) | **(4,522)** | 4,746 |

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

2 Significant items consist of the impairment of property, plant and equipment of $1,649,000 in FY22 and the subsequent receipt of insurance proceeds of $1,376,000 in relation to the impairment in FY23.

*Net assets was previously overstated in FY22. It was identified that property, plant and equipment was obsolete prior to FY22 causing the FY22 net assets to be overstated by $651,000 with a corresponding understatement in accumulated losses and has been corrected in the opening balances of the prior year comparatives.

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.

### Review of Principal Businesses

Disclosure of information regarding principal business performance and likely developments has been made in the Chairman's and Chief Executive Officer's section of this report.

### Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

### Dividends

Since the end of the previous financial year, the Board declared a final dividend of 1.5 cents per ordinary share (64% franked) on 18 August 2022 and subsequently paid the dividend on 27 September 2022.

On 31 August 2023, the Board resolved to declare a final unfranked dividend of 0.5 cents per share. Payment of the dividend to shareholders will take place on 28 September 2023.

# Events Subsequent to Reporting Date

On 24 August 2023, the Group extended the maturity date of the NAB Revolving Credit Facility to 31 October 2024.

On 31 August 2023, the Board resolved to declare a final unfranked dividend of 0.5 cents per share. Payment of the dividend to shareholders will take place on 28 September 2023.

Other than the above, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which would have a material effect on the financial statements of the Group at 30 June 2023.

# Environmental Regulation

Group operations are subject to significant environmental regulation under Commonwealth, State and international law, including noise, air emissions and the use, handling, haulage and disposal of dangerous goods and wastes.

The Group follows practices that minimise adverse environmental impacts and comply with environmental requirements.

The Board is not aware of any significant breaches during the periods covered by this report nor does it consider the Group is subject to any material environmental liabilities.

### National Greenhouse and Energy Reporting Guidelines

The Group's environmental obligations are regulated under both Federal and State law. The Group is not subject to the conditions imposed by the registration and reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*.

## Indemnification and Insurance of Officers

The Company has indemnified and paid premiums to insure each of the Company's directors and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity, other than conduct involving a wilful breach of duty in relation to the Company.

## Non-Audit Services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG Australia, and its network firms for audit and non-audit services provided during the year are set out below:

| | 2023<br>$ |
|---|---|
| **SERVICES OTHER THAN AUDIT AND REVIEW OF FINANCIAL STATEMENTS:** | |
| **Other Services** | |
| Tax services | 5,822 |
| | **5,822** |
| **AUDIT AND REVIEW OF FINANCIAL STATEMENTS** | **468,689** |
| **TOTAL PAID TO KPMG** | **474,511** |

## Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 29 and forms part of the Directors' Report for the financial year ended 30 June 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.

# Remuneration Report – Audited

## Remuneration Policy

This report details the nature and amount of remuneration for all directors and key executives of the Group who have a strategic commercial impact upon the Group's activities.

The Board's policy for determining the nature and amount of remuneration for board members and key executives of the Group is as follows:

- All executive directors and key executives receive a salary package comprised of a base salary, short-term incentive and superannuation.
- The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable market information.
- The performance objectives of each executive are agreed at the beginning of each fiscal year and recorded via the annual Short-Term Incentive Plan. These performance objectives are based predominantly on achievement of the Board approved budget targets, including net profit before tax for the given year and improvements in the key safety measure of Total Recordable Injury Frequency Rate. Performance against other recorded objectives is also monitored and linked to the achievement of the Group's strategy and overall development. Other than those made under the Short-Term Incentive Plan, incentive payments are at the discretion of the Board of Directors. All performance objectives are aligned with increasing shareholder value.
- The directors and executives receive a superannuation guarantee contribution required by the government (which was 10.5% during the year) and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase superannuation contributions.
- All remuneration paid to directors and executives is valued at cost to the Group and expensed.
- The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders.
- To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

## Performance Conditions Linked to Remuneration

The remuneration level for key management personnel is based on a number of factors, including skills and qualifications, achievement of performance metrics and demonstrated management capability. The contracts for service between the Group and key management personnel are on a continuing basis.

## Consequences of Performance on Shareholder Wealth

No short-term performance benefits have been awarded in the current financial year related to the achievement of the annual Short-Term Incentive Plan. The following table shows the gross revenue, profits and dividends for the last 5 years for Engenco Limited, as well as the share prices at the end of the respective financial years.

| | 2019 $ | 2020 $ | 2021 $ | 2022* $ | 2023 $ |
|---|---|---|---|---|---|
| Revenue | 174,850,000 | 178,063,000 | 165,593,000 | 188,642,000 | **217,082,000** |
| NPAT attributable to members | 14,227,000 | 13,423,000 | 11,961,000 | 5,667,000 | **6,444,000** |
| EBIT | 13,012,000 | 11,596,000 | 9,713,000 | 5,685,000 | **7,398,000** |
| Operating income growth[1] | (4%) | (11%) | (16%) | (41%) | **30%** |
| Share price at year-end | $0.42 | $0.45 | $0.53 | $0.44 | **$0.40** |
| % Change in share price | (14%) | 7% | 18% | (17%) | **(9%)** |
| Capital employed[2] | 77,779,000 | 99,338,000 | 100,225,000 | 97,146,000 | **95,599,000** |
| Return on capital employed[3] | 17% | 12% | 10% | 6% | **8%** |
| Dividends paid | 3,134,000 | 6,268,000 | 6,268,000 | 6,308,000 | **4,717,000** |

1 Operating income growth is the movement in EBIT year-on-year

2 Capital employed is total assets less current liabilities (excluding deferred tax balances)

3 Return on capital employed is EBIT over capital employed

*Capital employed was previously overstated in FY22. It was identified that property, plant and equipment was obsolete prior to FY22 causing the FY22 capital employed to be overstated by $651,000 with a corresponding understatement in accumulated losses and has been corrected in the opening balances of the prior year comparatives.

## Non-Executive Directors

Total compensation for all non-executive directors was last voted upon by shareholders at the 2019 Annual General Meeting. The base fee for the Chairperson is $160,000 per annum. Base fees for other non-executive directors do not exceed $80,000 per annum.

Directors' base fees cover all main board activities. Non-executive director members who sit on a committee receive an additional fee of $6,000 per annum. Non-executive director members who hold the position of Chairperson on a committee receive an additional fee of $6,000 per annum. Non-executive directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation (paid in addition to the base fees noted above).

## Directors' and Key Executive Officers' Remuneration Details for Year Ended 30 June 2023

Details of the nature and amount of each major element of remuneration for each director of the Company, and key management personnel of the Group, are:

| | | Short-Term | | | | Post Employment | Long Term | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary and Fees $ | Non-monetary $ | Performance Benefit $ | Sub-Total $ | Superannuation Benefit $ | Long Service Leave $ | Termination Benefits $ | Total $ | % Remuneration Performance Related |
| **DIRECTORS** | | | | | | | | | | |
| **NON-EXECUTIVE DIRECTORS** | | | | | | | | | | |
| V De Santis | **2023** | **166,000** | **–** | **–** | **166,000** | **17,430** | **–** | **–** | **183,430** | **–** |
| *Chairman* | 2022 | 166,000 | – | – | 166,000 | 16,600 | – | – | 182,600 | – |
| D Elphinstone[1] | **2023** | **80,000** | **–** | **–** | **80,000** | **8,400** | **–** | **–** | **88,400** | **–** |
| | 2022 | 80,000 | – | – | 80,000 | 8,000 | – | – | 88,000 | – |
| A von Bibra | **2023** | **86,000** | **–** | **–** | **86,000** | **9,030** | **–** | **–** | **95,030** | **–** |
| | 2022 | 86,000 | – | – | 86,000 | 8,600 | – | – | 94,600 | – |
| S Cameron | **2023** | **92,000** | **–** | **–** | **92,000** | **9,660** | **–** | **–** | **101,660** | **–** |
| | 2022 | 92,000 | – | – | 92,000 | 9,200 | – | – | 101,200 | – |
| K Elphinstone[2] | **2023** | **68,800** | **–** | **–** | **68,800** | **7,224** | **–** | **–** | **76,024** | **–** |
| | 2022 | – | – | – | – | – | – | – | – | – |
| **SUB – TOTAL NON-EXECUTIVE DIRECTORS' REMUNERATION** | **2023** | **492,800** | **–** | **–** | **492,800** | **51,744** | **–** | **–** | **544,544** | **–** |
| | 2022 | 424,000 | – | – | 424,000 | 42,400 | – | – | 466,400 | – |
| **EXECUTIVE DIRECTORS** | | | | | | | | | | |
| K Pallas[3] | **2023** | **320,458** | **–** | **–** | **320,458** | **11,635** | **3,177** | **–** | **335,270** | **–** |
| *Managing Director & CEO* | 2022 | 485,000 | – | – | 485,000 | 27,500 | 11,472 | – | 523,972 | – |
| **SUB – TOTAL EXECUTIVE DIRECTORS' REMUNERATION** | **2023** | **320,458** | **–** | **–** | **320,458** | **11,635** | **3,177** | **–** | **879,814** | **–** |
| | 2022 | 485,000 | – | – | 485,000 | 27,500 | 11,472 | – | 523,972 | – |
| **TOTAL DIRECTORS' REMUNERATION** | **2023** | **813,258** | **–** | **–** | **813,258** | **63,379** | **3,177** | **–** | **879,814** | **–** |
| | 2022 | 909,000 | – | – | 909,000 | 69,900 | 11,472 | – | 990,372 | – |
| **EXECUTIVES** | | | | | | | | | | |
| D Draper[4] | **2023** | **371,646** | **–** | **–** | **371,646** | **16,923** | **–** | **–** | **388,569** | **–** |
| *Chief Executive officer* | 2022 | – | – | – | – | – | – | – | – | – |
| P Burrows[5] | **2023** | **141,725** | **3,980** | **–** | **145,705** | **11,635** | **–** | **–** | **157,340** | **–** |
| *Chief Financial Officer & Company Secretary* | 2022 | 264,175 | 11,590 | – | 275,765 | 27,483 | – | – | 303,248 | – |

| | | Short-Term | | | | Post Employment | Long Term | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary and Fees $ | Non-monetary $ | Performance Benefit $ | Sub-Total $ | Superannuation Benefit $ | Long Service Leave $ | Termination Benefits $ | Total $ | % Remuneration Performance Related |
| K Sperl[6] | **2023** | **78,097** | **–** | **–** | **78,097** | **5,837** | **–** | **24,978** | **108,912** | **–** |
| *Chief Financial Officer & Company Secretary* | 2022 | – | – | – | – | – | – | – | – | – |
| G Campbell-Cowan[7] | **2023** | **57,600** | **–** | **–** | **57,600** | **–** | **–** | **–** | **57,600** | **–** |
| *Interim Chief Financial Officer* | 2022 | – | – | – | – | – | – | – | – | – |
| **TOTAL EXECUTIVE OFFICERS' REMUNERATION** | **2023** | **649,068** | **3,980** | **–** | **653,048** | **34,395** | **–** | **24,978** | **712,421** | |
| | 2022 | 264,175 | 11,590 | – | 275,765 | 27,483 | – | – | 303,248 | |
| **TOTAL DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION** | **2023** | **1,462,326** | **3,980** | **–** | **1,466,306** | **97,774** | **3,177** | **24,978** | **1,592,235** | **–** |
| | 2022 | 1,173,175 | 11,590 | – | 1,184,765 | 97,383 | 11,472 | – | 1,293,620 | – |

1 Fees for the services of D Elphinstone were paid via agreements with Elphinstone Group (Aust) Pty Ltd which is a related party of the Company.

2 K Elphinstone was appointed on 19 September 2022. Fees for the services of K Elphinstone were paid via agreements with Elphinstone Group (Aust) Pty Ltd which is a related party of the Company.

3 K Pallas resigned on 18 November 2022.

4 D Drapper was appointed on 21 November 2022.

5 P Burrows resigned on 18 November 2022

6 K Sperl was appointed on 16 January 2023 and subsequently resigned on 5 April 2023.

7 G Campbell-Cowan was appointed on 10 May 2023.

## Loans to Key Management Personnel and their Related Parties

The balance of loans to key management personnel and their related parties outstanding as at 30 June 2023 is $NIL (2022: $NIL).

