

**ASX Announcement
Engin Limited (ENG)**

Company Announcements Centre
Australian Stock Exchange

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Annual Report & Notice of Annual General Meeting**Sydney – 26 October 2007:**

Attached is a copy of the Annual Report, Notice of Annual General Meeting (including explanatory notes) and Proxy Form that are being mailed to shareholders in connection with the Company's Annual General Meeting to be held on 29 November at Bridge Room II, Four Points by Sheraton, 161 Sussex Street, Sydney at 11am.

Engin notes that the enclosed material does not contain any information relating to Network Investment Holdings Pty Limited's (NIH) takeover bid for Unwired Group Limited (Unwired).

Engin confirms that it intends to accept that offer in respect of its 19.8% shareholding in Unwired if holders of at least 50% of the ordinary shares in Unwired (other than Engin) accept the offer, in the absence of a superior proposal or other more favourable development (being a development that is likely to lead to a proposal for, or in relation to, Unwired that is superior to NIH's offer but that, at the time it becomes known to the market, has not become an offer or proposal that is capable of being accepted, considered and/or voted upon by Unwired shareholders).

Ends.

About Engin

Engin, listed on the ASX (ENG), is Australia's leading Broadband phone company, cutting the cost of calling for tens of thousands of homes and small businesses across Australia. By using Engin products, broadband users can keep their previous phone number to receive calls, whilst making great savings with their outbound calls. Engin's customers receive high quality calls using VoIP (Voice over Internet Protocol) technology. Engin is the primary distributor of TiVo which is expected to launch in Australia in early 2008.

Engin is headquartered in Sydney, Australia and was granted its telecommunications carrier license in March 2004 to deliver a digital voice service across existing broadband connections. Winner of the ATUG Best Communications Solution – Small Business 2006 award and the 2005 iAwards AIIA communications category, Engin provides affordable telecommunication alternatives for all Australian consumers and businesses. For more information, please visit www.engin.com.au.

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ANNUAL REPORT 2007



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ENGIN – DRIVING THE FUTURE OF AUSTRALIAN BROADBAND SERVICES THROUGH A UNIQUE, INNOVATIVE AND CUSTOMER ORIENTED APPROACH



Engin is Australia's leading broadband telephony company, with more than 77,000 customers making calls across our VoIP (Voice over Internet Protocol) network.

Traditionally, broadband telephony has only been used by large corporations that can afford to invest in this cost saving technology. Since 2004, Engin has been offering this same technology directly to residential and small business customers.

We were the first broadband phone service to be broadly available to Australian consumers and businesses, and the first on the shelves of major retailers.

Today, we provide services to almost half of the broadband phone market.

Engin allows any broadband user to make and receive calls over the internet while using their existing telephone or an Engin Internet phone. The easy to use service drastically reduces customers phone bills, while offering a range of free included features enabling users to actively control their own calls.

COVERAGE ACROSS AUSTRALIA

The Engin service is split into two categories based on the available coverage of Engin phone numbers.

Engin 2-way

If you live in an Engin coverage area you will be allocated a full 10 digit geographical telephone number that you can use to make and receive telephone calls. For example, if you live in Melbourne you will be allocated a 039xxxxxx phone number.

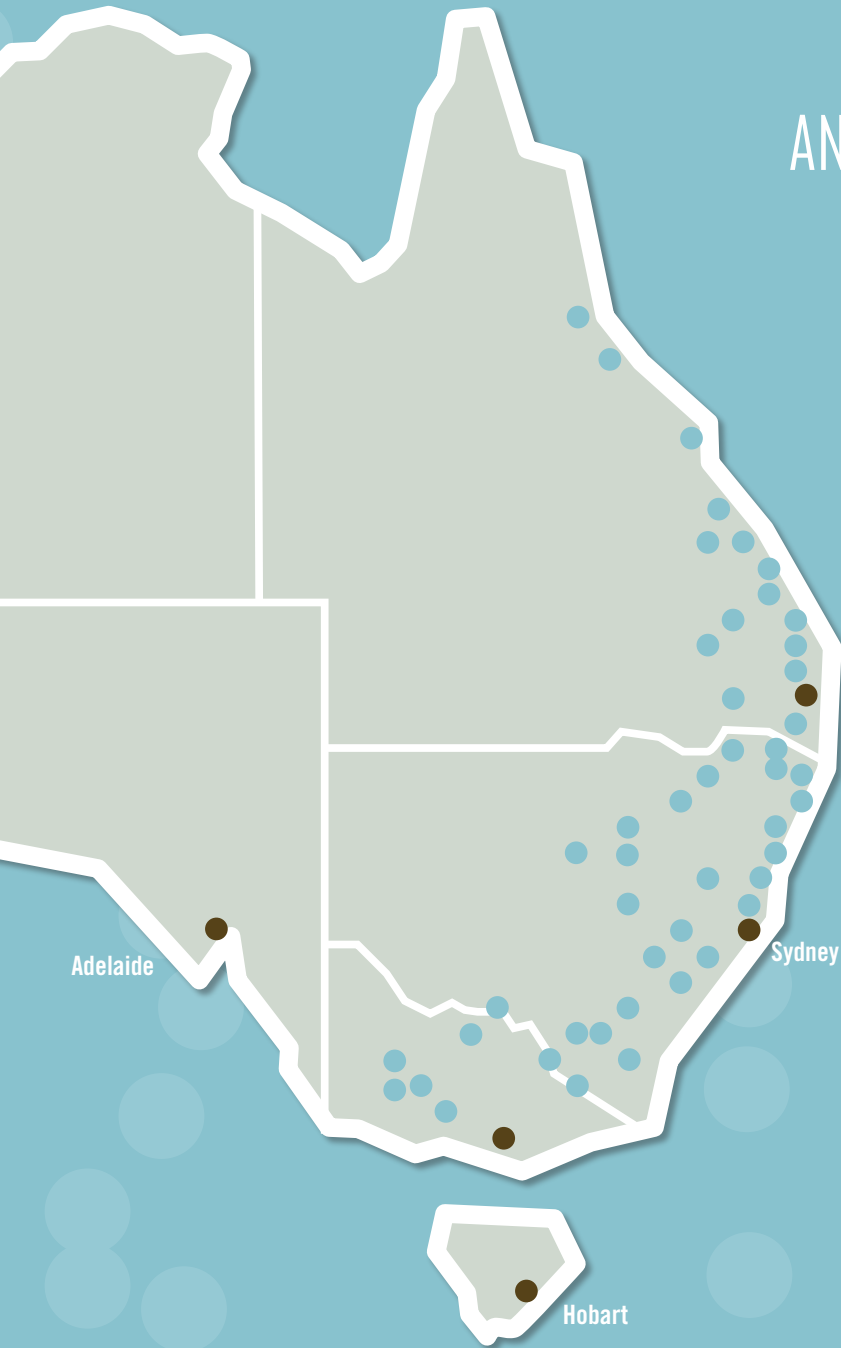
Engin 1-way

If you do not live in an Engin coverage area you are eligible for an Engin 1-way service. This means you can make but not receive phone calls on your Engin service. Consequently you will not be allocated with a geographical phone number.

Both the two-way and one-way services have exactly the same monthly service fee and both include Engin's fantastic call rates.



ENGIN IS AVAILABLE TO
ANY PERSON IN AUSTRALIA
WHO HAS A BROADBAND
INTERNET CONNECTION.



- | | |
|----------------|--------------|
| Cairns | Orange |
| Townsville | Newcastle |
| Mackay | Gosford |
| Rockhampton | Windsor |
| Gladstone | Penrith |
| Bundaberg | Bathurst |
| Maryborough | Campbelltown |
| Gympie | Goulburn |
| Nambour | Bowral |
| Caboolture | Wollongong |
| Southport | Nowra |
| Emerald | Canberra |
| Kingaroy | Albury |
| Roma | Wangaratta |
| Toowoomba | Bairnsdale |
| Southport | Wagga Wagga |
| Lismore | Shepparton |
| Coffs Harbour | Warragul |
| Port Macquarie | Bendigo |
| Taree | Ballarat |
| Grafton | Geelong |
| Armidale | Launceston |
| Tamworth | Bunbury |
| Dubbo | Katanning |

CHAIRMAN'S STATEMENT 2007

The past year has been one of significant transformation for Engin.

Engin took its first steps to explore the field of broadband telephony, also known as Voice over Internet Protocol (VoIP), in its inaugural financial year 2004/5.

In 2005/6, Engin proved the broadband telephony model for Australia and built the first phase of its network, support systems and processes.

During this year ending 30 June 2007, as the subscriber base grew, it became clear that an upgrade of infrastructure and support systems would be needed, which meant the injection of additional equity.

Thus, in October 2006, Engin attracted the investment of \$26 million by Seven Network Limited, which gave it a 33% cornerstone shareholding and thereby added considerable credibility to the Engin story. Engin also welcomed to the Board the combined experience of the Seven Network Limited directors, Bruce McWilliam, Ryan Stokes and Rohan Lund.

During the second half of the financial year, after a lengthy process of due diligence, the management and staff of Engin commenced the deployment of a world-class Customer Relationship Management (CRM) and Billing System. This is a monumental task that challenged every aspect of the adolescent business. For some months the sales and marketing machine was "turned down" while databases were transferred, staff trained and new processes introduced. As we enter the final quarter of this calendar year the new system is starting to pay dividends with improved internal processes, information and ultimately providing an improved customer service experience.

As I write this report in October 2007, Engin has positioned itself for the next stage of growth. The business is ready to extend its compelling lead in the original broadband telephony offering and will soon add the rollout of its broadband ADSL offer (Q1 2008) and the launch of the world-class digital video recorder (DVR) known as TiVo® (Q2 2008).

The pillars of this triple play strategy are taking shape and it should be fully operational on these projects before the end of this financial year.

Engin is poised to capitalise on its leading position in broadband telephony and to move to the "tipping point" during the foreseeable future, when it will rightfully take its place as a serious player on the converging telecommunications and digital media stage.

With the introduction of TiVo® and the ADSL broadband offering, Engin will look to raise new equity during the first quarter of 2008. The details of this new funding package will be finalised before the end of 2007.

Since the completion of the financial year ending 30 June 2007, Engin has taken a strategic 19.8% stake in Unwired Limited, which owns the unique WiMax spectrum in Australia. Our largest shareholder, Seven Network Limited, has since made an offer to acquire 100% of Unwired, further vindicating this strategic move by Engin.