## Service Contracts

The employment conditions of most key management personnel are formalised in contracts of employment. The employment contract does not stipulate a term of employment period but does stipulate a notice period for resignation and periods of remuneration and conditions under termination. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

| | Terms of Agreement | Termination Benefit |
|---|---|---|
| V De Santis | Ongoing director agreement | N/A – Non-Executive Director |
| D Elphinstone | Ongoing director agreement | N/A – Non-Executive Director |
| A von Bibra | Ongoing director agreement | N/A – Non-Executive Director |
| S Cameron | Ongoing director agreement | N/A – Non-Executive Director |
| K Elphinstone | Ongoing director agreement | N/A – Non-Executive Director |
| D Draper | Permanent employment contract | 12 weeks' pay |
| G Campbell-Cowan | Fixed term contract to 10 November 2023 | N/A |

## Options and Rights Over Equity Instruments Granted

In the 2022 and 2023 financial years no executive directors, non-executive directors or key management personnel had any options or rights.

## Other Transactions with Key Management Personnel

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

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

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

## Movements in Shares

The movement during the reporting period in the number of ordinary shares in Engenco Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| 2023 | Balance 1 July 2022 | Received as compensation | Other changes* | Balance 30 June 2023 |
|---|---|---|---|---|
| V De Santis | 378,951 | – | – | 378,951 |
| D Elphinstone | 216,554,707 | – | – | 216,554,707 |
| A von Bibra | 34,793 | – | – | 34,793 |
| S Cameron | 163,500 | – | – | 163,500 |
| K Elphinstone | – | – | – | – |
| D Draper | – | – | – | – |
| G Campbell-Cowan | – | – | – | – |
| K Sperl | – | – | – | – |
| K Pallas | 87,632 | – | (49,727) | 37,905 |
| P Burrows | 14,256 | – | (14,256) | – |

*Other changes represent shares that were purchased or sold during the year.

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

V De Santis

**Vincent De Santis**
Chairman

Dated 8 September 2023

# Directors' Declaration

for the year ended 30 June 2023

1. In the opinion of the directors of Engenco Limited (the Company):
   a. the consolidated financial statements and notes that are set out on pages 36 to 75 and the Remuneration Report on pages 23 to 27 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
      i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2023.
3. The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

V De Santis

**Vincent De Santis**
Chairman

Dated 8 September 2023

# 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 audit of Engenco Limited for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Andrew Hounsell

*Partner*

Melbourne

8 September 2023

# Independent Auditor’s Report

## To the shareholders of Engenco Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of Engenco Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 30 June 2023
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors’ Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue Recognition from Rendering of Services and Maintenance and Construction Contracts
- Existence of Inventory

***Key Audit Matters*** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition from Rendering of Services ($47,880k) and Maintenance and Construction Contracts ($101,475k)

Refer to Note 5 to the Financial Report

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| Revenue recognition from Rendering of Services, and Maintenance and Construction Contracts is a key audit matter due to the quantum of the balance, and the significant audit effort and judgment we have applied in assessing the Group's recognition and measurement of revenue.<br>This was the result of:<br>• Judgements made by the Group in the recognition and measurement of revenue and associated accrued revenue contract assets; and<br>• The level of audit effort required by us in assessing the Group's assumptions underlying the timing of its recognition including procedures performed over the judgement applied by management at year end in relation to the over time recognition of services, and maintenance and construction contract revenue.<br><br>These assessments can be inherently subjective, therefore we involved our senior audit team members in assessing this key audit matter | Our procedures included:<br>• Assessed the Group's accounting policy for the recognition of services and maintenance and construction contract revenue against the requirements of the accounting standards.<br>• Selected a sample of completed services and maintenance and construction contract revenue transactions during the year. For each sample selected, we:<br>– Checked the amount of revenue recorded by the Group to the amount of the sales invoice to the customer;<br>– agreed pricing arrangements, typically per customer approved contract/purchase order, payments received from customers, or customer confirmations; and<br>– checked the period over which the revenue was recognised to underlying evidence, such as, delivery/collection documents, customer confirmations, completion certificates or payment certificates.<br>• Selected a sample of accrued revenue transactions. For each sample selected, we:<br>– Checked the actual costs incurred to underlying information such as inventory pricing and employee timesheet records; |

KPMG

| | |
|---|---|
| | and<br>– Challenged the Group's estimate of the profit margin with relevant historical data such as actual margins from contracts completed during the current and previous reporting periods.<br>• Selected a sample of revenue transactions for a period before and after year end due to the increased risk of potential bias in the timing of revenue recognition in this period. For each sample selected we:<br>– checked the amount of revenue recorded by the Group to the amount of the sales invoice to the customer and agreed pricing arrangements to underlying evidence, such as, customer approved contract/purchase order, payments received from customers, or customer confirmations; and<br>– checked the revenue was recognised in the correct period based on underlying transaction documents, such as delivery/collection documents, customer confirmations, completion certificates or payment certificates.<br>• Assessed the revenue disclosures in the financial report using our understanding obtained from our testing and against the requirements of accounting standards. |
| **Existence of Inventory ($59,617k)** | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| Inventory existence is a key audit matter due to the financial significance of the inventory balance to the statement of financial position; and due to Inventory being held at geographically diverse locations around Australia at various warehouses and workshops. | Our procedures included;<br>• Attended inventory counts at certain locations, which were selected based on a number of factors including financial significance and geographical spread. Procedures performed at these locations included:<br>○ Selected a sample of inventory items from the inventory records and compared to the quantities we counted;<br>○ Observed a sample of management's inventory count procedures to assess compliance with group policy; and |

| | |
|---|---|
| | ○ Obtained a roll-forward/roll-backward analysis when inventory count dates differed from 30 June 2023, and selected a sample of movements and compared them to underlying evidence, such as delivery dockets and dispatch/production dockets/schedules. |

## Other Information

Other Information is financial and non-financial information in Engenco Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

KPMG

accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Engenco Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 23 to 27 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Andrew Hounsell

Andrew Hounsell

*Partner*

Melbourne

8 September 2023

# Consolidated Financial Statements Table of Contents

for the year ended 30 June 2023

## Contents

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023

| | Note | Consolidated Group 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Revenue | 5 | **217,082** | 188,642 |
| Other income | 5 | **4,005** | 3,356 |
| Changes in inventories of finished goods and work in progress | | **12,480** | 1,303 |
| Raw materials and consumables used | | **(124,674)** | (93,952) |
| Employee benefits expense | 6 | **(70,041)** | (63,810) |
| Depreciation and amortisation expense | | **(7,817)** | (7,928) |
| Impairment of property, plant and equipment | 14 | **–** | (1,649) |
| Impairment of inventory | 11 | **(2,729)** | (706) |
| Finance costs | 6 | **(1,879)** | (1,225) |
| Subcontract freight | | **(2,028)** | (3,046) |
| Repairs and maintenance | | **(2,217)** | (1,918) |
| Insurances | | **(1,630)** | (1,428) |
| Rent and outgoings | | **(3,123)** | (3,001) |
| Foreign exchange movements | | **(212)** | (25) |
| Computer expenses | | **(2,317)** | (2,142) |
| Other expenses | | **(9,381)** | (8,011) |
| **PROFIT BEFORE INCOME TAX** | | **5,519** | 4,460 |
| Income tax benefit / (expense) | 7 | **925** | 1,207 |
| **TOTAL PROFIT FOR THE YEAR** | | **6,444** | 5,667 |
| *Profit attributable to:* | | | |
| Owners of the Company | | **6,444** | 5,667 |
| Non-controlling interest | | **–** | – |
| | | **6,444** | 5,667 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of overseas subsidiaries | | **(132)** | (965) |
| Other comprehensive income for the year, net of tax | | **(132)** | (965) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **6,312** | 4,702 |
| *Total comprehensive income attributable to:* | | | |
| Owners of the Company | | **6,312** | 4,702 |
| Non-controlling interest | | **–** | – |
| | | **6,312** | 4,702 |
| **EARNINGS PER SHARE** | | **Cents** | **Cents** |
| Basic & Diluted earnings per share (cents per share) | 8 | **2.04** | 1.80 |

The notes on pages 40 to 75 are an integral part of the consolidated financial statements.

# Consolidated Statement of Financial Position

as at 30 June 2023

| | | Consolidated Group | |
|---|---|---|---|
| | | 2023 | 2022* |
| | Note | $'000 | $'000 |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | **8,478** | 4,746 |
| Trade and other receivables | 10 | **38,296** | 30,436 |
| Contract assets | 5 | **6,962** | 5,984 |
| Inventories | 11 | **59,617** | 47,137 |
| Current tax assets | 7 | **30** | 69 |
| Other current assets | 13 | **2,103** | 1,811 |
| **TOTAL CURRENT ASSETS** | | **115,486** | 90,183 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **22,174** | 23,136 |
| Right-of-use assets | 12 | **16,279** | 17,826 |
| Deferred tax assets | 7 | **17,378** | 16,711 |
| Intangible assets | 16 | **3,407** | 3,533 |
| **TOTAL NON-CURRENT ASSETS** | | **59,238** | 61,206 |
| **TOTAL ASSETS** | | **174,724** | 151,389 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | **29,677** | 23,991 |
| Contract liabilities | 5 | **5,176** | 1,086 |
| Lease liabilities | 12 | **4,489** | 3,841 |
| Short term borrowings | 18 | **13,000** | – |
| Provisions | 19 | **9,405** | 8,614 |
| **TOTAL CURRENT LIABILITIES** | | **61,747** | 37,532 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 12 | **13,260** | 15,723 |
| Provisions | 19 | **4,589** | 4,417 |
| Deferred tax liabilities | 7 | **336** | 586 |
| **TOTAL NON-CURRENT LIABILITIES** | | **18,185** | 20,726 |
| **TOTAL LIABILITIES** | | **79,932** | 58,258 |
| **NET ASSETS** | | **94,792** | 93,131 |
| **EQUITY** | | | |
| Issued capital | 21 | **303,900** | 303,834 |
| Reserves | | **(594)** | (462) |
| Profit reserve | | **16,944** | 15,217 |
| Accumulated losses | | **(219,629)** | (219,629) |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **100,621** | 98,960 |
| Non-controlling interest | | **(5,829)** | (5,829) |
| **TOTAL EQUITY** | | **94,792** | 93,131 |

*2022 comparative figures have been restated. Full details are disclosed in Note 1.

The notes on pages 40 to 75 are an integral part of the consolidated financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2023

| Consolidated Group | Share 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 2021** | **302,774** | **(218,978)** | **15,858** | **503** | **100,157** | **(5,829)** | **94,328** |
| Impact of restatement | – | (651) | – | – | (651) | – | (651) |
| **RESTATED BALANCE AT 1 JULY 2021*** | **302,774** | **(219,629)** | **15,858** | **503** | **99,506** | **(5,829)** | **93,677** |
| **COMPREHENSIVE INCOME** | | | | | | | |
| Profit | – | – | 5,667 | – | 5,667 | – | 5,667 |
| Other comprehensive income, net of tax | – | – | – | (965) | (965) | – | (965) |
| **TOTAL COMPREHENSIVE INCOME** | **–** | **–** | **5,667** | **(965)** | **4,702** | **–** | **4,702** |
| **TRANSACTIONS WITH OWNERS OF THE COMPANY** | | | | | | | |
| *Contributions and Distributions:* | | | | | | | |
| Employee share purchase plan | 60 | – | – | – | 60 | – | 60 |
| Issue of ordinary shares related to business combinations | 1,000 | – | – | – | 1,000 | – | 1,000 |
| Dividends paid | – | – | (6,308) | – | (6,308) | – | (6,308) |
| **TOTAL CONTRIBUTIONS AND DISTRIBUTIONS** | **1,060** | **–** | **(6,308)** | **–** | **(5,248)** | **–** | **(5,248)** |
| **RESTATED BALANCE AT 30 JUNE 2022** | **303,834** | **(219,629)** | **15,217** | **(462)** | **98,960** | **(5,829)** | **93,131** |

| Consolidated Group | Share Capital $'000 | Accumulated Losses $'000 | Profit Reserve $'000 | Foreign Currency Translation Reserve $'000 | Sub-Total $'000 | Non-controlling interest $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|
| **RESTATED BALANCE AT 1 JULY 2022*** | **303,834** | **(219,629)** | **15,217** | **(462)** | **98,960** | **(5,829)** | **93,131** |
| **COMPREHENSIVE INCOME** | | | | | | | |
| Profit | – | – | 6,444 | – | 6,444 | – | 6,444 |
| Other comprehensive income, net of tax | – | – | – | (132) | (132) | – | (132) |
| **TOTAL COMPREHENSIVE INCOME** | **–** | **–** | **6,444** | **(132)** | **6,312** | **–** | **6,312** |
| **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 CONTRIBUTIONS AND DISTRIBUTIONS** | **66** | **–** | **(4,717)** | **–** | **(4,651)** | **–** | **(4,651)** |
| **BALANCE AT 30 JUNE 2023** | **303,900** | **(219,629)** | **16,944** | **(594)** | **100,621** | **(5,829)** | **94,792** |

*2022 comparative figures have been restated. Full details are disclosed in Note 1.