In October 2006, we attracted the investment of \$26 million by Seven Network Limited

Engin has taken a strategic 19.8% stake in the unique WiMax platform owned by Unwired Limited

“ENGIN HAS EFFECTIVELY
TRANSITIONED FROM A START
UP TO AN ESTABLISHED
AUSTRALIAN TELCO”



At the time of this report it cannot be said with certainty how this Unwired agenda will play out, but I am confident these initiatives by Engin and Seven will attain the mutual goals, which are to maximise the synergies and market opportunities of the WiMax broadband offering with the Engin triple play objectives.

A start up/pioneering venture such as Engin is deeply challenging for all staff, especially as the Board has three times moved the goalposts from a single offering of broadband telephony to the triple play rollout. The Board is most grateful for the efforts of all staff in what has been a year of considerable transformation.

The Engin CEO, Ilkka Tales, who was responsible for the pioneering thinking of broadband telephony as a business opportunity, has decided to step down from that role. For some months now we have been searching for a replacement, but in the meantime Ilkka Tales continues to proactively lead the business and, given the extent of

tasks on our plate, I recently took on a short-term role as Executive Chairman.

In August, our Chairman of eight years, Mr Will Jephcott, decided to step down and Chris Shaw, one of the founders of the original Mobile Innovations Group (which later became known as Engin), cornerstone investor and director of 13 years, has also indicated that he will be retiring at the Annual General Meeting. Both of these gentlemen have played a pivotal role through the foundation years of Mobile Innovations and Engin and we are most grateful for the vision, leadership and commitment they brought to this company.

We have recently appointed Mark Zworestine as the Chief Financial Officer and look forward to benefiting from his experience.

On 24 September, Ian Smith joined the Board of Directors, and given his background of over 20 years in the advertising business at companies such as the Communications Group Ltd, Bates Worldwide, Cordiant Communications PLC and most recently

at Yahoo!7, his addition to the Board will provide a special focus on sales and marketing as we accelerate the business in 2008 and beyond.

This has been a year of transformation, where Engin made considerable progress in building the strategic pillars for the triple play strategy, and a year when it overcame the considerable barriers to entry that others wishing to follow the Engin marketing lead will still have to encounter.

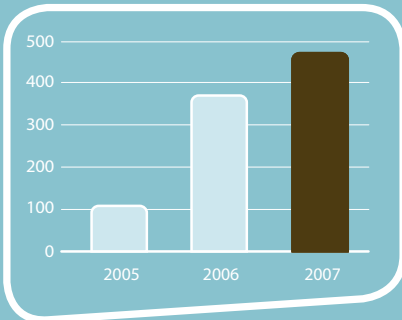
A handwritten signature in dark ink, appearing to read 'Neil Gamble'. The signature is stylized and cursive.

Neil Gamble
Chairman

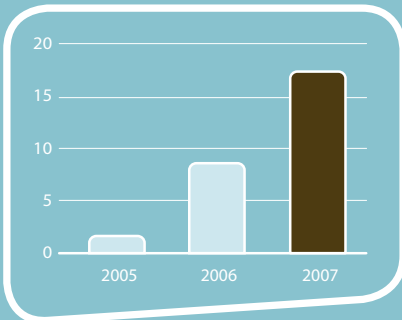
ACHIEVEMENTS 2007

- ➔ SUBSCRIBER GROWTH OF 71% ON LAST YEAR, TO 77,000 SUBSCRIBERS
- ➔ REVENUE GROWTH OF 103% ON LAST YEAR, UP FROM \$8.6M TO \$17.4M
- ➔ GROSS MARGIN CONTINUES TO IMPROVE, UP FROM 40% TO 59%
- ➔ COST OF ACQUISITION REMAINS LOW AT \$121, INCLUSIVE OF HARDWARE SUBSIDY
- ➔ POST 30-DAY CHURN REMAINS AT ACCEPTABLE LEVELS

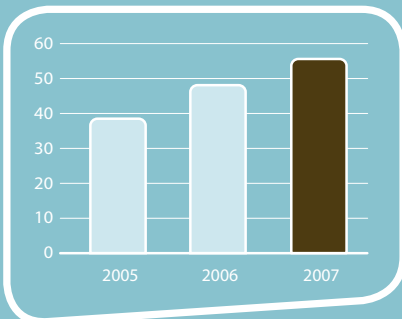
SUBSCRIBER LINES PER EMPLOYEE



FULL YEAR REVENUE \$ MILLION



AIRTIME GROSS MARGINS %



ENGIN TIMELINE

2005 VOIP technology tests and trials.

2006 Prove the model, raise equity.

2007 Invest new equity in capacity increases, infrastructure and systems.

Develop strategic relationships with TiVo®, Seven, Optus, Unwired, Yahoo!7.

2008 Next equity beachhead, then full speed sales and marketing.



OPERATIONAL REVIEW 2007

Throughout the year the company continued to grow with subscriber numbers reaching 77,000 and our staff growing from 104 to 144 by 30 June 2007.

Engin has a whole new marketing team in place, and the year has seen a refresh of the Engin brand with the introduction of a character logo to educate and engage the market. Marketing now incorporates a dedicated product management group to drive innovation and deliver solutions that continue to excite the marketplace.

Engin continues to be the leading innovator in the Australian broadband telephony market, being the first to launch a National Plan with flat rates for all local and national calls, the first to market with VoIP on Nokia mobile handsets and the first to announce a Naked DSL offering for Australian consumers.

Engin will continue to develop market-leading solutions with the upcoming launch of TiVo® and a home gateway product.

Engin continues to develop and expand its multi-channel distribution approach, signing up new distributors such as Crazy John's and FoneZone who choose to partner with Engin to deliver broadband telephony to their customers.

There has been an enormous amount of work going on behind the scenes to strengthen the systems that enable Engin to effectively manage its customer relationships and expand its product offering. Engin has upgraded its national telecommunications network to full carrier-grade capacity, making the Engin service one that customers can rely on for quality and availability.

It is this quality of service and integrated functionality that continues to differentiate Engin from its competitors.

The company's success is down to its people, and the management team would once again like to thank all the members of the Engin team for their efforts throughout FY07.

The future for Engin looks bright as it positions itself as a significant player in the rapidly growing Digital Media space.

“IT IS THIS QUALITY OF SERVICE AND INTEGRATED FUNCTIONALITY THAT CONTINUES TO DIFFERENTIATE ENGIN FROM ITS COMPETITORS”

103%

revenue growth
June '06 to June '07

"THROUGHOUT THE YEAR THE COMPANY CONTINUED TO GROW WITH SUBSCRIBER NUMBERS REACHING 77,000 AND OUR STAFF GROWING FROM 104 TO 144 BY 30 JUNE 2007."

71%

subscriber growth

43%

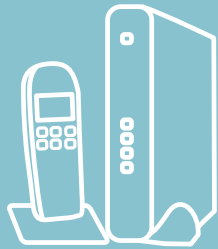
market share



38.4%

increase in full-time
employees

POSITIONED FOR GROWTH X 3



**BROADBAND
VOICE**



TiVo[®]



BROADBAND



BROADBAND VOICE

1

ENGIN VOICE:

- 43% share of the consumer market
- PSTN replacement service
- Low consumer price point
- Advanced capabilities of VoIP – Engin Room

TiVo®

2

TiVo® SERVICE:

- World's best DVR experience
- Combines broadcast with broadband video
- Up-sell broadband access
- Industry leading customer retention
- Significant promotional backing
- Engin to manage TiVo®-direct and mass retail channels

BROADBAND

3

HIGH-SPEED BROADBAND:

- Engin & TiVo® offered agnostic to access
- Ability to offer access enhances bundle
- Increases margin
- Further reduces churn
- Allows Engin to manage the complete experience

TRIPLE PLAY – IT'S TIME TO CHANGE THE GAME

Engin has built a solid business offering broadband phone solutions (VoIP) for Australian consumers and small businesses. The next year will see us extend our product range, by packaging broadband telephony with Naked DSL and TiVo®, helping us to maintain growth by offering a long-term proposition in line with consumer demands and expectations.

Recent research by the ACMA highlights that the key factors in Australian broadband adoption are cost and service delivery, not speed as is constantly touted by media and Government alike. In fact, the research showed that many Australian broadband customers had no idea of the speed of their broadband. That is why our focus is on offering an integrated triple play offering to deliver the high quality services they value over a broadband connection.

Triple play has seen huge adoption in Europe where consumers can purchase bundled packages of internet, voice and entertainment services from a single provider and enjoy significant cost savings over using individual suppliers for each. We are not the first – others are playing in this space – but we already dominate the broadband telephony space, Seven dominate TV content and Optus are growing the reach of their ADSL2+ coverage. This places us in a commanding position to enter and succeed in the triple play market.

Our broadband telephony offering will remain core to the business, allowing Engin customers to reap the massive cost savings it delivers over traditional fixed lines. The brand recognition, customer base and systems we have developed over the last three years will all be key to the deployment of our triple play offering.

This will be teamed with the introduction of Engin's Naked DSL offering in early 2008, finally freeing the Australian consumer from the tyranny of line rental, and allowing them to pay only for the high speed ADSL2+ internet access that they want. Plans will be introduced at competitive rates and be available to Australian consumers via the Optus network.

The triple play offering will be complete with the introduction of TiVo® to the Australian marketplace in Q2 2008. TiVo® has revolutionised the TV viewing experience for over four million Americans, allowing them to search through electronic program guides, select their favourite shows, actors and genres and have TiVo® automatically record programming for their later viewing pleasure. The tag line "TV your way" says it all – TiVo® will allow Australian consumers to watch what they want, when they want, how they want.

BROADBAND VOICE - THIS IS THE FUTURE TALKING

Engin is the leading supplier of broadband telephony services to the Australian consumer, with over 43% market share representing some 77,000 subscribers. Engin's success has been built on a recognisable brand and a reliable, quality network.

The broadband telephony market in Australia continues to grow, with many new players entering the market. Engin continues to lead the pack, but the field is increasingly price driven with companies introducing

exceptionally competitive pricing in order to attain customer subscriptions. Engin differentiates itself on the quality of its network, its hardware and its customer support, enjoying consumer demand through its reliability, simplicity and functionality.

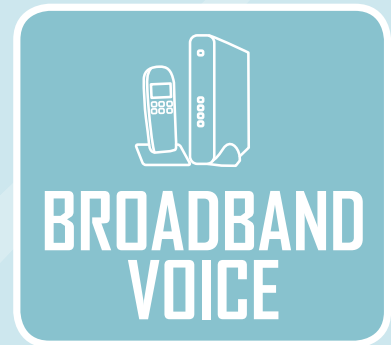
Engin's voice offering delivers functionality such as caller ID, call waiting, three way conference calling and voicemail at no extra charge to users on its phone packages. This is the beginning, with expanded functionality

delivering enhanced control of personal communications planned for launch to the market in FY2008.

Broadband telephony is maturing as a technology and gaining mainstream recognition as the voice communications tool of the future. This will be helped through the next wave of home gateway devices, making calling over the internet as easy to set-up and use as conventional telephony, but with a richer set of features.

“ENGIN IS THE LEADING SUPPLIER OF VOIP SERVICES TO THE AUSTRALIAN CONSUMER, WITH OVER 43% MARKET SHARE REPRESENTING SOME 77,000 SUBSCRIBERS”





"THE WHOLE EXPERIENCE WITH ENGIN HAS BEEN GREAT FROM DAY ONE"

SCOTT O'DONNELL

FEELING THE LOVE WITH ENGIN

Scott O'Donnell of Rochedale South, Queensland, is the manager of a Crazy John's retail store, and recently transferred his residential phone services from Telstra to Engin. Scott uses an Engin Voice Box on his cable broadband connection.

Scott explains, "Working at Crazy John's I had seen the Engin products in store, and decided to give the service a go... after all, who doesn't want to save money on their phone bills? We make quite a lot of STD and local calls from home, my partner especially is a heavy user of the land line!

"Signing up to the service was very simple, I just took the unit home,

plugged it in and rang through to customer service to activate the account. They were very helpful and had me up and running in no time. It was awesome stuff.

"Our old Telstra bill used to be around \$120 a month, so I signed up to the Engin National \$14.95 plan, this gives me free untimed, unlimited calls to STD and local numbers. We tend to use our mobile phones to call mobiles, so I figured this would be the best package for us.

"Since signing up for Engin we save approximately \$100 per month on our phone bills. That is over 75 per cent saving! I have been so impressed by

the Engin service that I have actually disconnected my Telstra landline as I am on Cable broadband and no longer required it.

"The whole experience with Engin has been great from day one, the service was great and the call quality indistinguishable from our traditional landline – the only difference is the cost."

Scott concludes, "So what do I plan to do with my savings? My partner and I are planning a romantic retreat in the near future – so I guess you could say I am really feeling the love with Engin!"

NAKED DSL - BROADBAND THE WAY NATURE INTENDED

Australian consumers remain hostage to the last mile connection to their homes. To enjoy the benefits of truly fast ADSL2+ broadband, they have to pay line rental on a fixed telephone line regardless of whether they use it or not. At Engin we believe that this is not a good deal for Australian consumers.

In reality, Engin's broadband telephony service makes the traditional fixed line redundant and expensive. It therefore

makes sense for Engin to introduce a true broadband offering free from the cost of line rental, allowing our customers to make the most of the savings that our broadband telephony network delivers and the speed and reliability of ADSL2+ broadband.

Engin will be launching its Naked DSL service in Q1 2008. Research within our existing customer base has indicated that almost 75% would be interested in switching

to an Engin Naked DSL service. We also see the offering being of interest to many other Australian consumers who will be keen to experience the savings that Engin delivers while escaping paying line rental. A bundled voice and data offering will also enable us to ensure consistent quality of service, particularly through the control over the equipment provided at the customer's premises.

INFOMAPS.COM.AU FINDS THE WAY TO SAVE MONEY ON PHONE COSTS IS WITH ENGIN

Infomaps.com.au is a tourism marketing and sales company based on the Gold Coast, Queensland, employing some 30 people. The company's tourism services cover the Gold Coast, Sunshine Coast, Brisbane, Cairns, Port Douglas, the Whitsundays and Byron Bay.

The company allows visitors to research, plan and book activities to make the most of their visits to some of Australia's premier tourist destinations.

While based in the Gold Coast, InfoMaps.com.au provides a local information and sales centre in all its destinations, so when investigating

communications solutions it was essential that any provider could cater to its local points of presence.

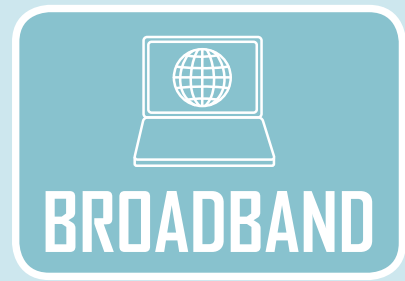
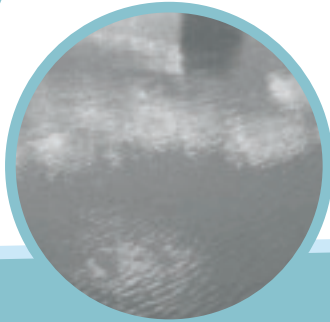
Managing Director John Redpath explains, "We are like a local media player, so when people call us, they need to feel that they are making a call to someone who knows the area. This means they have to be able to dial a local access number and we need to be able to identify where they are calling from to cater to their needs.

"We had been looking at the marketplace for two years, watching the growth of new technologies such as broadband

telephony, as we really didn't want to get into a traditional hardware lease solution. The development of new technology has been rapid and the functions and costs of broadband telephony became a compelling argument.

"We previously had our own hardware on Telstra lines, and wanted to deploy a solution that would not have us locked in to a particular provider. Engin offered us such a solution, where it was an open, user pays approach that made economic sense.

"We looked at other broadband telephony companies but Engin



"WE LOOKED AT OTHER BROADBAND TELEPHONY COMPANIES BUT ENGIN REALLY DID LEAD THE PACK" JOHN REDPATH

really did lead the pack, they have the best technology and enjoy that first to market advantage. Engin put us in touch with their implementation partner HarrisonTech who impressed us with their knowledge and obviously kept up to date on the latest and greatest. They designed a configuration that would cater to our unique needs and we were comfortable that the system would deliver the functionality we required.

"The new system is a huge technological lift for our company, it has delivered many new functions into our call centre, and we are still developing it. Functions such as call forwarding, messaging and line ID help us run our business more efficiently as we effectively operate as

five different business units across the single call centre. Voicemail delivery direct to our email is especially helpful and allows us to better service our customers.

"There is no difference in call quality between the Engin service and our old Telstra lines, the sound is loud and clear. We do operate a high quality internet service on an uncontended channel that ensures the service is consistent.

"We are saving upwards of 60% on our phone bills, which make a huge difference to the bottom line of our business. The savings are actually closer to 70% on call savings, but we have redundant traditional lines in place to ensure business continuity in case of our internet connection going down.

"We have been very impressed with the Engin solution and their approach to doing business from day one. They take a big business philosophy to small businesses, being attentive and professional, and make the experience of doing business with them enjoyable. If I call Engin I know I will get through to someone who will help with genuine care and concern."

TiVo® - TV YOUR WAY

Research shows that the average Australian watches between one and three hours of television per day. With this limited viewing time, it is understandable why viewers get frustrated at scheduling changes, programming conflicts and their favorite shows or movies on at times they are unable to watch them.

TiVo® is set to revolutionise the viewing habits of Australians, much like it has for millions of Americans, where the TiVo® unit has become an iconic, must-have gadget. Viewers can select their favourite shows, genres or actors, and TiVo® does the rest, recording all content that matches these

criterion. The secret is in the intuitive menu system that allows users to easily set their preferences and then enjoy the content they want to watch, when they want to watch it.

The art of timeshifting, supported by a full electronic program guide for all digital free-to-air TV, will allow Australian viewers to change the way they view television, no longer held hostage by the fixed programming schedules of the free-to-air networks.

With TiVo®, you control live TV

You can rewind live TV, pause to answer the phone, play it again or run it in slow motion.

Up to date program listings

Browse through program guides for Australia's major commercial channels.

Select what you want to watch with just one touch of your TiVo® remote.

Automatically find and record your favourite shows

If you have a favourite actor or director, a WishList™ search records every movie, biography or interview with your film favourites, like Stephen Spielberg or Julia Roberts, Marilyn Monroe or Alfred Hitchcock. TiVo® can automatically record your footy team's games, or your favourite cooking

“TiVo® IS SET TO REVOLUTIONISE THE VIEWING HABITS OF AUSTRALIANS, MUCH LIKE IT HAS FOR MILLIONS OF AMERICANS, WHERE THE TiVo® UNIT HAS BECOME AN ICONIC, MUST-HAVE GADGET”



shows, or quiz shows. Or you can search for concerts by your favourite artist. Whatever you want to watch, TiVo® will make it easy to find, and store, ready for when you want to watch it.

Record a single show or the whole series

When you find the TV show you want, choose whether you want one episode, or all episodes in the series. They'll be saved on to your TiVo® hard drive ready for when you want to watch them.

Watch what's now playing

The TiVo® Now Playing list shows you what TiVo® has recorded for you. Select the show and start watching. Just like live TV, you can pause, instant replay, or fast-forward through the boring parts.

TiVo® connects your TV to the net for more entertainment

TiVo® connects you to the world of entertainment from free-to-air broadcasters AND the internet. Your TiVo® will bring you the best entertainment from TiVo®'s content partners – some of the leading names in Australian entertainment. Through TiVo®'s online scheduling you will be able to instruct your TiVo® to record your favourite shows from anywhere you have access to the web.

TiVo® takes you beyond your TV

Connect your TiVo® box through your “home network” and you'll be able to play music and view photos from your PCs on your TV. What's more, a TiVo® box in one room (say, in the bedroom) lets you view what's been recorded on a TiVo® box in another room (say, in the living room).

ENGINE – AT YOUR PLACE

In conclusion, we are offering an integrated solution that works throughout the house. Other ISPs are focused on the PC – we are connecting the PC with phones around the house and TiVo® in the lounge room. With the support of major players, and distribution through our major channel partners, we are in a sound position to lead Australian households into this new digital media age.

RETAILERS

MASS RETAIL

Dick Smith Electronics, Tandy, Powerhouse, Domayne, Harvey Norman, Harris Technology, Officeworks, Big W, Crazy John's

"WE HAVE OVER 500 SPECIALIST INDEPENDENT CHANNELS FOCUSED ON SOHO/SMB AND CONSUMER MARKETS"

LOGISTICS AND DISTRIBUTION

Brightpoint

WHOLESALE

People Telecom, ACE Communications, Aurora Energy, TasTel



D O M A Y N E



Harvey Norman



Tandy



**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2007**

ACN 063 582 990

BOOK **2**

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CORPORATE GOVERNANCE STATEMENT

Board of Directors

The directors are responsible for the corporate governance practices of the company. In fulfilling its obligations and responsibilities to its various stakeholders, the board is a strong advocate of corporate governance. This statement sets out the main corporate governance practices that were in place as at 30 June 2007, except where otherwise indicated.

Engin Limited endorses the ten essential corporate governance principles. The Board has implemented those recommendations that are appropriate and identified departures from the Guidelines.

The directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. Corporate governance best practice principles assist the board in its role to oversee the company's affairs.

Further information regarding Engin's corporate governance and corporate practices are available on the company website at www.engin.com.au.

Charter

The role and responsibilities of the Board of Directors are set out in the document entitled "Formal Board Charter". The responsibilities include:

- Oversight of the company, including internal control and accountability systems.
- Appointment and removal of the Chief Executive Officer.
- Annual review of the performance of the Chief Executive Officer and senior management.
- Ratification of appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary.
- Provide input and final approval of management's developed corporate strategy and performance objectives.
- Confirm processes are in place to ensure adherence to appropriate risk management, internal control, code of conduct and statutory compliance requirements.
- Evaluate management performance, implementation of business strategy and ensure appropriate resources are available.
- Approve and monitor major capital expenditure.
- Approve and monitor relevant reporting.
- Appoint members of the Audit & Risk Management Committee, Nomination Committee and Remuneration Committee.
- Establish limits of authority for the Chief Executive Officer and senior management to conduct day-to-day management of the company's activities.

The Board delegates to the Chief Executive Officer and senior managers responsible to him the authority to manage the company's day-to-day activities, and the implementation of corporate objectives.

Composition of the Board

There are currently seven Directors on the Board of Engin and details of their experience, qualifications and attendance at meetings are set out in the Directors' Report.

The following principles and guidelines are considered in assessing the composition of the board:

- The board determines the optimal number of board members ranging from a minimum of three to a maximum of 12 members as stipulated in the company constitution.
- The board should include directors with a broad range of industry, management and professional experience.
- Ideally the board should comprise a majority of independent directors.
- The board will appoint a chairman who is a non-executive director and independent, as defined by the company's Criteria on Independence of Directors.

CORPORATE GOVERNANCE STATEMENT

Membership of the Board as at 30 June 2007 is set out below:

- William Jephcott Non-executive, independent chairman (resigned 31 August 2007).
- Neil Gamble Non-executive, independent director (executive chairman effective 31 August 2007).
- Chris Shaw Non-executive director.
- Rohan Lund Non-executive director.
- Bruce McWilliam Non-executive director.
- Ryan Stokes Non-executive director.
- Ilkka Tales Executive director, Chief Executive Officer ("CEO").

The directors meet regularly with the senior executives, discussing achievements and making suggestions and recommendations. Particular emphasis is placed on the need for compliance with legislation in areas such as trade practices, environmental, occupational health and safety and the *Corporations Act 2001*.

During the period 1 July 2006 to 30 October 2006, the composition of the Board comprised three directors, two of whom, Messrs Jephcott and Gamble, were considered to be independent. On 30 October 2006 shareholders approved the appointment of three directors nominated by Seven Network Limited ("Seven"), Messrs Lund, McWilliam and Stokes to the Board. Shareholders also approved the appointment of Ilkka Tales, the Company's CEO, to the Board on 30 October 2006.

As at 30 June 2007, the Board comprised seven directors made up of the three original directors, three representatives from Seven and the CEO. The independent directors, Messrs Jephcott and Gamble, did not consider the operation of the board to be impeded or in any way compromised by the absence of a majority of independent directors.

As announced on 31 August 2007, Mr Jephcott resigned as director of the company and Mr Shaw will step down as director at the company's 2007 Annual General Meeting. Director and CEO Ilkka Tales will also step down as director once a new CEO is appointed. On 24 September 2007, the company announced the appointment of Mr Ian Smith, as an independent director, to the Board.

The selection and appointment of new directors is done with reference to the Nomination Committee Charter which is available on the Company website.

Performance Review

The Board will review the performance of individual directors annually with the assistance of the Nomination and Remuneration Committees. The basis of the evaluation will include:

- Reviewing adherence to the Formal Board Charter.
- Defining professional development requirements of individual Board Members.
- Setting Board objectives and KPI's for the upcoming year.

Remuneration of executives and directors is reviewed by the Remuneration Committee in accordance with its Charter. For further detail, please refer to the Remuneration Report.

Committees of the Board

The Board has formed three committees, which operate under approved formal charters: Audit & Risk Management, Remuneration and Nomination.

The Audit & Risk Management Committee monitors business and financial risks and ensures the integrity of the company's financial statements by meeting with accounting staff and the external auditors. It is also responsible for monitoring the company's compliance with legislative requirements. The committee operates with reference to its Charter, which is publicly available on the company website.

CORPORATE GOVERNANCE STATEMENT

The Remuneration Committee is responsible for reviewing the remuneration of senior executives, to ensure reward for performance is competitive and appropriate for the results delivered. In due course this committee will also make recommendations to shareholders regarding non-executive directors' fees.

The Nomination Committee is responsible for the nomination of additional directors. The committee will meet annually or as and when required.

The members of the three committees during the year were:

- Neil Gamble (Chairman).
- William Jephcott.
- Chris Shaw.
- Rohan Lund.
- Bruce McWilliam.

The committees make recommendations to the full Board for approval and ratification. All members of the Board may attend and participate in committee meetings at their discretion.

The details of meetings and attendances are disclosed in the Directors' Report.

Non-Executive Director Remuneration

The total maximum remuneration of non-executive directors was approved by shareholders at \$500,000 per annum on 20 November 2006. For the year ended 30 June 2007, remuneration of the Chairman was \$50,000 per annum plus superannuation and the value of options issued under the executive share ownership plan, and for non-executive directors \$30,000 per annum plus superannuation and the value of any options issued under the executive share ownership plan. The approved limit provides adequate flexibility for the appointment of additional directors.

Shareholdings

Directors' shareholdings in the company are shown in the Directors' Report.

The company has adopted a share-trading policy allowing directors and nominated senior staff to trade in the company's securities generally only in the six-week period following the release of the company's half yearly results and yearly results to the Australian Securities Exchange and after the Annual General Meeting. Senior staff also require the approval of the Board prior to trading in the company's securities.

Independent Advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Directors are encouraged to access members of the senior management team regularly, and to request relevant information as required.

Continuous Disclosure

The Board is committed to ensuring price sensitive information is released to the Australian Securities Exchange (ASX), in accordance with continuous disclosure requirements per ASX Listing Rule 3.1. All reports made to the ASX are published on the Company's internet site, www.engin.com.au.

CORPORATE GOVERNANCE STATEMENT

Shareholder Communications

The Board is committed to providing effective lines of communication for shareholders and all other stakeholders to easily access company information. The following channels of communication have been adopted to facilitate fair, timely and cost effective dissemination of information:

- Annual General Meetings and any other formally convened company meetings.
- Company internet site at www.engin.com.au which enables broader access to company information by investors and stakeholders. Copies of annual and half-year financial reports as well as all other announcements made to the ASX are posted after disclosure to the market.
- Annual report, which is provided to all shareholders.
- Direct communication – the company may also communicate with shareholders, on matters of significance directly via mail, or email.

The Company's formal Communication Policy is publicly available on its internet site, www.engin.com.au.

Risk Management

The Board has established a formal charter, which provides an appropriate framework to monitor risks and threats faced by the company. The Audit & Risk Management Committee is responsible for adherence to the charter. The operational and financial aspects of the company's activities are monitored and, through the Audit & Risk Management Committee, the Board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the company.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

Senior management is responsible for the implementation of appropriate controls and risk mitigation strategies as directed.

CEO and Financial Controller Sign Off of Financial Statements

The Board receives monthly reporting relating to the financial position and performance of the consolidated entity. The CEO and Financial Controller provide formal written statements to the board that in their opinion, the half-year and annual financial reports present a true and fair view in all material respects of the financial position and performance of the consolidated entity.

Code of Conduct

As part of the Board's commitment to the highest standard of conduct, the company adopts a code of conduct which clarifies to directors, management and employees the standards of ethical behaviour required in carrying out their duties and responsibilities.

The code of conduct covers such matters as:

- Conflicts of interest;
- Fair dealing;
- Protection and proper use of company assets;
- Compliance with laws and regulations;
- Whistle blower protection;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

DIRECTORS' REPORT

The directors of Engin Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2007. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report follows.

The names and particulars of the directors of the company during or since the end of the financial year are:

Directors

NAME	PARTICULARS
William Jephcott <i>Non-executive Chairman</i>	Investment banker, joined the board on 15 April 1999 as non-executive chairman and is currently special advisor with Gresham Partners Limited. Mr Jephcott is also the deputy chairman of ROC Oil Company Limited and a director of New South Wales Rugby Union Limited. He previously was vice-chairman Investment Banking Group with Merrill Lynch International (Australia) Limited.
Neil Gamble <i>Non-executive director</i>	Chartered accountant, joined the board on 25 November 1999. Mr Gamble has been the chief executive officer (CEO) of public companies including Australis Media Limited, Star City Holdings Limited and Solution 6 Holdings Ltd. Most recently he was CEO of Medallist Developments Pty Ltd. Mr Gamble is a chartered accountant and is chairman of the Audit & Risk Management, Nomination and Remuneration Committees.
Rohan Lund <i>Non-executive director</i>	Mr Lund is currently the Director Digital Media for Seven Network Limited overseeing all digital interests for Seven Network Limited, including Yahoo!7, m.Net and digital television. He was previously Director Corporate Development and Strategy for Singtel Optus. Mr Lund is also a Director of Yahoo!7 and m.Net Corporation. Mr Lund is a member of the Audit & Risk Management, Nomination and Remuneration Committees.
Bruce McWilliam <i>Non-executive director</i>	Mr McWilliam has been a director of Seven Network Limited since September 2003. He was appointed Commercial Director for Seven Network Limited in May 2003. Prior to joining Seven Network Limited, he was a former partner of law firms Gilbert & Tobin, Turnbull McWilliam and Allen Allen & Hemsley specialising in media and commercial law. He is a former director of BSKyB and General Counsel of News International plc. Mr McWilliam is a member of the Audit & Risk Management Committee.
Chris Shaw <i>Non-executive director</i>	Chartered accountant, joined the board in 1994 in a non-executive capacity, and is an executive director of Direct Group Pty Limited. Mr Shaw is a member of the Audit & Risk Management, Nomination and Remuneration Committees.
Ryan Stokes <i>Non-executive director</i>	Mr Stokes has been a director of Seven Network Limited since December 2005. He is the current Chairman of Pacific Magazines, President of Seven Network Asia and director of Yahoo!7. He is also an executive and director of Australian Capital Equity Pty Limited and other companies including WesTrac Pty Limited. He is a member of the International Olympic Committee Radio and Television Commission and Chairman of Headspace, the Federal Government's National Youth Mental Health Foundation.
Ian Smith <i>Non-executive director</i>	Mr Smith brings a wealth of experience in the media and communications industry to the company, with over twenty years in the advertising business. Mr Smith's previous roles include CEO of Yahoo!7, CEO of The Communications Group Holdings Pty Limited, President International for Bates Worldwide and a board director of Cordiant Communications plc.
Ilkka Tales <i>Executive director, CEO</i>	Mr Tales is the Chief Executive Officer and founder of Engin. He is also the Non Executive Chairman of Look Mobile Pty Ltd. Formerly he was the CEO of Mobile Innovations Ltd and prior to that held numerous global and regional roles in the telecommunications industry at Philips and Telstra.