The notes on pages 40 to 75 are an integral part of the consolidated financial statements.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2023

| | Note | Consolidated Group 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **230,143** | 201,984 |
| Payments to suppliers and employees | | **(226,496)** | (191,189) |
| Finance costs | | **(707)** | (225) |
| Income tax paid | | **47** | (13) |
| **NET CASH FROM / (USED IN) OPERATING ACTIVITIES** | 23 (b) | **2,987** | 10,557 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of non-current assets | | **333** | 86 |
| Purchase of non-current assets | | **(2,782)** | (3,730) |
| Acquisition of subsidiary, net of cash acquired | 27 | **–** | (2,884) |
| **NET CASH FROM / (USED IN) INVESTING ACTIVITIES** | | **(2,449)** | (6,528) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | | **(4,717)** | (6,308) |
| Proceeds from borrowings | | **15,000** | 4,000 |
| Repayment of borrowings | | **(2,000)** | (4,000) |
| Payment of lease liabilities | | **(5,089)** | (5,066) |
| **NET CASH FROM / (USED IN) FINANCING ACTIVITIES** | | **3,194** | (11,374) |
| Net increase / (decrease) in cash and cash equivalents | | **3,732** | (7,345) |
| Cash at beginning of financial year | | **4,746** | 12,091 |
| **CASH AT END OF FINANCIAL YEAR** | 23 (a) | **8,478** | 4,746 |

The notes on pages 40 to 75 are an integral part of the consolidated financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2023

## Note 1 – Significant Accounting Policies

Except for the changes explained here within, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

### Reporting Entity

Engenco Limited (the 'Company') is domiciled in Australia. The Company's registered office is at Level 22, 535 Bourke Street, Melbourne, VIC 3000. These consolidated financial statements comprise the Company and its subsidiaries (collectively 'the Group' and individually 'Group companies'). The Group is a for-profit entity and is involved in the delivery of a diverse range of engineering services and products.

### Basis of Accounting

#### Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 8 September 2023.

### Functional and Presentation Currency

These consolidated financial statements are presented in AUD, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that may have a risk of resulting in a material adjustment in the year ended 30 June 2023 is included in the following notes:

- Note 5 – Revenue and Other Income
- Note 7 – Tax
- Note 10 – Trade and Other Receivables
- Note 11 – Inventories
- Note 12 – Leases and Commitments
- Note 16 – Intangibles

### Changing Market Conditions and Uncertainties

**Inflation**

The increase in global inflation has seen price increases for goods generally and labour which has been further compounded by skilled labour shortages across all industries in Australia. Additionally, the rise in inflation has resulted in Central Banks increasing interest rates, resulting in an increase in incremental borrowing rates and discount rates used for various purposes, including lease calculations and impairment calculations.

**Geopolitical**

Geopolitical developments in FY2023, including the war in Ukraine, have resulted in various price increases such as global energy rates, which have, in turn, contributed to the rise in supply side global inflation. These geopolitical developments have directly impacted sales of Hedemora Turbochargers into Eastern Europe and disrupted European supply chains, affecting inventory levels at the end of FY2023.

In respect of these financial statements, the impact of inflation, and geopolitical tensions are primarily relevant to estimates of future performance, which is in turn applicable to the areas of recoverability of receivables (Note 10), net realisable value of inventory (Note 11), impairment of non-financial assets (right-of-use assets), (Note 12) and property, plant and equipment, (Note 14), recoverability of income tax losses (Note 7), and intangible assets (Note 16).

In making estimates of future performance, the Group has applied the following assumptions and judgements about estimating uncertainties. Actual results may differ from these estimates under different assumptions and conditions.

- Engenco's operations are nationally diverse across the Australian states and regions, with material functions separated across all the major states.
- Engenco operates within the Transportation industry, a broad and diverse industry with significant growth drivers, including population growth and mining exports.
- Central banks will successfully manage inflation to historical normalised levels over the cycle.
- Skilled migration will return to historical levels, improving staff availability to meet customer demand.
- Geopolitical tensions across the globe will remain at heightened levels for the near term.

### Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for non-derivative financial instruments at fair value through profit or loss, which are measured at fair value.

### Going Concern

The consolidated 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.

## Significant Accounting Policies

### (a) Basis of Consolidation

**Non-controlling interests**

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Impairment

**Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (c) Foreign Currency

**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Fair Value through Other Comprehensive Income (FVTOCI) equity investments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedges are effective.

## Note 1 – Significant Accounting Policies (continued)

**Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (d) Finance Income and Finance Costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities; and
- Impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

### (e) Government Grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

### (f) Goods and Services Tax (GST)

Revenues, expenses and non-financial assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (g) Share Based Payments

The Group operates an employee share based purchase plan that allows staff members, based on the Plan rules, to purchase Engenco shares on the 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 trade on the Australian Securities Exchange during the five business days immediately preceding the day the shares are issued.

### (h) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### (i) Prior Year Correction

Property, plant and equipment was previously overstated in the 2022 financial year. It was identified that this property, plant and equipment was obsolete prior to the 2022 financial year causing the 2022 financial year to be overstated by $651,000 with a corresponding understatement in accumulated losses and has been corrected in the opening balances of the prior year comparatives. Refer to table below.

**Condensed Consolidated Statement of Financial Position:**

| | 30 June 2022 $'000 | Restated 30 June 2022 $'000 | Change $'000 |
|---|---|---|---|
| Property, plant and equipment | 23,787 | **23,136** | (651) |
| **NON-CURRENT ASSETS** | 61,857 | **61,206** | (651) |
| **TOTAL ASSETS** | 152,040 | **151,389** | (651) |
| **NET ASSETS** | 93,782 | **93,131** | (651) |
| Accumulated losses | (218,978) | **(219,629)** | (651) |
| **TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY** | 99,611 | **98,960** | (651) |
| **TOTAL EQUITY** | 93,782 | **93,131** | (651) |

### (j) Rounding of Amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars (unless otherwise indicated).

### (k) New Accounting Standards and Interpretations

**New accounting standards adopted**

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

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

- *AASB 2020-3 Annual Improvements 2018-2022 and Other Amendments*
- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to AASB 137)
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to AASB 116)
- *Conceptual Framework* (Amendments to IFRS 3)
- *Classification of Liabilities as Current or Non-Current* (Amendment to AASB 101)
- *Insurance Contracts* (Amendments to AASB 17)

The new standards adopted did not have a material impact to the Group.

## 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:

- *Definition of Accounting Estimates* (Amendments to IAS 8)
- *Disclosure Initiative: Accounting Policies* (Amendments to IAS 1)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12)

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2023

## Note 2 – Controlled Entities

| Note: Subsidiaries are indented beneath their parent entity | Country of Incorporation | Date of Control | Percentage Owned 2023 | Percentage Owned 2022 |
|---|---|---|---|---|
| • **Engenco Limited** | Australia | | | |
| – Convair Engineering Pty Ltd | Australia | 1 Jul 06 | **100** | 100 |
| – Engenco Logistics Pty Ltd | Australia | 1 Jul 06 | **100** | 100 |
| – – Asset Kinetics Pty Ltd | Australia | 1 Jul 06 | **0** | 100 |
| – Engenco Investments Pty Ltd | Australia | 18 Apr 07 | **100** | 100 |
| – – Workforce Solutions Pty Ltd (previously Australian Rail Mining Services Pty Ltd | Australia | 30 Apr 07 | **100** | 100 |
| – – Centre for Excellence in Rail Training Pty Ltd | Australia | 30 Apr 07 | **100** | 100 |
| – – EGN Rail Pty Ltd | Australia | 30 Apr 07 | **100** | 100 |
| – – EGN Rail (NSW) Pty Ltd | Australia | 30 Apr 07 | **0** | 100 |
| – – Midland Railway Company Pty Ltd | Australia | 30 Apr 07 | **0** | 100 |
| – – Momentum Rail (Vic) Pty Ltd | Australia | 30 Apr 07 | **0** | 100 |
| – – Momentum Rail (WA) Pty Ltd | Australia | 30 Apr 07 | **0** | 100 |
| – – Sydney Railway Company Pty Ltd | Australia | 30 Apr 07 | **0** | 100 |
| – – Greentrains Pty Ltd[1] | Australia | 17 Jul 09 | **81** | 81 |
| – – – Greentrains Leasing Pty Ltd | Australia | 18 Jun 08 | **100** | 100 |
| – – Eureka 4WD Training Pty Ltd | Australia | 1 Jul 21 | **100** | 100 |
| – – – MRH Training Apps Pty Ltd | Australia | 1 Jul 21 | **100** | 100 |
| – Drivetrain Power and Propulsion Pty Ltd | Australia | 1 Jul 06 | **100** | 100 |
| – – Drivetrain Australia Pty Ltd | Australia | 1 Jul 06 | **100** | 100 |
| – – – DTPP Energy Pty Ltd | Australia | 25 May 10 | **0** | 100 |
| – – – Drivetrain Singapore Pte Ltd | Singapore | 1 Jul 07 | **100** | 100 |
| – – – Drivetrain Limited | New Zealand | 1 Jul 07 | **100** | 100 |
| – – – HS Turbochargers America, Inc. | USA | 31 Dec 08 | **100** | 100 |
| – – – – Hydradix Inc. | USA | 31 Dec 08 | **100** | 100 |
| – – – Hedemora Investments AB | Sweden | 1 Jul 06 | **100** | 100 |
| – – – – Hedemora Turbo & Diesel AB | Sweden | 1 Jul 06 | **100** | 100 |
| – Gemco Rail Pty Ltd | Australia | 1 Jul 07 | **100** | 100 |
| – – Railway Bearings Refurbishment Services Pty Ltd | Australia | 1 Jul 07 | **0** | 100 |
| – – New RTS Pty Ltd | Australia | 3 Dec 08 | **0** | 100 |
| – Hedemora Pty Ltd | Australia | 1 Jul 06 | **0** | 100 |
| – Industrial Powertrain Pty Ltd | Australia | 1 Jul 07 | **100** | 100 |
| – – PC Diesel Pty Ltd | Australia | 1 Jul 06 | **0** | 100 |
| – Total Momentum Pty Ltd | Australia | 30 Apr 07 | **100** | 100 |

1 Total Engenco Group ownership of Greentrains Pty Ltd is 81% (split between Engenco Investments Pty Ltd, 61%, and Engenco Ltd, 20%).

### Closure

On 12 February 2023, the following entities were deregistered:

- Asset Kinetics Pty Ltd
- EGN Rail (NSW) Pty Ltd
- Midland Railway Company Pty Ltd
- Momentum Rail (Vic) Pty Ltd
- Momentum Rail (WA) Pty Ltd
- Sydney Railway Company Pty Ltd
- DTPP Energy Pty Ltd
- Railway Bearings Refurbishment Services Pty Ltd
- New RTS Pty Ltd
- Hedemora Pty Ltd
- PC Diesel Pty Ltd

# Note 3 – Deed of Cross Guarantee

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

The subsidiaries subject to the Deed are:

- Gemco Rail Pty Ltd
- Drivetrain Australia Pty Ltd
- Drivetrain Power and Propulsion Pty Ltd
- Convair Engineering Pty Ltd
- Total Momentum Pty Ltd
- Centre for Excellence in Rail Training Pty Ltd
- Eureka 4WD Training Pty Ltd
- Engenco Investments Pty Ltd
- Workforce Solutions Pty Ltd
- Engenco Logistics Pty Ltd

The subsidiaries entered into the Deed of Cross Guarantee with each other and Engenco Limited on 12 May 2023.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2023 is set out as follows:

| | **2023 $'000** |
|---|---|
| Revenue | **212,669** |
| Other income | **3,584** |
| Changes in inventories of finished goods and work in progress | **13,156** |
| Raw materials and consumables used | **(123,690)** |
| Employee benefits expense | **(68,273)** |
| Depreciation and amortisation expense | **(7,699)** |
| Impairment of inventory | **(2,815)** |
| Finance costs | **(1,865)** |
| Subcontract freight | **(1,978)** |
| Repairs and maintenance | **(2,152)** |
| Insurances | **(1,603)** |
| Rent and outgoings | **(2,849)** |
| Foreign exchange movements | **(344)** |
| Computer expenses | **(2,205)** |
| Other expenses | **(8,598)** |
| **PROFIT BEFORE INCOME TAX** | **5,338** |
| Income tax benefit / (expense) | **1,006** |
| **TOTAL PROFIT FOR THE YEAR** | **6,344** |

## Note 3 – Deed of Cross Guarantee (continued)

| | 2023 $'000 |
|---|---|
| **CURRENT ASSETS** | |
| Cash and cash equivalents | **8,161** |
| Trade and other receivables | **36,668** |
| Contract assets | **6,956** |
| Inventories | **52,254** |
| Intercompany loan receivables | **6,221** |
| Other current assets | **1,997** |
| **TOTAL CURRENT ASSETS** | **112,257** |
| **NON-CURRENT ASSETS** | |
| Property, plant and equipment | **14,821** |
| Right-of-use assets | **16,279** |
| Deferred tax assets | **16,652** |
| Intangible assets | **3,407** |
| **TOTAL NON-CURRENT ASSETS** | **51,159** |
| **TOTAL ASSETS** | **163,416** |
| **CURRENT LIABILITIES** | |
| Trade and other payables | **28,092** |
| Contract liabilities | **5,176** |
| Lease liabilities | **4,489** |
| Short term borrowings | **13,000** |
| Provisions | **9,161** |
| **TOTAL CURRENT LIABILITIES** | **59,918** |
| **NON-CURRENT LIABILITIES** | |
| Lease liabilities | **13,260** |
| Provisions | **4,589** |
| Deferred tax liabilities | **336** |
| **TOTAL NON-CURRENT LIABILITIES** | **18,185** |
| **TOTAL LIABILITIES** | **78,103** |
| **NET ASSETS** | **85,313** |
| **EQUITY** | |
| Issued capital | **303,900** |
| Reserves | **(41)** |
| Profit reserve | **16,944** |
| Accumulated losses | **(235,490)** |
| **TOTAL EQUITY** | **85,313** |

# Note 4 – Operating Segments

## Basis of Segmentation

### Identification of Reportable Segments

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

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

### Types of Products and Services by Segment

The chief operating decision maker considers the business from a Business Line perspective and has identified four (4) reportable segments as follows:

#### (a) Drivetrain

Drivetrain is a provider of technical sales and services to the mining, oil & gas, rail, transport, defence, marine, construction, materials handling, automotive, agriculture, and power generation industries. A broad product and service offering includes engine and powertrain maintenance, repair and overhaul, new components and parts, fluid connector products, power generation design and construction, technical support, professional engineering and training services.

#### (b) 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) Gemco Rail

Gemco Rail specialises in the remanufacture and repair of locomotives, wagons, bearings and other rail products for rail operators and maintainers. Gemco Rail provides wheel-set, bogie and in-field wagon maintenance and manufactures new and refurbished wagons, bogie component parts, customised remote controlled ballast car discharge gates, and a range of rail maintenance equipment and spares.

#### (d) Workforce Solutions

Workforce Solutions is Engenco's people focused business, providing training and labour hire via its business units 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.

## Basis of Reporting by Operating Segments

### (a) Basis of reporting

Unless stated otherwise, all amounts reported to the 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

Assets are allocated to segments where there is a nexus between control and ownership of the asset and the operations of the business. Segment assets are disclosed at the net of capital expenditure, investments and intangibles. Unless indicated otherwise in the segment assets note, deferred tax assets have not been allocated to operating segments.

### (d) Segment liabilities

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

# Note 4 – Operating Segments (continued)

## Information about Reportable Segments

Information related to each reportable segment is set out below. Segment EBITDA is used to measure performance because management believes this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

### (i) Segment Performance

**Year ended 30 June 2023**

| Reportable Segments | Drivetrain $'000 | Convair $'000 | Gemco Rail $'000 | Workforce Solutions $'000 | All Other $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| External revenue | **62,465** | **20,681** | **106,120** | **23,402** | **4,414** | **217,082** |
| Inter-segment revenue | **52** | **–** | **92** | **470** | **1,340** | **1,954** |
| **TOTAL SEGMENT REVENUE** | **62,517** | **20,681** | **106,212** | **23,872** | **5,754** | **219,036** |
| *Reconciliation of segment revenue to Group revenue:* | | | | | | |
| Inter-segment eliminations | **–** | **–** | **–** | **–** | **(1,954)** | **(1,954)** |
| **TOTAL GROUP REVENUE** | **62,517** | **20,681** | **106,212** | **23,872** | **3,800** | **217,082** |
| **SEGMENT EBITDA** | **6,355** | **1,803** | **18,533** | **1,538** | **(13,014)** | **15,215** |
| *Reconciliation of segment EBITDA to Group net profit / (loss) before tax:* | | | | | | |
| Depreciation and amortisation | **(993)** | **(460)** | **(4,704)** | **(854)** | **(806)** | **(7,817)** |
| Finance costs | **(169)** | **(76)** | **(734)** | **(98)** | **(802)** | **(1,879)** |
| **NET PROFIT / (LOSS) BEFORE TAX** | **5,193** | **1,267** | **13,095** | **586** | **(14,622)** | **5,519** |

**Year ended 30 June 2022**

| Reportable Segments | Drivetrain $'000 | Convair $'000 | Gemco Rail $'000 | Workforce Solutions $'000 | All Other $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| External revenue | 54,762 | 15,396 | 92,209 | 21,212 | 5,063 | 188,642 |
| Inter-segment revenue | – | – | – | 142 | 2,517 | 2,659 |
| **TOTAL SEGMENT REVENUE** | 54,762 | 15,396 | 92,209 | 21,354 | 7,580 | 191,301 |
| *Reconciliation of segment revenue to Group revenue:* | | | | | | |
| Inter-segment eliminations | – | – | – | – | (2,659) | (2,659) |
| **TOTAL GROUP REVENUE** | 54,762 | 15,396 | 92,209 | 21,354 | 4,921 | 188,642 |
| **SEGMENT EBITDA** | 7,436 | 1,538 | 12,816 | 2,831 | (11,008) | 13,613 |
| *Reconciliation of segment EBITDA to Group net profit / (loss) before tax:* | | | | | | |
| Depreciation and amortisation | (1,165) | (425) | (4,746) | (836) | (756) | (7,928) |
| Finance costs | (116) | (75) | (671) | (90) | (273) | (1,225) |
| **NET PROFIT / (LOSS) BEFORE TAX** | 6,155 | 1,038 | 7,399 | 1,905 | (12,037) | 4,460 |

### (ii) Segment Assets

**As at 30 June 2023**

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

**As at 30 June 2022***

| Reportable Segments | Drivetrain $'000 | Convair $'000 | Gemco Rail $'000 | Workforce Solutions $'000 | All Other $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Segment assets | 44,543 | 8,548 | 66,873 | 16,019 | (3,341) | 132,642 |
| Capital expenditure | 644 | 728 | 1,741 | 100 | 546 | 3,759 |
| Intangibles | – | – | – | 742 | 2,791 | 3,533 |
| *Reconciliation of segment assets to Group assets:* | | | | | | |
| Inter-segment eliminations | – | – | – | – | – | (5,256) |
| *Unallocated items:* | | | | | | |
| Deferred tax assets | – | – | – | – | – | 16,711 |
| **TOTAL ASSETS** | 45,187 | 9,276 | 68,614 | 16,861 | (4) | 151,389 |

*2022 All Other Segment assets comparative figures have been restated. Full details are disclosed in Note 1.

## Note 4 – Operating Segments (continued)

### (iii) Segment Liabilities

**As at 30 June 2023**

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

**As at 30 June 2022**

| Reportable Segments | Drivetrain $'000 | Convair $'000 | Gemco Rail $'000 | Workforce Solutions $'000 | All Other $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | |
| Segment liabilities | 53,530 | 7,035 | 61,509 | 9,275 | (68,421) | 62,928 |
| *Reconciliation of segment liabilities to Group liabilities:* | | | | | | |
| Inter-segment eliminations | – | – | – | – | – | (5,256) |
| *Unallocated items:* | | | | | | |
| Deferred tax liabilities | – | – | – | – | – | 586 |
| **TOTAL LIABILITIES** | 53,530 | 7,035 | 61,509 | 9,275 | (68,421) | 58,258 |

### (iv) Geographical Information

The geographical information analyses the Group's revenue and assets by the Company's country of domicile and other countries. In presenting the geographical information, segment revenue has been based on the geographical location of the selling party and segment assets were based on the geographical location of the assets.

| Revenue | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Australasia | **211,329** | 181,063 |
| Europe | **5,753** | 7,579 |
| **TOTAL REVENUE** | **217,082** | 188,642 |

| Assets | 2023 $'000 | 2022* $'000 |
|---|---|---|
| Australasia | **164,442** | 140,105 |
| Europe | **10,204** | 11,208 |
| United States of America | **78** | 76 |
| **TOTAL ASSETS** | **174,724** | 151,389 |

*2022 All Other Segment assets comparative figures have been restated. Full details are disclosed in Note 1.

### (v) Major Customers

Revenue from one customer of the Group, across multiple segments, represents greater than 10% of the Group's total revenue in the current year.

# Note 5 – Revenue and Other Income

Revenue is recognised as contract performance obligations are satisfied. The total contract consideration is allocated to the performance obligations based on their observable stand alone selling prices. Revenue is recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- Over time, in a manner that depicts the entity's performance; or
- At a point in time, when control of the goods or services is transferred to the customer.

### Sale of Goods

The Group engages in the sale of spare parts and components for various rail, road, powertrain and gas compression industry sectors. Revenue is recognised at a point in time when a customer obtains control of the goods. Revenue is measured net of returns, trade discounts and volume rebates.

### Rendering of Services

The Group performs a number of services to various industry sectors, including maintenance, repairs and overhauls. Revenue is recognised as contract performance obligations are satisfied over time. The total contract consideration is allocated to the performance obligations based on their observable stand alone selling prices.

### Maintenance and Construction Contracts

The Group is involved in the overhaul maintenance and manufacture of wagons, carriages, rail equipment and dry bulk tankers. Revenue is recognised as contract performance obligations are satisfied over time. The total contract consideration is allocated to the performance obligations based on their observable stand alone selling prices. Claims and variations are included in the contract consideration only when they are approved.

### RTO Training

The Group's RTO entities (CERT Training and Eureka 4WD Training) deliver nationally accredited and industry-based training courses. Revenue is recognised at the point in time when the performance obligation is satisfied.

### Lease Rental Income

The Group leases out certain items of property, plant and equipment to customers in the form of operating lease arrangements. Rental income from leased plant and equipment is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---:|---:|
| **SALES REVENUE** | | |
| Sales of goods and services | **216,569** | 188,342 |
| Lease rental income | **513** | 300 |
| **TOTAL SALES REVENUE** | **217,082** | 188,642 |
| **OTHER INCOME** | | |
| Gain on disposal of property, plant and equipment | **199** | 134 |
| Gain on contingent consideration | **–** | 550 |
| Other gains | **3,806** | 2,672 |
| **TOTAL OTHER INCOME** | **4,005** | 3,356 |

During the year the Group received insurance proceeds of $1,589,000 included in Other gains 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 20: Contingent Assets and Liabilities).