DIRECTORS' REPORT

The above named directors held office during and since the end of the financial year except for:

- Will Jephcott – resigned 31 August 2007.
- Rohan Lund – appointed 30 October 2006.
- Bruce McWilliam – appointed 30 October 2006.
- Ryan Stokes – appointed 30 October 2006.
- Ilkka Tales – appointed 30 October 2006.
- Ian Smith – appointed 24 September 2007.

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

NAME	COMPANY	PERIOD OF DIRECTORSHIP
William Jephcott	ROC Oil Company Limited	Since February 1997
Neil Gamble	Solution 6 Holdings Limited	August 2000 to August 2004
Bruce McWilliam	Seven Network Limited	Since September 2003
Ryan Stokes	Seven Network Limited	Since December 2005

Company Secretary

Paul Jeronimo Bachelor of Business, Certified Practicing Accountant, qualified as a Chartered Secretary, joined the company in 2000. Mr Jeronimo is responsible for the financial and company secretarial functions of Engin.

Principal Activities

The consolidated entity's principle activity is the rendering of broadband telephony services and sale of related hardware to its customers, branded as "Engin".

Review of Operations

The financial year ended 30 June 2007 was a period of planning and preparation for the move beyond standalone voice to the "triple play" service offering announced by the company on 12 June 2007, encompassing a broadband access solution, broadband telephony and the TiVo service.

Major highlights for the year:

- \$26 million cornerstone investment from the Seven Network in October 2006;
- Capacity increased in broadband telephony network infrastructure;
- Signed as primary distributor of TiVo in Australia and exclusive manager of mass retail distribution channels;
- Entered into Australia's first Naked DSL arrangement with Optus to provide Engin customers with high speed ADSL2+ broadband;
- Investment in customer management, billing systems and distribution system to handle subscriber growth and multiple-services for the "triple-play" offering and in engineering process change and marketing teams to drive growth; and
- Invested in technology development to position for the next generation of voice functionality enabled by VoIP.

DIRECTORS' REPORT

Engin's total subscriber base grew 71 per cent to 77,000 during the year to June 2007. Engin's revenues increased by 103 per cent to \$17.4 million compared to \$8.6 million for the previous year, continuing to set Engin apart as the fastest growing broadband telephony company in Australia. Increase in operating expenses to \$19.5 million for the year represents a 49 per cent increase on the prior year. The company's net loss after tax of \$17.3 million (prior year \$7.3 million) was impacted by the fact that the deferred tax asset relating to the 2006–07 loss totalling \$4.1 million and the balance as at 30 June 2006 of \$3.6 million being written off as a result of on 4 September Engin announcing that it had acquired approximately 10.38 per cent of the ordinary shares of Unwired Group Limited ("Unwired") through a number of on market transactions. As at the date of this report, Engin has acquired a total 19.81 per cent of the ordinary shares of Unwired Group Limited. This transaction has been funded by a convertible note debt facility provided by Seven Network Limited, which provides significant uncertainty surrounding the availability of the continuity of ownership test for the availability of the tax losses carried forward. The company incurred an EBITDA loss of \$12.5 million for the year (prior year \$10.0 million).

The company's \$5.4 million investment in capital assets during the year relates to the scaling up of the business to deliver expanded services and to handle subscriber growth. \$3.8 million of the capital asset investment relates to the implementation of Cerillion, the company's new state-of-the-art customer management and billing platform.

Cash at bank as at 30 June 2007 was \$12.3 million, up from \$3.0m at 30 June 2006.

Change In State of Affairs

During the financial year there were no significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

On 4 September 2007 Engin announced that it had acquired approximately 10.38 per cent of the ordinary shares of Unwired Group Limited ("Unwired") through a number of on market transactions. As at the date of this report, Engin has acquired a total 19.81 per cent of the ordinary shares of Unwired Group Limited. The stake has been acquired for investment purposes and should enable Engin, as a significant shareholder, to participate in the growth of wireless broadband in Australia. Engin acquired the Unwired shares using debt funding provided by a Seven Network group company.

Engin has been closely following the global development of WiMAX, and believes the technology is at a point of maturity to deliver both fixed and ultimately mobile broadband solutions to consumers. Unwired owns the vast majority of metropolitan spectrum for the licensed bands across which WiMAX will operate in Australia. There is a strong rationale for Engin and Unwired working co-operatively. The company believes the synergies derived by combining Unwired's wireless access services with Engin's broadband telephony and TiVo offering would deliver a compelling consumer proposition and business model.

Funding for the acquisition was provided by Seven through a debt facility on standard commercial terms. Interest on the facility will be capitalised and will not affect Engin's operational cash position. Shareholders will vote to approve the transaction at the 2007 Annual General Meeting.

Subsequent to the release of the company's Appendix 4E, on 4 September 2007 Engin announced that it had acquired approximately 10.38 per cent of the ordinary shares of Unwired Group Limited ("Unwired") through a number of on market transactions. As at the date of this report, Engin has acquired a total 19.81 per cent of the ordinary shares of Unwired Group Limited. This transaction has been funded by a convertible note debt facility provided by Seven Network Limited, which, when converted, would result in Engin exceeding or near exceeding the threshold to demonstrate continuity of ownership which is one of two criteria used to determine the availability of tax losses in future periods. This, combined with the strategic initiatives currently being explored with Unwired, suggests that there is uncertainty surrounding the availability of tax losses to the company in future financial periods. Accordingly, the Board has determined that the most appropriate course of action at this time was to write off the deferred tax asset of \$3,685,828 (including \$152,481 included in equity). The company, in coordination with its taxation advisors, will continue to investigate the availability of the tax losses having regard to the continuity of ownership and same business criteria. (Refer Note 3 (d).)

On 27 September 2007, Seven Network Limited launched a formal takeover bid for Unwired.

DIRECTORS' REPORT

Future developments

As at the date of this report, Engin has acquired a total 19.81 per cent of the ordinary shares of Unwired Group Limited. The stake has been acquired for investment purposes and should enable Engin, as a significant shareholder, to participate in the growth of wireless broadband in Australia. There is a strong rationale for Engin and Unwired working co-operatively. The company believes the synergies derived by combining Unwired's wireless access services with Engin's broadband telephony and TiVo offering would deliver a compelling consumer proposition and business model.

Further disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Dividends

There have been no dividends paid or declared since the beginning of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year.

Share options

Share options granted to directors and executives

During the financial year a total of 500,000 share options were issued to non-executive directors on 21 December 2006 (as set out below) and 6,825,000 share options were granted to employees on 13 September 2006, of which 4,450,000 were allocated to the following company executives:

DIRECTORS AND EXECUTIVES	NUMBER OF OPTIONS GRANTED	ISSUING ENTITY	NUMBER OF ORDINARY SHARES UNDER OPTION
W Jephcott	250,000	Engin Limited	250,000
N Gamble	250,000	Engin Limited	250,000
I Tales	3,000,000	Engin Limited	3,000,000
B Evans ⁽ⁱ⁾	1,000,000	Engin Limited	1,000,000
P Jeronimo	150,000	Engin Limited	150,000
S Ikeda	150,000	Engin Limited	150,000
K Kirk ⁽ⁱ⁾	150,000	Engin Limited	150,000

(i) Resigned during the period

Shares under option or issued on exercise of options

Details of total unissued shares or interests under option for directors, executives and employees as at the date of this report are:

ISSUING ENTITY	NUMBER OF SHARES UNDER OPTION	CLASS OF SHARES	EXERCISE PRICE OF OPTION	EXPIRY DATE OF OPTIONS
Engin Limited	1,090,000	Ordinary	\$nil	30 November 2009
Engin Limited	2,100,000	Ordinary	\$nil	30 November 2009
Engin Limited	5,575,000	Ordinary	\$nil	13 September 2011
Engin Limited	250,000	Ordinary	\$nil	30 November 2011

DIRECTORS' REPORT

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

ISSUING ENTITY	NUMBER OF SHARES ISSUED	CLASS OF SHARES	AMOUNT PAID FOR SHARES	AMOUNT UNPAID ON SHARES
Engin Limited	2,700,000	Ordinary	\$nil	\$nil

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company against a liability incurred as a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate of the company against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 Board meetings, two Remuneration Committee meetings, two Audit & Risk Management Committee meetings, and two Nomination Committee meetings were held.

DIRECTORS	BOARD OF DIRECTORS		REMUNERATION COMMITTEE		AUDIT & RISK MGT COMMITTEE		NOMINATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
William Jephcott	11	11	2	2	2	2	2	2
Neil Gamble	11	10	2	2	2	1	2	2
Chris Shaw	11	11	2	2	2	2	2	2
Rohan Lund	4	4	1	1	1	1	1	1
Bruce McWilliam	4	4	–	–	1	1	–	–
Ryan Stokes	4	4	–	–	–	–	–	–
Ilkka Tales	4	4	–	–	–	–	–	–

DIRECTORS' REPORT

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report:

DIRECTORS	FULLY PAID ORDINARY SHARES		EXECUTIVE SHARE OPTION PLAN
	DIRECT HOLDING	INDIRECT HOLDING	
William Jephcott ⁽ⁱ⁾	150,000	5,371,620	–
Neil Gamble	150,000	7,260,351	350,000
Chris Shaw ⁽ⁱⁱ⁾	–	59,926,772	–
Rohan Lund ⁽ⁱⁱⁱ⁾	–	–	–
Bruce McWilliam ⁽ⁱⁱⁱ⁾	–	–	–
Ryan Stokes ⁽ⁱⁱⁱ⁾	–	–	–
Ilkka Tales	3,000,000	2,085,901	5,000,000

(i) Mr Jephcott resigned as director on 31 August 2007.

(ii) Mr Shaw's holdings are summarised as follows:

HELD BY	DESCRIPTION OF INTEREST	NO. OF SHARES
Direct Group Pty Limited	Holds approximately 43% interest and director	36,300,550
Interfine Investments Pty Limited	Beneficial ownership	17,771,936
HSE Superannuation Pty Limited	Personal superannuation fund	140,000
Rotherleigh Properties Pty Limited	Director	5,714,286
Total		59,926,772

(iii) Executive/director of Seven Network Limited which holds 119,452,662 ordinary shares in the company.