## Note 5 – Revenue and Other Income (continued)

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

| Revenue Stream | Revenue Recognition | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Sale of goods | Point in time | **56,283** | 49,162 |
| Rendering of services | Over time | **47,880** | 44,471 |
| Maintenance and construction contracts | Over time | **101,475** | 84,210 |
| RTO training | Point in time | **10,931** | 10,499 |
| Lease rental income | Over time | **513** | 300 |
| **TOTAL SALES REVENUE** | | **217,082** | 188,642 |

### Contract Assets and Liabilities

Contract assets are recognised as the right to consideration in exchange for work completed on 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.

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Contract assets | **6,962** | 5,984 |
| Contract liabilities | **5,176** | 1,086 |

## Note 6 – Expenses

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **FINANCE COSTS** | | |
| Finance costs – leases | **1,172** | 1,000 |
| Other finance costs | **707** | 225 |
| **TOTAL FINANCE COSTS** | **1,879** | 1,225 |
| **EMPLOYEE BENEFITS EXPENSE** | | |
| Wages and salaries | **60,351** | 54,913 |
| Annual leave expense | **3,502** | 3,351 |
| Long service leave expense | **492** | 539 |
| Restructuring | **209** | 163 |
| Defined contribution plan | **5,487** | 4,844 |
| **TOTAL EMPLOYEE BENEFITS EXPENSE** | **70,041** | 63,810 |
| **RENTAL EXPENSE ON OPERATING LEASES** | | |
| Operating lease payments* | **1,311** | 1,274 |
| **TOTAL RENTAL EXPENSE ON OPERATING LEASES** | **1,311** | 1,274 |

*The operating lease payments expense disclosed above relates to outgoings, short term and low value leases (all of which are not lease accounted or contained within Note 12).

# Note 7 – Tax

## Tax Consolidation

Engenco Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities/assets and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 31 October 2007. The tax consolidated group has entered into a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

Income tax expense/benefit comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or OCI.

## Estimates and Judgements

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by taxable authorities in relevant jurisdictions.

## Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

## Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## Note 7 – Tax (continued)

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **CURRENT** | | |
| Income tax receivable / (payable) | **30** | 69 |
| **TOTAL CURRENT INCOME TAX** | **30** | 69 |

| | 2023 $'000 | 2022* $'000 |
|---|---|---|
| **(a) The components of tax expense / (benefit) comprise:** | | |
| Current income tax expense / (benefit) | | |
| – Current income tax expense / (benefit) | **(8)** | (67) |
| Deferred income tax expense / (benefit) | | |
| – Origination and reversal of temporary differences | **(917)** | (1,140) |
| Income tax expense / (benefit) reported in the Statement of Profit or Loss and OCI | **(925)** | (1,207) |
| **(b) A reconciliation between tax expense / (benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:** | | |
| Accounting profit before tax | **5,519** | 4,460 |
| At the Company's statutory domestic income tax rate of 30% (2022: 30%) | **1,656** | 1,338 |
| *Add / (Less) tax effect of:* | | |
| – Foreign tax rate adjustment | **(38)** | (9) |
| – Losses for which no deferred tax asset is recognised | **1** | 77 |
| – Instant asset write-off | **(805)** | (926) |
| – Adjustments for prior years | **90** | 139 |
| – Other non-allowable items | **168** | (65) |
| – Movements in recognised temporary differences | **525** | 522 |
| – Deferred tax recognition of prior year unbooked losses | **(2,522)** | (2,283) |
| Income tax expense / (benefit) | **(925)** | (1,207) |

*2022 balances have been reclassified to align to the current year classifications.

The tax receivable and payable relates to the Group companies outside the Australian Tax Consolidated Group.

| | Opening Balance $'000 | Balance Acquired $'000 | (Credited)/ Charged to Income $'000 | Charged Directly to Equity $'000 | Changes in Tax Rate $'000 | Exchange Differences $'000 | Other $'000 | Closing Balance $'000 |
|---|---|---|---|---|---|---|---|---|
| | Consolidated Group | | | | | | | |
| **NON-CURRENT** | | | | | | | | |
| *Deferred tax liabilities:* | | | | | | | | |
| Other | 194 | 454 | (62) | – | – | – | – | 586 |
| **Balance at 30 June 2022** | **194** | **454** | **(62)** | **–** | **–** | **–** | **–** | **586** |
| Other | 586 | – | (250) | – | – | – | – | 336 |
| **Balance at 30 June 2023** | **586** | **–** | **(250)** | **–** | **–** | **–** | **–** | **336** |
| *Deferred tax assets:* | | | | | | | | |
| Provisions | 4,350 | – | (41) | – | – | – | – | 4,309 |
| Accruals | – | – | – | – | – | – | – | – |
| Losses | 11,262 | – | 1,140 | – | – | – | – | 12,402 |
| **Balance at 30 June 2022** | **15,612** | **–** | **1,099** | **–** | **–** | **–** | **–** | **16,711** |
| Provisions | 4,957 | – | 417 | – | – | – | – | 5,374 |
| Accruals | – | – | – | – | – | – | – | – |
| Losses | 11,754 | – | 250 | – | – | – | – | 12,004 |
| **Balance at 30 June 2023*** | **16,711** | **–** | **667** | **–** | **–** | **–** | **–** | **17,378** |

*2023 opening balances have been reclassified to align to the current year classification of deferred tax assets.

The Group has estimated carry forward operating tax losses of $40,013,535 at June 2023 (2022 $47,814,056) relating to the Australian Tax Consolidated Group which are fully recognised. The Group has estimated carry forward operating tax losses from other Australian entities of $11,967,438 at June 2023 (2022 $11,967,438) which are not recognised. The ability to utilise the operating tax losses will be subject to satisfying relevant eligibility criteria for the recoupment of carry forward tax losses.

# Note 8 – Earnings Per Share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **(a) RECONCILIATION OF EARNINGS TO PROFIT** | | |
| Profit for the year | **6,444** | 5,667 |
| (Profit) for the year, attributable to non-controlling interest | **–** | – |
| Earnings used in the calculation of dilutive EPS | **6,444** | 5,667 |

| | No. '000 | No. '000 |
|---|---|---|
| **(b) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATING BASIC EPS** | **315,613** | 315,467 |
| Weighted average number of dilutive options outstanding | **–** | – |

## Note 9 – Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, where the Group does not have the legal right and the intention to settle on a net basis, are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **CASH AT BANK AND IN HAND** | **8,478** | 4,746 |
| | **8,478** | 4,746 |

As at the reporting date, where the Group has the legally enforceable right of set-off and the intention to settle on a net basis within its banking facilities, the Group has set-off bank overdrafts of $17,458,201 (2022: $29,570,105) against cash and cash equivalents of $22,705,806 (2022: $33,654,538) resulting in a net positive cash position for these accounts of $5,247,605 (2022: $4,084,433).

## Note 10 – Trade and Other Receivables

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **CURRENT** | | |
| Trade receivables | **38,863** | 30,745 |
| Expected credit loss provision (ECL) | **(659)** | (404) |
| **TOTAL TRADE RECEIVABLES** | **38,204** | 30,341 |
| Sundry receivables | **92** | 95 |
| **TOTAL OTHER RECEIVABLES** | **92** | 95 |
| **TOTAL CURRENT TRADE AND OTHER RECEIVABLES** | **38,296** | 30,436 |

### (a) Expected Credit Loss Provision for Impairment of Receivables

The Group has a Credit Management Policy under which each new customer application is analysed individually for creditworthiness before the Group offers any form of credit, or any variation to the standard terms and conditions. Credit facilities are generally offered on terms of 30 to 60 days from end of month. The Group's review procedure includes the utilisation of external ratings, credit agency information and other industry information. Credit limits are established and monitored for each customer with any sales exceeding these limits requiring approval. The Group monitors the economic environments in which it operates, and proactively takes any necessary actions to limit its credit exposure to customers and industries that are experiencing economic volatility.

The Group has adopted the simplified approach when calculating its expected credit loss provisions. This allows the recognition of lifetime expected credit losses at all times. This provision is reassessed when there is a significant change in credit risk. These amounts have been included in the provision for impairment of accounts receivable.

The Group uses a provisions matrix to measure the expected credit losses of trade receivables from individual customers. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately per Group company. Loss rates are based on actual credit loss experience over the past three years, which are adjusted where deemed necessary for economic factors to reflect differences in economic conditions over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The expected credit loss allowances for trade receivables are calculated based on key assumptions that determine the weighted average loss rates and overall loss allowance.

| | 2023 | | | 2022 | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average loss rate % | Gross carrying amount $'000 | Loss allowance $'000 | Weighted average loss rate % | Gross carrying amount $'000 | Loss allowance $'000 | Credit impaired |
| Current (not past due) | **0.12%** | **33,178** | **39** | 0.14% | 28,783 | 41 | No |
| 1 – 30 days past due | **1.96%** | **1,736** | **34** | 3.59% | 948 | 34 | No |
| 31 – 60 days past due | **5.51%** | **272** | **15** | 12.12% | 66 | 8 | No |
| 61 – 90 days past due | **9.18%** | **839** | **77** | 20.81% | 221 | 46 | No |
| More than 90 days past due | **17.41%** | **2,838** | **494** | 37.83% | 727 | 275 | Yes |
| **Total ECL Provision** | | **38,863** | **659** | | 30,745 | 404 | |

## Note 11 – Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads included in bringing them to their existing location and condition. Costs are assigned on the basis of weighted average costs.

The cost of raw materials includes all costs to transport the goods to a location ready for use including any duties and charges on items purchased overseas.

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **CURRENT** | | |
| *At cost:* | | |
| – Work in progress | **8,360** | 3,305 |
| – Finished goods | **41,740** | 35,185 |
| | **50,100** | 38,490 |
| *At net realisable value:* | | |
| – Work in progress | **–** | – |
| – Finished goods | **9,517** | 8,647 |
| | **9,517** | 8,647 |
| **TOTAL INVENTORY** | **59,617** | 47,137 |

The Group has completed a comprehensive review of the carrying value of inventory, taking into consideration microeconomic factors. As a result of the review, inventory was impaired by $2,729,000 (2022: $706,000) during the year and recognised as an expense in the statement of profit or loss.

# Note 12 – Leases and Commitments

## Leasing Activities and Accounting Policy

Engenco leases various properties and equipment. Property leases typically are for a period of 3 to 10 years and often have extension options and equipment leases are typically for a period of 3 to 5 years. The Group accounts for these leases under AASB 16: *Leases* which requires operating leases to be recognised on-balance sheet through the recognition of a Right-of-Use (ROU) Asset and Lease Liability. Lease expenditure is recognised as depreciation and interest.

Under AASB 16, there is a single, on balance sheet accounting model, similar to previous finance lease accounting. The assessment of whether a contract contains a lease determines whether the arrangement is recognised on- or off-balance sheet.

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

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

## Judgements and Estimates

The Group applies judgement to determine the lease term for some contracts in which it is a lease that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts on the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension term. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or change in circumstance occurs which affects this assessment and that is within the control of the lessee.

Engenco applies a number of the practical expedients and exemptions including:

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

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

## Movements in the Period

| | 1 Jul 2022 $'000 | Additions $'000 | Depreciation $'000 | Modifications/ De-recognition $'000 | 30 Jun 2023 $'000 |
|---|---|---|---|---|---|
| **RIGHT-OF-USE ASSETS** | | | | | |
| Property | 16,045 | 2,085 | (3,791) | 578 | **14,917** |
| Equipment | 1,781 | 28 | (490) | 43 | **1,362** |
| **TOTAL RIGHT-OF-USE ASSETS** | **17,826** | **2,113** | **(4,281)** | **621** | **16,279** |

| | 1 Jul 2022 $'000 | Additions $'000 | Lease payments $'000 | Modifications/ De-recognition $'000 | 30 Jun 2023 $'000 |
|---|---|---|---|---|---|
| **LEASE LIABILITIES** | | | | | |
| Property | 17,713 | 2,063 | (3,569) | 111 | **16,318** |
| Equipment | 1,851 | 28 | (490) | 42 | **1,431** |
| **TOTAL LEASE LIABILITIES** | **19,564** | **2,091** | **(4,059)** | **153** | **17,749** |
| Current lease liabilities | 3,841 | | | | **4,489** |
| Non-current lease liabilities | 15,723 | | | | **13,260** |

### (a) Leases as a Lessor

The Group leases out select items of property, plant and equipment to customers. At the end of the reporting period, the future minimum lease payments under non-cancellable leases which are receivable are shown below.

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **OPERATING LEASE RECEIVABLES** | | |
| *Receivable – minimum lease payments:* | | |
| – not later than 12 months | **123** | 119 |
| – between 12 months and 5 years | **193** | 316 |
| – greater than 5 years | **–** | – |
| | **316** | 435 |

## Note 13 – Other Current Assets

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **CURRENT** | | |
| Other current assets | **213** | 109 |
| Prepayments | **1,890** | 1,702 |
| **TOTAL CURRENT OTHER ASSETS** | **2,103** | 1,811 |

## Note 14 – Property, Plant and Equipment

### Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

### Subsequent Expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

### Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line or diminishing returns method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The depreciation rates used for each class of depreciable assets are:

| Class of Property, Plant & Equipment | Depreciation Rate |
|---|---|
| Buildings | 2.5% |
| Leasehold improvements | 10%-100% |
| Plant and equipment | 5%-67% |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## Note 14 – Property, Plant and Equipment (continued)

| | 2023 $'000 | 2022* $'000 |
|---|---|---|
| **LAND AND BUILDINGS:** | | |
| **FREEHOLD LAND:** | | |
| – At cost | **5,520** | 5,520 |
| **TOTAL LAND** | **5,520** | 5,520 |
| **BUILDINGS:** | | |
| – At cost | **2,205** | 2,205 |
| – Less accumulated depreciation | **(789)** | (747) |
| **TOTAL BUILDINGS** | **1,416** | 1,458 |
| **TOTAL LAND AND BUILDINGS** | **6,936** | 6,978 |
| **PLANT AND EQUIPMENT:** | | |
| – At cost | **94,922** | 92,691 |
| – Accumulated depreciation and impairment | **(81,701)** | (78,950) |
| **TOTAL PLANT AND EQUIPMENT** | **13,221** | 13,741 |
| **LEASEHOLD IMPROVEMENTS:** | | |
| – At cost | **7,699** | 7,528 |
| – Accumulated depreciation | **(5,682)** | (5,111) |
| **TOTAL LEASEHOLD IMPROVEMENTS** | **2,017** | 2,417 |
| **TOTAL PROPERTY, PLANT AND EQUIPMENT** | **22,174** | 23,136 |

*2022 comparative figures have been restated. Full details are disclosed in Note 1.

### (a) Reconciliation of Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| | Consolidated Group | | | | |
|---|---|---|---|---|---|
| | Freehold Land $'000 | Buildings $'000 | Leasehold Improvements $'000 | Plant and Equipment $'000 | Total $'000 |
| **BALANCE AT 30 JUNE 2021** | **5,520** | **1,505** | **2,624** | **13,908** | **23,557** |
| Impact of restatement | – | – | – | (651) | (651) |
| **RESTATED BALANCE AT 30 JUNE 2021*** | **5,520** | **1,505** | **2,624** | **13,257** | **22,906** |
| Additions | – | 5 | 420 | 3,334 | 3,759 |
| Acquired through business combinations | – | – | – | 1,633 | 1,633 |
| Disposals | – | – | (15) | (107) | (122) |
| Impairment | – | – | – | (1,649) | (1,649) |
| Depreciation expense | – | (52) | (612) | (2,727) | (3,391) |
| **RESTATED BALANCE AT 30 JUNE 2022*** | **5,520** | **1,458** | **2,417** | **13,741** | **23,136** |
| Additions | – | – | 171 | 2,478 | 2,649 |
| Disposals | – | – | – | (247) | (247) |
| Depreciation expense | – | (42) | (571) | (2,751) | (3,364) |
| **BALANCE AT 30 JUNE 2023** | **5,520** | **1,416** | **2,017** | **13,221** | **22,174** |

*2022 comparative figures have been restated. Full details are disclosed in Note 1.

Plant and equipment assets of $1,649,000 were impaired during the prior year as a result of the flooding event at Gemco Rail's Gladstone workshop. This event is subject to an open insurance claim with the Group's insurance company. Refer to Note 20 – Contingent Assets and Liabilities for further details.

# Note 15 – Net Tangible Assets

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

| | 2023<br>Cents | 2022*<br>Cents |
|---|---|---|
| Net tangible assets per ordinary share: 315,650,256 shares (2022: 315,495,882 shares) | **25.4** | 24.9 |

*2022 comparative figures have been restated. Full details are disclosed in Note 1.

# Note 16 – Intangible Assets

## Recognition and Measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, and computer software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

## Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the reducing-balance method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

| Class of Intangible Asset | Useful Life |
|---|---|
| Customer-related intangibles | 3-10 years |
| Patents and trademarks | Up to 13 years |
| Development costs | Life of project |
| Other intangible assets | 5-8 years |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## Note 16 – Intangible Assets (continued)

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **GOODWILL** | | |
| *Cost:* | | |
| Opening balance | **2,631** | – |
| Acquired through business combinations | **–** | 2,631 |
| Closing balance | **2,631** | 2,631 |
| **TOTAL GOODWILL** | **2,631** | 2,631 |
| **OTHER IDENTIFIABLE INTANGIBLES** | | |
| *Cost:* | | |
| Opening balance | **14,141** | 13,387 |
| Additions | **81** | 9 |
| Acquired through business combinations | **–** | 865 |
| Transfers out | **–** | (120) |
| **Closing balance** | **14,222** | 14,141 |
| *Accumulated amortisation and impairment:* | | |
| Opening balance | **(13,239)** | (13,047) |
| Amortisation for the year | **(207)** | (192) |
| **Closing balance** | **(13,446)** | (13,239) |
| **TOTAL OTHER IDENTIFIABLE INTANGIBLES** | **776** | 902 |
| **NET BOOK VALUE** | **3,407** | 3,533 |
| **TOTAL INTANGIBLE ASSETS** | | |
| *At cost:* | **16,853** | 16,772 |
| Accumulated amortisation and impairment | **(13,446)** | (13,239) |
| **NET BOOK VALUE** | **3,407** | 3,533 |

With the exclusion of Goodwill, intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the Consolidated Statement of Profit or Loss and OCI.

### Impairment testing for the Eureka CGUs containing goodwill

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The key management judgement and assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent managements business plans and forecasts including the assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

| Percentages | 2023 |
|---|---|
| Discount rate | 12.8% |
| Terminal value growth rate | 2.5% |
| EBITDA growth rate (compounded annual growth rate over 5 year forecast) | 10% |

The discount rate was a pre-tax measure estimated based on the CGU's weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of a conservative long-term compound EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated considering the following year's budget and multi-year strategic plan, extended over a total five-year period using a growth factor relevant to the strategic business plan.

The use of estimates by definition requires management judgement and may not equal actual results. The growth factor in the Group's strategic business plan reflects strong growth expected from the Eureka business over the next five years. If the average annual growth rate is below 7% the Group may need to recognise an impairment in future periods.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed the recoverable amount.

## Note 17 – Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability if expected to be settled within 12 months.

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **CURRENT** | | |
| Unsecured liabilities: | | |
| Trade payables | **24,118** | 18,668 |
| Sundry payables and accrued expenses | **5,559** | 5,323 |
| **TOTAL TRADE AND OTHER PAYABLES** | **29,677** | 23,991 |

## Note 18 – Financial Liabilities

### Non-Derivative Financial Liabilities – Measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

### Non-Derivative Financial Liabilities – Recognition and Derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date, when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial liabilities are offset, and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 24 – Financial Risk Management.

### (a) Collateral Provided

**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, $600,000 Credit Card Facility and $500,000 Set off Facility. These facilities are secured against the Australian assets of the Group. The revolving credit facility expires on 31 October 2023, with the other facilities renewed annually.

**Defaults and breaches**

There were no defaults or breaches during the year ended 30 June 2023 on any of the above mentioned facilities.

### (b) Debt Facilities and Credit Standby Arrangements

A summary of the Group's loan facilities is provided in the table below:

| | Facility Available 2023 $'000 | Facility Used 2023 $'000 | Maturity Dates 2023 | Facility Available 2022 $'000 | Facility Used 2022 $'000 | Maturity Dates 2022 | Interest Basis |
|---|---|---|---|---|---|---|---|
| – NAB Revolving Credit Facility* | **27,100** | **13,000** | **Oct-23** | 27,100 | – | Oct-23 | Floating |
| – Swedish Overdraft Facility (SEK)** | **830** | **–** | **Dec-23** | 852 | – | Dec-22 | Floating |
| | **27,930** | **13,000** | | 27,952 | **–** | | |

*Comprises net bank overdrafts, off balance sheet bank guarantees and business credit cards and other trade products.

**Facility is denominated in SEK, and presented in AUD above.

## Note 19 – Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

### Provision for Long-Term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

### Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Restructuring provisions include closure costs and redundancies announced before the reporting date.

### Makegood

A provision has been recognised for makegood obligations at the end of the lease term for leased property. The Group calculates the provisions on the present value of future cash flows in respect of meeting contract obligations.

### Other Provisions

Other provisions relate to various categories including provisions for warranty costs and other costs required to be incurred under contractual obligations.

| | Consolidated Group | | | | | |
|---|---|---|---|---|---|---|
| | Long Service Leave Employee Benefits $'000 | Annual Leave Employee Benefits $'000 | Restructuring $'000 | Makegood $'000 | Other $'000 | Total $'000 |
| **BALANCE AT 1 JULY 2022** | **3,154** | **4,428** | **26** | **3,981** | **1,442** | **13,031** |
| Provisions raised | 492 | 3,502 | 209 | 168 | 1,207 | 5,578 |
| Provisions released | – | – | – | (6) | – | (6) |
| Provisions used | (435) | (3,542) | (183) | – | (449) | (4,609) |
| **BALANCE AT 30 JUNE 2023** | **3,211** | **4,388** | **52** | **4,143** | **2,200** | **13,994** |
| Current | 2,717 | 4,388 | 52 | 48 | 2,200 | 9,405 |
| Non-current | 494 | – | – | 4,095 | – | 4,589 |
| **BALANCE AT 30 JUNE 2023** | **3,211** | **4,388** | **52** | **4,143** | **2,200** | **13,994** |

## Note 20 – 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 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 accounts being published, the insurance claim for the impaired asset and associated business interruption had been lodged with the Group insurance company and partially processed with $1,589,000 recognised against Other Income (see Note 5: Revenue and Other Income) during the 2023 financial year. Dialogue for claims for abandoned infrastructure and business interruption remain, and the amounts cannot be reliably measured or quantified at the reporting date.

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

The Group has arranged for its bankers to guarantee its performance to third parties. The maximum amount of these guarantees at 30 June 2023 is $2,543,521 (2022: $1,209,174).

# Note 21 – Issued Capital and Reserves

## (a) Share Capital

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| 315,650,256 (2022: 315,495,882) fully paid ordinary shares | **303,900** | 303,834 |
| | **303,900** | 303,834 |

### Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with AASB 112: *Income Taxes*.

| | 2023 No. | 2022 No. |
|---|---|---|
| At beginning of reporting period | **315,495,882** | 313,489,018 |
| Issue of ordinary shares related to business combinations | – | 1,869,404 |
| Employee share purchase plan | **154,374** | 137,460 |
| **BALANCE AS AT 30 JUNE** | **315,650,256** | 315,495,882 |

Ordinary shares are eligible to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares on issue.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### 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 was $66,000 (2022: $60,000).

## (b) Nature and Purpose of Reserves

**Foreign currency translation reserve**

The foreign currency translation reserve records exchange differences arising on translation of overseas subsidiaries.