Remuneration report

Remuneration policy for directors and executives (“key management personnel”)

Remuneration of key management personnel is reviewed by the Remuneration Committee in accordance with its Charter. The Remuneration Committee makes recommendations to the Board on the following:

- (a) Executive remuneration and incentive policies.
- (b) Ensuring policy allows the company to recruit and retain suitably qualified executives.
- (c) Remuneration framework for directors.
- (d) Aligning the interests of key employees to the long term interests of shareholders.
- (e) Demonstrate a clear relationship between key executive performance and remuneration.

Director and executive details

The following persons acted as directors of the company during or since the end of the financial year:

- W Jephcott (Chairman, non-executive), resigned 31 August 2007.
- N Gamble (non-executive until 31 August. Appointed Executive Chairman 31 August 2007).
- C Shaw (non-executive).
- R Lund (non-executive), appointed 31 October 2006.
- B McWilliam (non-executive), appointed 31 October 2006.
- R Stokes (non-executive), appointed 31 October 2006.
- I Tales (Chief Executive Officer), appointed 31 October 2006.
- I Smith (non-executive), appointed 24 September 2007.

The highest remunerated company executives for the 2007 financial year were:

- I Tales (Chief Executive Officer).
- P Jeronimo (Financial Controller and Company Secretary).
- S Ikeda (Chief Technology Officer), resigned 15 September 2007.
- J Sadler (Chief Information Officer).
- M Farmer (Sales Director).

DIRECTORS' REPORT

Director and executive remuneration

The directors and the five identified company executives received the following amounts as compensation for their services as directors and executives of the company during the year.

The compensation of each member of the directors and identified company executives of the Group for the current year is set out below:

2007	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT	OTHER LONG-TERM BENEFITS	SHARE BASED PAYMENT	TOTAL \$
	SALARY & FEES \$	BONUS \$	NON- MONETARY \$	SUPER- ANNUATION \$		OPTIONS & RIGHTS \$	
Non-executive directors							
W Jephcott	50,000	–	–	4,500	–	39,037	93,537
C Shaw	30,000	–	–	2,700	–	–	32,700
N Gamble	15,000	–	–	17,700	–	39,037	71,737
R Lund	–	–	–	–	–	21,800 ^(e)	21,800
B McWilliam	–	–	–	–	–	21,800 ^(e)	21,800
R Stokes	–	–	–	–	–	21,800 ^(e)	21,800
Executives							
I Tales	305,855	75,000 ^(a)	16,916	35,799	4,051	275,588	713,209
J Sadler	136,584	38,038 ^(b)	–	15,716	–	22,408	212,746
P Jeronimo	156,257	22,500 ^(c)	–	16,088	2,069	13,445	210,359
S Ikeda	147,601	11,250 ^(d)	16,909	13,464	2,173	13,445	204,842
M Farmer	149,402	–	9,431	13,446	–	13,445	185,724
Total	990,699	146,788	43,256	119,413	8,293	481,805	1,790,254

(a) \$75,000 of a maximum \$100,000 bonus paid in September 2006 for the year ended 30 June 2006 re subscriber base and EBITDA targets.

(b) \$18,038 of a maximum \$27,750 bonus paid in January 2007 and April 2007 for the quarters ended 31 December 2006 and 31 March 2007. A \$20,000 sign-on bonus was paid to Mr Sadler after his appointment in September 2006.

(c) \$22,500 of a maximum \$30,000 bonus paid in September 2006 for the year ended 30 June 2006 re subscriber base and EBITDA targets.

(d) \$11,250 of a maximum \$15,000 bonus paid in September 2006 for the year ended 30 June 2006 re subscriber base and EBITDA targets.

(e) Accrual of fees earned, to be approved as share based payments by shareholders at the 2007 Annual General Meeting.

1. Remuneration packages

Remuneration packages contain the following key elements:

- (i) Primary benefits – salary/fees, bonuses and non-monetary benefits including the provision of motor vehicles and health benefits.
- (ii) Post employment benefits – including superannuation and prescribed retirement benefits.
- (iii) Equity – Executive share ownership plan – performance rights as disclosed in note 5 to the financial statements.
- (iv) Other benefits.

DIRECTORS' REPORT

Executive remuneration includes both fixed and variable components. The variable components are linked to performance as follows:

2. Elements of remuneration related to performance

Performance related bonuses

Performance related bonuses are paid to executives based on the extent of the company's and individual's achievement against both qualitative and quantitative criteria. The criteria applied during the financial year ended 30 June 2007 are summarised as follows:

- EBITDA target.
- Subscriber base in excess of 100,000 subscriber lines by 30 June 2007.
- Reliability of network – measured on network uptime.
- Customer service measures – measured on customer surveys and call centre statistics.
- Employee satisfaction – measured by staff turnover rates and staff feedback.

The criteria selected for performance related bonuses are deemed to be the most appropriate measures of the performance of the business.

The criteria set for the upcoming financial year to 30 June 2008 are summarised as follows:

- Successful deployment of ADSL2+ service as part of Engin's Triple Play offering.
- Successful deployment of TiVo service as part of Engin's Triple Play offering.
- Subscriber base growth.
- EBITDA target.
- Reliability of network – measured on network uptime.
- Customer service measures – measured on customer surveys and call centre statistics.
- Employee satisfaction – measured by staff turnover rates and staff feedback.

The Group has an ownership-based compensation scheme for executives, senior employees and non-executive directors of the Group. In accordance with the provisions of the plans, as approved by shareholders at previous annual general meetings, executives, senior employees and non-executive directors are granted options to acquire ordinary shares at no consideration where specified key performance targets are achieved.

Each executive share option converts into one ordinary share of Engin Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

3. Executive share ownership plan – performance rights

Outline of the executive share ownership plan (Option Series 1–6):

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long-term incentives to senior executives and selected independent non-executive directors.

As part of the Company's remuneration strategy, rights to acquire shares in the Company have been granted to key executives and selected independent non-executive directors who, in the opinion of the Board, are able by virtue of their position, experience and skill, to influence growth in shareholder value.

Rights granted under the Plan are in the form of Performance Rights (that is, zero exercise price options). Grants have been made based on the Company's objectives in making the grant and the position within the Company held by the recipient employee. Because Performance Rights generally have a significantly higher present value than traditional market priced options, fewer are required to deliver the same present value. This reduces the impact on dilution of existing shareholders.

DIRECTORS' REPORT

The Executive Share Ownership Plan Rules enables the Board to design grants that best meet the particular circumstances.

The options granted on 23 November 2004 vest as follows upon achieving the performance hurdles:

- Tranche 1 30% 31 December 2005.
- Tranche 2 30% 31 December 2006.
- Tranche 3 40% 31 December 2007.

Performance hurdle (Option Series 1–6):

The Board is aware that best practice incentive design requires long-term equity-based rewards to be linked to the achievement of a relevant and meaningful performance hurdle(s). Therefore, Performance Rights granted are subject to a performance hurdle(s). The performance hurdle(s) must be achieved before the Rights become exercisable. The performance hurdle(s) may vary from grant to grant as the Board takes account of changing conditions and market expectations.

Performance condition (Option Series 1–6):

Exercise of the Performance Rights is dependent on Engin Limited achieving a compound Total Shareholder Return ("TSR") of 15 per cent per annum. Calculation of TSR is measured from the 20th September 2004 to the First Exercise Date or if not met a date up to the Last Exercise Date. The Performance Condition once met shall be deemed to have been met for all purposes. Total Shareholder Return reflects the change in Engin Limited's share price over the performance period plus dividends notionally reinvested.

Outline of the executive share ownership plan (Option Series 7–9):

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long-term incentives to senior executives and selected independent non-executive directors.

As part of the Company's remuneration strategy, rights to acquire shares in the Company have been granted to key executives who, in the opinion of the Board, are able by virtue of their position, experience and skill, to influence growth in shareholder value.

Rights granted under the Plan are in the form of Performance Rights (that is, zero exercise price options). Grants have been made based on the Company's objectives in making the grant and the position within the Company held by the recipient employee. Because Performance Rights generally have a significantly higher present value than traditional market priced options, fewer are required to deliver the same present value. This reduces the impact on dilution of existing shareholders.

The Executive Share Ownership Plan Rules enables the Board to design grants that best meet the particular circumstances.

The options granted on 13 September 2006 vest as follows upon achieving the performance hurdles:

- Tranche 1 30% 31 August 2007.
- Tranche 2 30% 31 August 2008.
- Tranche 3 40% 31 August 2009.

DIRECTORS' REPORT

Performance hurdle (Option Series 7–9):

The Board is aware that best practice incentive design requires long-term equity-based rewards to be linked to the achievement of a relevant and meaningful performance hurdle(s). Therefore, Performance Rights granted are subject to a performance hurdle(s). The performance hurdle(s) must be achieved before the Rights become exercisable.

The performance hurdle(s) may vary from grant to grant as the Board takes account of changing conditions and market expectations.

Performance condition (Option Series 7–9):

Exercise of the Performance Rights for Option series 7–9 is dependent on Engin Limited achieving internally set stretch subscriber line and EBITDA targets. The conditions set for Tranche 1 of Option Series 7–9 were not achieved as at 30 June 2007 and accordingly have not vested.

Outline of the executive share ownership plan (Option Series 10–12):

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long-term incentives to senior executives and selected independent non-executive directors.

As part of the Company's remuneration strategy, rights to acquire shares in the Company have been granted to independent directors who, in the opinion of the Board, are able by virtue of their position, experience and skill, to influence growth in shareholder value.

Rights granted under the Plan are in the form of Performance Rights (that is, zero exercise price options). Grants have been made based on the Company's objectives in making the grant and the position within the Company held by the recipient employee. Because Performance Rights generally have a significantly higher present value than traditional market priced options, fewer are required to deliver the same present value. This reduces the impact on dilution of existing shareholders.

The Executive Share Ownership Plan Rules enables the Board to design grants that best meet the particular circumstances.

The options granted on 21 December 2006 vest as follows upon achieving the performance hurdles:

- Tranche 1 30% 31 August 2007.
- Tranche 2 30% 31 August 2008.
- Tranche 3 40% 31 August 2009.

Performance hurdle (Option Series 10–12):

The Board is aware that best practice incentive design requires long-term equity-based rewards to be linked to the achievement of a relevant and meaningful performance hurdle(s). Therefore, Performance Rights granted are subject to a performance hurdle(s). The performance hurdle(s) must be achieved before the Rights become exercisable.

The performance hurdle(s) may vary from grant to grant as the Board takes account of changing conditions and market expectations.

Performance condition (Option Series 10–12):

Exercise of the Performance Rights are dependent on Engin Limited achieving a compound Total Shareholder Return ("TSR") of 15 per cent per annum. Calculation of TSR will be measured from 31 October 2006 to the First Exercise Date, or if not met on that date, at any date up to the Last Exercise Date. The Performance Condition once met shall be deemed to have been met for the purposes of the respective tranche of Performance Rights. Total Shareholder Return reflects the change in Engin Limited share price over the performance period plus dividends notionally reinvested.

DIRECTORS' REPORT

Value of options issued to directors and executives

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

	VALUE OF OPTIONS GRANTED AT THE GRANT DATE	VALUE OF OPTIONS EXERCISED AT THE EXERCISE DATE	VALUE OF OPTIONS LAPSED AT THE LAPSE DATE	TOTAL
	\$	\$	\$	\$
Directors				
W Jephcott	75,000	14,250 ⁽¹⁾	—	89,250
N Gamble	75,000	—	—	75,000
Executives				
I Tales	915,000	285,000 ⁽¹⁾	—	1,200,000
P Jeronimo	45,000	28,500 ⁽²⁾	—	73,500
S Ikeda	45,000	28,500 ⁽²⁾	—	73,500
J Sadler	75,000	—	—	75,000
M Farmer	45,000	28,500 ⁽²⁾	—	73,500

Value of options – basis of calculation

- (1) Options exercised during the year were granted on 27th January 2005.
- (2) Options exercised during the year were granted on 27th June 2005.

The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of the option at the time granted multiplied by the number of options granted during the year; plus
- Fair value of the option at the time exercised multiplied by the number of options exercised during the year; plus
- Fair value of the option at the time lapsed multiplied by the number of options lapsed during the year.

DIRECTORS' REPORT

Non-audit services

No non-auditing services were performed during the financial year to 30 June by the auditors. In the prior year, the directors were satisfied that the provision of non-audit services by the auditor (or by another person or firm on the auditor's behalf) was compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Details of amounts paid or payable to the auditor for non-audit services provided by the auditor, if applicable, are outlined in note 6 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 18 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Neil Gamble
Executive Chairman
Sydney, 28 September 2007

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

The Board of Directors
Engin Limited
431 Warringah Road
FRENCHS FOREST NSW 2086

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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www.deloitte.com.au

28 September 2007

Dear Board Members

Engin Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Engin Limited.

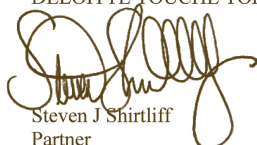
As lead audit partner for the audit of the financial statements of Engin Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Steven J Shirliff
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

Deloitte.

Independent Auditor's Report to the members of Engin Limited

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Report on the Financial Report

We have audited the accompanying financial report of Engin Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the company (Engin Limited) and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 21 to 62.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

Deloitte.

Auditor's Independence Declaration

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

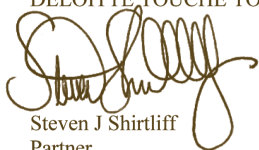
Auditor's Opinion

In our opinion:

- (a) the financial report of Engin Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



Steven J Shirtliff
Partner
Chartered Accountants
Sydney, 28 September 2007

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Neil Gamble
Executive Chairman
Sydney, 28 September 2007

INCOME STATEMENT

for the financial year ended 30 June 2007

	NOTE	CONSOLIDATED		COMPANY	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	2	17,422,398	8,605,373	—	395,354
Consumables used and network costs		(10,893,031)	(5,722,129)	—	—
Changes in inventories of finished goods		513,660	195,532	—	—
Employee costs		(9,691,475)	(7,152,995)	—	—
Marketing expense		(5,713,562)	(3,608,844)	—	—
Communications expense		(927,988)	(536,434)	—	—
Depreciation expense		(1,872,252)	(900,001)	—	(121,354)
Financial institution costs		(293,531)	(158,508)	—	—
Occupancy costs		(327,853)	(251,743)	—	—
Bad debt expense and debt collection costs		(163,792)	(204,693)	—	—
Finance costs		(192,685)	(38,367)	—	—
Legal expenses		(155,216)	(28,274)	—	—
Computer licence fees		(294,533)	(63,638)	—	—
Other expenses from ordinary activities	1(j)	(1,214,185)	(1,017,429)	(6,000,000)	(3,000,000)
Loss before income tax	2	(13,804,045)	(10,882,150)	(6,000,000)	(2,726,000)
Income tax benefit/(expense)	3	(3,533,347)	3,372,105	—	—
Loss from continuing operations		(17,337,392)	(7,510,045)	(6,000,000)	(2,726,000)
Profit from discontinued operations	2	—	190,793	—	354,000
Loss attributable to members of the parent entity		(17,337,392)	(7,319,252)	(6,000,000)	(2,372,000)
Loss per share:					
Basic (cents per share)	21	(5.59)	(3.67)		
Diluted (cents per share)	21	(5.59)	(3.67)		
Loss per share from continuing operations:					
Basic (cents per share)	21	(5.59)	(3.76)		
Diluted (cents per share)	21	(5.59)	(3.76)		

Notes to the financial statements are included on pages 26 to 62.

BALANCE SHEET

for the financial year ended 30 June 2007

	NOTE	CONSOLIDATED		COMPANY	
		2007 \$	2006 \$	2007 \$	2006 \$
Current assets					
Cash and cash equivalents	28	12,290,656	2,976,000	–	–
Trade and other receivables	7	2,064,565	1,114,885	–	20,745
Inventories	8	781,512	267,852	–	–
Other	9	240,363	147,060	–	–
Total current assets		15,377,096	4,505,797	–	20,745
Non-current assets					
Receivable from controlled entities		–	–	37,072,109	13,262,735
Investments accounted for using the equity method	10	15,207	27,474	–	–
Property, plant and equipment	11	6,284,447	4,887,733	–	197,776
Customer management & billing system	11	3,844,694	–	–	–
Deferred tax assets	3(c)	–	3,533,346	–	3,262,333
Total non-current assets		10,144,348	8,448,553	37,072,109	16,722,844
Total assets		25,521,444	12,954,350	37,072,109	16,743,589
Current liabilities					
Trade and other payables	13	6,120,570	3,973,869	23,016	27,451
Borrowings	14	1,261,761	532,245	–	–
Provisions	15	549,663	394,935	–	–
Total current liabilities		7,931,994	4,901,049	23,016	27,451
Non-current liabilities					
Borrowings	16	1,593,106	1,099,097	–	–
Provisions	17	138,384	91,807	–	–
Total non-current liabilities		1,731,490	1,190,904	–	–
Total liabilities		9,663,484	6,091,953	23,016	27,451
Net assets		15,857,960	6,862,397	37,049,093	16,716,138
Equity					
Issued capital	18	35,451,483	9,677,434	35,451,483	9,677,434
Reserves	19	1,309,360	750,454	1,309,360	750,454
Retained earnings/(accumulated losses)	20	(20,902,883)	(3,565,491)	288,250	6,288,250
Total equity		15,857,960	6,862,397	37,049,093	16,716,138

Notes to the financial statements are included on pages 26 to 62.

CASH FLOW STATEMENT

for the financial year ended 30 June 2007

	NOTE	CONSOLIDATED		COMPANY	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities					
Receipts from customers		17,241,111	10,733,089	–	149,066
Payments to suppliers and employees		(28,350,454)	(16,441,369)	–	(9,442)
Interest and other costs of finance paid		(192,685)	(38,367)	–	–
Income tax received		–	–	–	263,541
R&D Income tax concession refund		–	102,418	–	–
Net cash (used in)/provided by operating activities	28(c)	(11,302,028)	(5,644,229)	–	403,165
Cash flows from investing activities					
Amounts advanced to related parties		–	–	(25,774,049)	(10,862,202)
Payment for property, plant and equipment		(5,380,454)	(2,140,681)	–	–
Dividends received		–	628,000	–	628,000
Interest received		732,768	240,494	–	–
Net cash used in investing activities		(4,647,686)	(1,272,187)	(25,774,049)	(10,234,202)
Cash flows from financing activities					
Proceeds from issues of equity securities		26,282,323	10,039,882	26,282,323	10,039,882
Share issue costs		(508,274)	(583,502)	(508,274)	(583,502)
Repayment of borrowings		(509,679)	(151,998)	–	(125,980)
Net cash provided by financing activities		25,264,370	9,304,382	25,774,049	9,330,400
Net increase / (decrease) in cash and cash equivalents		9,314,656	2,387,966	–	(500,637)
Cash and cash equivalents at the beginning of the financial year		2,976,000	588,034	–	500,637
Cash and cash equivalents at the end of the financial year	28(a)	12,290,656	2,976,000	–	–

Notes to the financial statements are included on pages 26 to 62.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2007

CONSOLIDATED	ORDINARY SHARES \$	EMPLOYEE EQUITY SETTLED BENEFITS RESERVE \$	RETAINED EARNINGS/ (ACCUMULATED LOSSES) \$	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE ENTITY \$
Balance as at 1 July 2005	221,054	148,602	3,753,761	4,123,417
Loss for period	—	—	(7,319,252)	(7,319,252)
Total recognised income and expense for the period	—	—	(7,319,252)	(7,319,252)
Recognition of share-based payments	—	601,852	—	601,852
Issue of shares	10,039,882	—	—	10,039,882
Share issue cost	(583,502)	—	—	(583,502)
Balance as at 30 June/1 July 2006	9,677,434	750,454	(3,565,491)	6,862,397
Loss for period	—	—	(17,337,392)	(17,337,392)
Total recognised income and expense for the period	—	—	(17,337,392)	(17,337,392)
Recognition of share-based payments	—	558,906	—	558,906
Issue of shares	26,282,323	—	—	26,282,323
Share issue cost	(508,274)	—	—	(508,274)
Tax benefit	—	—	—	—
Balance as at 30 June 2007	35,451,483	1,309,360	(20,902,883)	15,857,960

COMPANY	ORDINARY SHARES \$	EMPLOYEE EQUITY SETTLED BENEFITS RESERVE \$	RETAINED EARNINGS/ (ACCUMULATED LOSSES) \$	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE ENTITY \$
Balance as at 1 July 2005	221,054	148,602	8,660,250	9,029,906
Loss for period	—	—	(2,372,000)	(2,372,000)
Total recognised income and expense for the period	—	—	(2,372,000)	(2,372,000)
Recognition of share-based payments	—	601,852	—	601,852
Issue of shares	10,039,882	—	—	10,039,882
Share issue cost	(583,502)	—	—	(583,502)
Balance as at 30 June/1 July 2006	9,677,434	750,454	6,288,250	16,716,138
Loss for period	—	—	(6,000,000)	(6,000,000)
Total recognised income and expense for the period	—	—	(6,000,000)	(6,000,000)
Recognition of share-based payments	—	558,906	—	558,906
Issue of shares	26,282,323	—	—	26,282,323
Share issue cost	(508,274)	—	—	(508,274)
Tax benefit	—	—	—	—
Balance as at 30 June 2007	35,451,483	1,309,360	288,250	37,049,093

Notes to the financial statements are included on pages 26 to 62.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ("IFRS"). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 *Financial Instruments: Disclosure and Presentation* as the Australian equivalent Accounting Standard, AASB 132 *Financial Instruments: Disclosure and Presentation* does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the directors on 28 September 2007.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern

The consolidated entity incurred a loss of \$17,337,392 for the year ended 30 June 2007, including a write-down of the previously recognised deferred tax asset of \$3,533,347. Based on the consolidated entity's current business plan and medium-term objectives adopted by the Board, it is expected that additional funding will be required within the next six months.