**Profit reserve**

The profit reserve comprises a transfer of net profits and characterises profits available for distribution as dividends in future years.

## (c) Dividends

After the reporting date, the following final dividend was declared by the board of directors. The dividend has not been recognised as a liability as at 30 June 2023, and there are no tax consequences.

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **(a) INTERIM DIVIDEND DECLARED** | | |
| NIL cents per ordinary share (2022: 0.5 cents) | – | 1,577 |
| **(b) FINAL DIVIDEND DECLARED** | | |
| 0.5 cents per ordinary share (2022: 1.5 cents) | 1,578 | 4,732 |
| **(c) FRANKING CREDIT BALANCE** | | |
| *Amount of franking credits available to shareholders of Engenco Limited for subsequent financial years are:* | | |
| Franking account balance as at the end of the financial year at 30% (2022: 30%) | – | 1,290 |

## Note 22 – Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2023, the parent entity of the Group was Engenco Limited. The ultimate controlling party of the Company at reporting date was Elph Investments Pty Ltd, incorporated in Australia.

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **(a) Financial Position of Parent Entity at year end** | | |
| **ASSETS** | | |
| Current assets | **1,902** | 1,830 |
| Non-current assets | **72,246** | 71,146 |
| **TOTAL ASSETS** | **74,148** | 72,976 |
| **LIABILITIES** | | |
| Current liabilities | **31,927** | 32,065 |
| Non-current liabilities | **3,030** | 3,513 |
| **TOTAL LIABILITIES** | **34,957** | 35,578 |
| **NET ASSETS** | **39,191** | 37,398 |
| **EQUITY** | | |
| Issued capital | **303,900** | 303,834 |
| Profit reserve | **16,944** | 15,217 |
| Accumulated losses | **(281,653)** | (281,653) |
| **TOTAL EQUITY** | **39,191** | 37,398 |
| **(b) Result of Parent Entity** | | |
| Profit for the year | **6,444** | 5,667 |
| Other comprehensive income | – | – |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **6,444** | 5,667 |

The Parent entity's current liabilities relate to Group banking facilities secured against the subsidiaries' assets within the Group. Details of these facilities can be found in Note 9 – Cash and Cash Equivalents.

### (c) Parent Entity Guarantees in respect of the debts of its subsidiaries

The parent entity acts as guarantor for debt facilities. Details of these facilities can be found in Note 18(a) – Financial Liabilities.

### (d) Parent Entity Contingent Liabilities

At 30 June 2023, the parent entity has no significant contingent liabilities (2022: NIL).

### (e) Parent Entity Capital Commitments for acquisition of property, plant and equipment

At 30 June 2023, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2022: NIL).

# Note 23 – Cash Flow Information

## (a) Reconciliation of Cash at End of Financial Year

| | Note | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| Cash and cash equivalents | 9 | **8,478** | 4,746 |
| Bank loans | 18 | **(13,000)** | – |
| **CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR** | | **(4,522)** | 4,746 |

## (b) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **PROFIT AFTER INCOME TAX** | **6,444** | 5,667 |
| *Adjustments for non-cash items:* | | |
| – Depreciation | **7,610** | 7,736 |
| – Other intangibles amortisation | **207** | 192 |
| – Impairment losses on inventory | **2,729** | 706 |
| – Impairment of property, plant and equipment | **–** | 1,649 |
| – Movement in ECL provision | **395** | 122 |
| – Net finance costs | **707** | 225 |
| – Income tax expense / (benefit) | **(925)** | (1,207) |
| – Gain on lease modification | **(473)** | – |
| – Gain on sale of property, plant and equipment | **(199)** | (134) |
| | **16,495** | 14,956 |
| *Changes in:* | | |
| – (Increase) / decrease in trade and other receivables | **(8,940)** | (8,648) |
| – (Increase) / decrease in prepayments | **(186)** | (136) |
| – (Increase) / decrease in inventories | **(7,881)** | (2,010) |
| – Increase / (decrease) in trade payables and accruals | **3,382** | 6,069 |
| – Increase / (decrease) in provisions | **777** | 564 |
| Cash provided by / (used in) operating activities | **3,647** | 10,795 |
| – Net interest paid | **(707)** | (225) |
| – Income taxes paid | **47** | (13) |
| **CASH FLOW PROVIDED BY / (USED IN) OPERATIONS** | **2,987** | 10,557 |

## Note 24 – Financial Risk Management

The Group's financial instruments consist mainly of accounts receivable and payable, bank loans, contract assets and liabilities, and leases.

| | Note | 2023 $'000 | 2022 $'000 |
|---|---|---|---|
| **FINANCIAL ASSETS** | | | |
| Cash and cash equivalents | 9 | **8,478** | 4,746 |
| Trade and other receivables | 10 | **38,296** | 30,436 |
| Contract assets | 5 | **6,962** | 5,984 |
| | | **53,736** | 41,166 |
| **FINANCIAL LIABILITIES** | | | |
| Trade and other payables | 17 | **29,677** | 23,991 |
| Bank loans | 18 | **13,000** | – |
| Contract liabilities | 5 | **5,176** | 1,086 |
| Lease liabilities | 12 | **17,749** | 19,564 |
| | | **65,602** | 44,641 |

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

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

### i. Treasury Risk Management

Treasury risk management is centralised within the corporate office and the treasury function monitors financial risk exposure and evaluates treasury management strategies in the context of current economic conditions and forecasts. Management's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Management operates under the supervision of members of the Board of Directors. Risk management transactions are approved by senior management personnel in accordance with Board approved delegations of authority.

### ii. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, currency risk, liquidity risk and credit risk.

The Company's Audit and Risk Committee has overall responsibility for the establishment and oversight of the Group's risk management framework, and is responsible for approving and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### a. Interest Rate Risk

Exposure to interest rate risk arises on financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Currently the Group's operations are financed using floating rate debt. The Group has not entered into any interest rate swaps to fix its floating rate debt.

The variable interest rate borrowings exposes the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **FLOATING RATE INSTRUMENTS** | | |
| Bank loans | **13,000** | – |
| **Total Floating Rate Instruments** | **13,000** | – |

### b. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages this risk through the following mechanisms:

- Preparing regular forecast cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Managing credit risk related to financial assets; and
- Monitoring the maturity profile of financial liabilities.

The following table reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

#### Financial Liability Maturity Analysis

| | Consolidated Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
| | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| **FINANCIAL LIABILITIES DUE FOR PAYMENT** | | | | | | | | |
| Trade and other payables | **29,677** | 23,991 | **–** | – | **–** | – | **29,677** | 23,991 |
| Bank loans | **13,000** | – | **–** | – | **–** | – | **13,000** | – |
| Contract liabilities | **5,176** | 1,086 | **–** | – | **–** | – | **5,176** | 1,086 |
| Lease liabilities | **4,489** | 3,841 | **10,489** | 13,520 | **2,771** | 2,203 | **17,749** | 19,564 |
| **Total Expected Outflows** | **52,342** | 28,918 | **10,489** | 13,520 | **2,771** | 2,203 | **65,602** | 44,641 |

### c. Currency Risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the AUD functional currency of the Group. The majority of financial liabilities and assets of the Group are denominated in the functional currency of the operational location. These are primarily Australian Dollars and Swedish Krona.

### d. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash balances with financial institutions. Credit risk is managed through the maintenance of procedures (such procedures include monitoring of exposures, payment cycles and monitoring of the financial stability of significant customers and counter parties) ensuring to the extent possible, that customers and counter-parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms differ between each key business but are generally 30 to 60 days from end of month.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counter-party, then risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default. The Group has established procedures to ensure Personal Property Securities Act 2009 (Cth) registration is performed for all relevant assets. The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Consolidated Statement of Financial Position.

On a geographical basis the Group has significant credit risk exposures in Australia given the substantial operations in this region. Details with respect of the credit risk of Trade and Other Receivables can be found in Note 10. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 10 – Trade and Other Receivables.

Balances held with banks are with AA rated financial institutions, details of these holdings can be found in Note 9 – Cash and Cash Equivalents.

# Note 24 – Financial Risk Management (continued)

## iii. Net Fair Values

**Fair Value Estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Estimates, judgments and the associated assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

| | Consolidated Group | | | |
|---|---|---|---|---|
| | 2023 Carrying Value $'000 | 2023 Fair Value $'000 | 2022 Carrying Value $'000 | 2022 Fair Value $'000 |
| **FINANCIAL ASSETS** | | | | |
| Cash and cash equivalents | **8,478** | **8,478** | 4,746 | 4,746 |
| Trade and other receivables | **38,296** | **38,296** | 30,436 | 30,436 |
| Contract assets | **6,962** | **6,962** | 5,984 | 5,984 |
| | **53,736** | **53,736** | 41,166 | 41,166 |
| **FINANCIAL LIABILITIES** | | | | |
| Trade and other payables | **29,677** | **29,677** | 23,991 | 23,991 |
| Bank Loans | **13,000** | **13,000** | – | – |
| Contract liabilities | **5,176** | **5,176** | 1,086 | 1,086 |
| Lease liabilities | **17,749** | **17,749** | 19,564 | 19,564 |
| | **65,602** | **65,602** | 44,641 | 44,641 |

The fair values disclosed in the above table have been determined based on the following methodologies:

- Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.
- Loans and borrowings have carrying values equivalent to fair value. The majority of these facilities have floating rates.

## iv. Sensitivity Analysis

### a. Interest Rate Risk and Currency Risk

The following tables illustrate sensitivities to the Group's exposures to changes in interest rates and foreign currency exchange rates. The tables indicate the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

### b. Interest Rate Sensitivity Analysis

The effect on earnings and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **CHANGE IN EARNINGS** | | |
| – Increase in interest rates by 100 basis points | **(153)** | – |
| – Decrease in interest rates by 100 basis points | **153** | – |
| **CHANGE IN EQUITY** | | |
| – Increase in interest rates by 100 basis points | **(153)** | – |
| – Decrease in interest rates by 100 basis points | **153** | – |

### c. Currency Risk Sensitivity Analysis

The effect on earnings and equity as a result of changes in the value of the Australian Dollar to the Swedish Krona, with all other variables remaining constant would be as follows:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **CHANGE IN EARNINGS** | | |
| – Improvement in AUD to SEK by 5% | **(25)** | (5) |
| – Decline in AUD to SEK by 5% | **25** | 5 |
| **CHANGE IN EQUITY** | | |
| – Improvement in AUD to SEK by 5% | **436** | 447 |
| – Decline in AUD to SEK by 5% | **(436)** | (447) |

The Group does not currently hedge against foreign exchange movements in net assets of its Swedish subsidiaries.

### v. Capital Management

Management monitors the capital of the Group in an effort to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations. The Group's debt and capital includes ordinary shares and financial liabilities. The gearing ratios as at 30 June 2023 and 2022 are as follows:

| | 2023 $'000 | 2022* $'000 |
|---|---|---|
| Total Borrowings | **13,000** | – |
| Net debt / (cash) | **4,522** | (4,746) |
| Total equity | **94,792** | 93,131 |
| **TOTAL EQUITY AND NET DEBT** | **99,314** | 88,385 |
| **GEARING RATIO** | **5%** | (5%) |

*2022 comparative figures have been restated. Full details are disclosed in Note 1.

# Note 25 – Related Party Transactions

## (a) Transactions with Key Management Personnel

**Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

**Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

### (i) Key Management Personnel Compensation

The totals of remuneration paid to key management personnel during the year (including termination benefits) are as follows:

| | 2023 $ | 2022 $ |
|---|---|---|
| Short-term employee benefits | **1,462,326** | 1,184,765 |
| Post-employment benefits | **97,774** | 97,383 |
| Termination benefits | **24,978** | – |
| Other long-term benefits | **3,177** | 11,472 |
| **TOTAL** | **1,592,235** | 1,293,620 |

## Note 25 – Related Party Transactions (continued)

Compensation of the Group's key management personnel includes salaries, superannuation and post-employment benefits.

### (ii) Key Management Personnel Transactions

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

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

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

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

| | | Revenue/(Cost) for the year ended 30 June | | Receivable/(Payable) as at 30 June | |
|---|---|---|---|---|---|
| **Related Party** | **Director** | **2023 $** | **2022 $** | **2023 $** | **2022 $** |
| Elphinstone Group (Aust) Pty Ltd[1] | D Elphinstone / K Elphinstone | **(116,945)** | (102,786) | **–** | – |
| William Adams Pty Ltd[2] | D Elphinstone | **(7,865)** | (1,845) | **–** | – |
| United Equipment Pty Ltd[3] | D Elphinstone / K Elphinstone | **(638,122)** | (631,013) | **51,139** | (20,910) |
| Southern Prospect Pty Ltd[4] | D Elphinstone / K Elphinstone | **384** | 4,377 | **–** | 1,518 |
| Elphinstone Pty Ltd[5] | D Elphinstone / K Elphinstone | **2,961,438** | 447,649 | **1,270,314** | 54,178 |
| Gekko Systems Pty Ltd[6] | D Elphinstone / K Elphinstone | **78,089** | 61,366 | **16,181** | 3,280 |

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 Chairman of this entity. Kelly Elphinstone is also a director of this entity.

2 Goods were purchased from 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 in the period. Kelly Elphinstone is a director (Chair) of this entity. Dale Elphinstone is also 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. Kelly Elphinstone is also a director 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. Kelly Elphinstone is also a director of this entity.

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

### (b) Other Related Party Transactions

The Group has the following balances outstanding at the reporting date in relation to transactions with related parties:

| **Related Party Transactions** | **2023 $'000** | **2022 $'000** |
|---|---|---|
| *Current receivables (parent entity):* | | |
| Receivables from subsidiaries | **835** | 932 |

The intercompany loans extended from Engenco Limited to its wholly owned subsidiaries are extended on the following terms:

Term: Revolving Facility repayable when subsidiary is in a position to do so or as otherwise decided by the Company.

Rate: Fixed rate reviewable quarterly.

## Note 26 – Auditor's Remuneration

| | 2023 $ | 2022 $ |
|---|---|---|
| **AUDIT AND REVIEW SERVICES** | | |
| Auditors of the Company | | |
| – KPMG Australia – audit and review of financial statements | **437,000** | 352,000 |
| – KPMG Overseas – audit and review of financial statements | **31,689** | 33,218 |
| **TOTAL AUDIT AND REVIEW SERVICES** | **468,689** | 385,218 |
| **OTHER SERVICES** | | |
| Auditors of the Company | | |
| – KPMG Australia – in relation to advisory service | **–** | 157,966 |
| – KPMG Australia - in relation to tax services | **5,822** | – |
| **OTHER AUDITORS** | | |
| – Other Auditors – assurance services | **–** | 44,143 |
| – Other Auditors – tax services | **10,010** | 44,968 |
| **TOTAL OTHER SERVICES** | **15,832** | 247,077 |

## Note 27 – Business Combinations

### Acquisition of Eureka 4WD Training Pty Ltd

On 27 May 2021, the Company's subsidiary, Engenco Investments Pty Ltd, entered into an agreement to acquire 100% of the share capital of registered training organisation (RTO), Eureka 4WD Training Pty Ltd and its controlled entities (Eureka) for a consideration of $4,500,000. The acquisition was completed on 1 July 2021.

Eureka is a Perth based market-leading RTO focussed on providing certified four-wheel-drive vehicle training to the industrial, mining and consumer markets. The company also undertakes heavy road vehicle licensing training. The purchase price included an earn-out component and was funded via a combination of cash and new equity that was issued to the vendors.

On 27 April 2022, a Share Sale Variation Agreement was entered into amending the earn-out component of the purchase price. The duration of the earn-out was reduced from 12 months to 6 months, and maximum value was reduced from $1,000,000 to $500,000. At the conclusion of the earn-out period, 90% of the earn-out target had been achieved and a payment of $450,000 made to the vendors in accordance with the sale agreement. The remaining deferred consideration liability was accounted for in Other Income in the Statement of Profit or Loss and Other Comprehensive Income (OCI) in the prior period.

Details of the purchase consideration (after the share sale variation):

| | $'000 |
|---|---|
| Cash paid | 2,500 |
| Deferred consideration | 500 |
| Issue of shares (shares issued: 1,869,404) | 1,000 |
| **TOTAL PURCHASE CONSIDERATION** | **4,000** |

## Note 27 – Business Combinations (continued)

The fair values of the identifiable assets and liabilities acquired as at the date of acquisition were:

| | $'000 |
|---|---|
| **ASSETS ACQUIRED:** | |
| Trade and other receivables | 217 |
| Other current assets | 73 |
| Property, plant and equipment | 1,633 |
| **TOTAL ASSETS ACQUIRED** | **1,923** |
| **LIABILITIES ACQUIRED:** | |
| Trade and other payables | 42 |
| Contract liabilities | 120 |
| Borrowings | 216 |
| Provisions | 77 |
| Current tax liabilities | 76 |
| Deferred tax liabilities | 454 |
| **TOTAL LIABILITIES ACQUIRED** | **985** |
| **NET IDENTIFIABLE ASSETS** | **938** |
| *Add:* | |
| Technology | 41 |
| Customer relationships | 329 |
| Brand name | 495 |
| Goodwill arising on acquisition | 2,631 |
| **TOTAL PURCHASE CONSIDERATION, NET OF CASH ACQUIRED** | **4,434** |

Goodwill arose on the acquisition of Eureka due to the combination of the consideration paid for the business and the net assets acquired, less values attributed to other intangibles in the form of Technology, Customer relationships and Brand names. The value of goodwill represents the future benefit arising from the expected future earnings, synergies and personnel assumed via the acquisition.

### (a) Analysis of Cash Flows on Acquisition

| | $'000 |
|---|---|
| **OUTFLOW OF CASH TO ACQUIRE SUBSIDIARY, NET OF CASH ACQUIRED:** | |
| Cash consideration | 2,500 |
| Deferred consideration | 450 |
| Less: Cash balance acquired | 66 |
| **NET CASH OUTFLOW – INVESTING ACTIVITIES** | **2,884** |

### Impact of acquisition on the results of the Group

Included in the profit for the year is $291,000 (2022: $896,000) attributable to Eureka 4WD Training Pty Ltd. Revenue for the year includes $3,556,000 (2022: $3,586,000) in respect of Eureka 4WD Training Pty Ltd.

### Acquisition related costs

The Group incurred acquisition related costs of $25,164 on legal fees and due diligence costs. These costs have been included in "other expenses" in the 2022 financial year.

## Note 28 – Events Subsequent to Reporting Date

On 24 August 2023, the Group extended the maturity date of the NAB Revolving Credit Facility to 31 October 2024.

On 31 August 2023, the Board resolved to declare a final unfranked dividend of 0.5 cents per share. Payment of the dividend to shareholders will take place on 28 September 2023.

Other than the above, there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which would have a material effect on the financial statements of the Group at 30 June 2023.

# Shareholder Information

for the year ended 30 June 2023

Additional Information for Listed Companies at 21 August 2023.

The following information is provided in accordance with the ASX Listing Rules.

## 1. Shareholding

### (a) Distribution of shareholders

| Category (size of holding) | No. of Shareholders | No. Ordinary Shares | % Issued Share Capital |
|---|---|---|---|
| 1 – 1,000 | 173 | 33,553 | 0.01% |
| 1,001 – 5,000 | 299 | 896,637 | 0.28% |
| 5,001 – 10,000 | 137 | 1,072,507 | 0.34% |
| 10,001 – 100,000 | 217 | 7,580,516 | 2.40% |
| 100,001 – and over | 98 | 306,067,043 | 96.97% |
| | **924** | **315,650,256** | **100.00%** |

### (b) The number of shareholders holding less than a marketable parcel (less than $500 in value) is 185.

### (c) 20 largest shareholders – ordinary shares

| Position | Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|---|
| 1 | Elph Investments Pty Ltd | 117,248,040 | 37.14% |
| 2 | Elph Pty Ltd | 99,306,667 | 31.46% |
| 3 | UBS Nominees Pty Ltd | 33,966,932 | 10.76% |
| 4 | Rac & Jd Brice Superannuation P/L | 17,287,249 | 5.48% |
| 5 | Mr Hugh William Maguire & Mrs Susan Anne Maguire | 4,070,000 | 1.29% |
| 6 | Mr Neville Leslie Esler & Mrs Cheryl Anne Esler | 2,296,925 | 0.73% |
| 7 | Strategic Value Pty Ltd | 1,538,400 | 0.49% |
| 8 | HSBC Custody Nominees (Australia) Limited | 1,504,923 | 0.48% |
| 9 | Mr Dennis Graham Austin & Mrs Marilyn Alice Austin | 1,481,860 | 0.47% |
| 10 | Mr Hugh William Maguire | 1,300,000 | 0.41% |
| 11 | Dr Jared Charles Lawrence & Mrs Kathryn Helen Zaccaria | 1,297,313 | 0.41% |
| 12 | Prussner Investments Pty Ltd | 1,170,688 | 0.37% |
| 13 | Neko Super Pty Ltd | 1,100,000 | 0.35% |
| 14 | BFA Super Pty Ltd | 944,950 | 0.30% |
| 15 | Rayneman Enterprises Pty Ltd | 934,702 | 0.30% |
| 16 | Delacorp Pty Ltd | 934,702 | 0.30% |
| 17 | Robroz Pty Ltd | 700,000 | 0.22% |
| 18 | JXB Super Pty Ltd | 600,000 | 0.19% |
| 19 | Keltrabrod Pty Ltd | 550,000 | 0.17% |
| 20 | Bryan & Jean Hiscock Superannuation Pty Ltd | 550,000 | 0.17% |
| | **Total** | **288,783,351** | **91.49%** |

### (d) Shareholders holding in excess of 5% of issued capital were listed in the holding company's register as follows:

| Shareholder | No. Ordinary Shares | % |
|---|---|---|
| Elph Investments Pty Ltd | 117,248,040 | 37.14% |
| Elph Pty Ltd | 99,306,667 | 31.46% |
| Thorney Investment Group Pty Ltd | 33,966,932 | 10.76% |
| RAC & JD Brice Superannuation P/L | 17,287,249 | 5.48% |

### (e) Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

## 2. The name of the Company Secretaries is:

Meredith Rhimes

## 3. The address of the principal registered office in Australia is:

Level 22, 535 Bourke Street, Melbourne, VIC 3000

## 4. Registers of securities are held at the following address:

### Automic Group

Level 5, 126 Phillip Street
Sydney NSW 2000
GPO Box 5193
Sydney NSW 2001

## 5. Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

## 6. Unquoted Securities

N/A.

## 7. Other Information

Engenco Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

# Corporate Directory

for the year ended 30 June 2023

## Corporate Office

### Engenco Limited

Level 22
535 Bourke Street
Melbourne VIC 3000

T: +61 (0)3 8620 8900
F: +61 (0)3 8620 8999

investor.relations@engenco.com.au

www.engenco.com.au

## Registered Office

### Engenco Limited

Level 22
535 Bourke Street
Melbourne VIC 3000

T: +61 (0)3 8620 8900
F: +61 (0)3 8620 8999

## Directors

### Vincent De Santis

BCom, LLB (Hons)
Independent Non-Executive Chairman

### Dale Elphinstone AO

FAICD
Non-Executive Director

### Alison von Bibra

BSc, MBA
Independent Non-Executive Director

### Scott Cameron

BCom, FCA, FAICD
Independent Non-Executive Director

### Kelly Elphinstone

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

## Executives

### Dean Draper

MBA, BBus
Chief Executive Officer

### Garth Campbell-Cowan

BCom, FCA
Interim Chief Financial Officer

### Meredith Rhimes

BA, LLB
Company Secretary

## Auditors

### KPMG

Tower Two
Collins Square
727 Collins Street
Melbourne VIC 3000

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

## Share Registry

### Automic Group

Level 5
126 Phillip Street
Sydney NSW 2000
GPO Box 5193
Sydney NSW 2001

T: +61 (0)2 8072 1400

hello@automicgroup.com.au
automicgroup.com.au

www.engenco.com.au