Having regard to recent developments announced by the company, its majority shareholder, Seven Network Limited, and Unwired Group Limited, the Board is currently assessing the most appropriate funding strategy and considering a number of funding initiatives and is confident that one or more of these funding initiatives will be successful.

Furthermore, on 28 August 2007, Seven Network provided a Statement of Intent that recognises that the company is likely to require additional funding for working capital purposes in order to meet the medium-term objectives set out in the business plan and confirmed its current intention to participate in such funding either by contributing further equity or by underwriting the funding requirement.

For the reasons outlined above, the directors have prepared the financial statements on a going concern basis. Should the company and the consolidated entity be unable to continue as going concerns, the recoverability and classification of recorded asset amounts and the amount and classification of liabilities may be affected.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. Summary of accounting policies (continued)

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(c) Borrowing costs

Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of those assets.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(e) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, sick leave, and other employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of other employee benefits, including long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(f) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss”, “held-to-maturity” investments, “available-for-sale” financial assets, and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. Summary of accounting policies (continued)

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(g) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(h) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in the statement of financial performance in the period in which they arise.

Financial statements of integrated foreign controlled entities are translated at reporting date using the temporal method and exchange differences are taken directly to the statement of financial performance.

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(j) Impairment of non-current assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. Summary of accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes recoverable in respect of the tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as an asset to the extent that it is refundable.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. Summary of accounting policies (continued)

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Engin Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the “separate taxpayer within group” approach. Current tax assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value.

(m) Investments

Investments in controlled entities are recorded at cost. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Dividend and interest revenues are recognised on a receivable basis.

(n) Joint ventures

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method on the company financial statements.

(o) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs. Refer to note 1(b).

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. Summary of accounting policies (continued)

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(p) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Billing system 5 years.
- Other plant and equipment 3–8 years.
- Equipment under finance lease 3–6 years.

(q) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. A list of subsidiaries appears in note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(r) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors on or before the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. Summary of accounting policies (continued)

(s) Revenue recognition

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the company and consolidated entity has passed control of the goods or other assets to the buyer.

Rendering of Services – Broadband Telephony Provider

Revenue from the rendering of broadband telephony services is recognised by Engin Limited as customers utilise the service (make telephone calls) and service fees accrue over the monthly billing period.

(t) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were invested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(u) Adoption of new and revised accounting policies

In the current year, the Group has adopted all of 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 annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

At the date of authorisation of the financial report, the Standards and Interpretations outlined below were in issue but not yet effective. Initial application of these Standards and Interpretations will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the company's financial report.

STANDARD	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 7 <i>Financial Instruments: Disclosures</i> and consequential amendments to other accounting standards resulting from its issue	1 January 2007	30 June 2008
AASB 101 <i>Presentation of Financial Statements</i> – revised standard	1 January 2007	30 June 2008
AASB 2007-7 <i>Amendments to Australian Accounting Standards</i>	1 July 2007	30 June 2008
AASB 8 <i>Operating Segments</i>	1 January 2009	30 June 2010

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. Summary of accounting policies (continued)

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity and the company:

STANDARD/ INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 November 2006	30 June 2008
AASB Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i>	1 March 2007	30 June 2008
AASB 2007-1 <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 11</i>	1 March 2007	30 June 2008
AASB Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2008	30 June 2009
AASB 2007-2 <i>Amendments to Australian Accounting Standards arising from AASB Interpretation 12</i>	1 January 2008	30 June 2009
AASB 2007-4 <i>Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments</i>	1 July 2007	30 June 2008
AASB Interpretation 13 <i>Customer Loyalty Programmes</i>	1 July 2008	30 June 2009
AASB Interpretation 14 <i>AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2008	30 June 2009
AASB 123 <i>Borrowing Costs</i> – revised standard	1 January 2009	30 June 2010
AASB 2007-6 <i>Amendments to Australian Accounting Standards arising from AASB 123</i>	1 January 2009	30 June 2010

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

2. Loss from operations

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Operating revenue				
Revenue from continuing and discontinued operations consisted of the following items:				
Revenue from the sale of goods	1,780,119	2,366,708	–	–
Revenue from management services	–	–	–	121,354
Revenue from the rendering of services	14,909,511	5,724,171	–	–
Interest received	16,689,630	8,090,879	–	121,354
Dividends:	732,768	240,494	–	–
Look Mobile Pty Limited	–	–	–	354,000
Look Mobile Distribution Pty Limited	–	274,000	–	274,000
	–	274,000	–	628,000
	17,422,398	8,605,373	–	749,354
Attributable to:				
Continuing operations	17,422,398	8,605,373	–	395,354
Discontinued operations	–	190,793	–	354,000
	17,422,398	8,796,166	–	749,354
(b) Expenses				
Cost of sales – network and hardware related costs	8,982,283	5,660,414	–	–
Borrowing costs:				
Interest				
Finance lease finance charge	192,685	38,367	–	–
Net bad and doubtful debts arising from:				
Other entities	106,171	70,578	–	–
Equity settled share based payments	558,906	601,852	–	–
Contributions to defined contribution plans	705,730	431,125	–	–
Depreciation of non-current assets				
Billing System	–	–	–	–
Other plant & equipment	1,354,258	882,800	–	121,354
Equipment under finance lease	517,994	17,201	–	–
	1,872,252	900,001	–	121,354
Operating lease rental expenses:				
Minimum lease payments	149,551	203,922	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

3. Income taxes

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Income tax recognised in profit or loss				
Tax benefit comprises:				
Current tax benefit	–	(3,236,550)	–	–
Deferred tax expense/(benefit) relating to origination and reversal of temporary differences	105,237	(135,555)	–	–
Reversal of current year tax benefit	(105,237)	–	–	–
Total tax expense/(benefit)	–	(3,372,105)	–	–
Attributable to:				
Continuing operations	–	(3,372,105)	–	–
	–	(3,372,105)	–	–
The prima facie income tax on pre-tax accounting loss from operations reconciles to the income tax in the financial statements as follows:				
Loss from continuing operations	(17,337,392)	(10,882,150)	(6,000,000)	(2,726,000)
Profit from discontinued operations	–	190,793	–	354,000
Loss from operations	(17,337,392)	(10,691,357)	(6,000,000)	(2,372,000)
Income tax benefit calculated at 30%	(5,201,218)	(3,207,407)	(1,800,000)	(711,600)
Non-deductible expenses	8,350	6,971	–	–
Equity share of joint venture entity's profit	(3,680)	(57,238)	–	–
Intercompany provision	–	–	1,800,000	900,000
Reversal of current year tax benefit	5,196,548	–	–	–
Write-down of deferred tax asset	3,533,347	–	–	–
Franking credit from dividend income	–	(82,200)	–	(188,400)
	3,533,347	(3,339,874)	–	–
Over provision of income tax in previous year	–	(32,231)	–	–
	3,533,347	(3,372,105)	–	–

The tax rate used in the above reconciliation is the corporate tax rate of 30 per cent payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

3. Income taxes (continued)

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
(b) Income tax recognised directly in equity				
The following current and deferred amounts were charged directly to equity during the period:				
Share issue expense	—	175,051	—	175,051
	—	175,051	—	175,051
(c) Deferred tax balances				
Deferred tax assets comprise:				
Tax losses – revenue	—	2,972,028	—	2,972,028
Temporary differences	—	561,318	—	290,305
	—	3,533,346	—	3,262,333

(d) Reversal of deferred tax balances

On 4 September 2007 Engin announced that it had acquired approximately 10.38 per cent of the ordinary shares of Unwired Group Limited (“Unwired”) through a number of on market transactions. As at the date of this report, Engin has acquired a total 19.81 per cent of the ordinary shares of Unwired Group Limited. This transaction has been funded by a convertible note debt facility provided by Seven Network Limited, which, when converted, would result in Engin exceeding or near exceeding the threshold to demonstrate continuity of ownership which is one of two criteria used to determine the availability of tax losses in future periods. This, combined with the strategic initiatives currently being explored with Unwired, suggests that there is uncertainty surrounding the availability of tax losses to the company in future financial periods. Accordingly, the Board has determined that the most appropriate course of action at this time was to write off the deferred tax asset of \$3,685,828 (including \$152,481 included in equity). The company, in coordination with its taxation advisors, will continue to investigate the availability of the tax losses having regard to the continuity of ownership and same business criteria.

Taxable and deductible temporary differences arise from the following:

2007	CONSOLIDATED						
	OPENING BALANCE \$	CHARGED TO INCOME \$	CHARGED TO EQUITY \$	ACQUISITIONS/ DISPOSALS \$	EXCHANGE DIFFERENCES \$	CHANGES IN TAX RATE \$	CLOSING BALANCE \$
Gross deferred tax assets:							
Provisions	146,024	(146,024)	—	—	—	—	—
Doubtful debts	7,348	(7,348)	—	—	—	—	—
Property, plant & equipment	79,083	(79,083)	—	—	—	—	—
Other	328,862	(328,862)	—	—	—	—	—
	561,317	(561,317)	—	—	—	—	—
Attributable to:							
Continuing operations							—
Discontinued operations							—
							—

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

3. Income taxes (continued)

2006	CONSOLIDATED						
	OPENING BALANCE \$	CHARGED TO INCOME \$	CHARGED TO EQUITY \$	ACQUISITIONS/ DISPOSALS \$	EXCHANGE DIFFERENCES \$	CHANGES IN TAX RATE \$	CLOSING BALANCE \$
Gross deferred tax assets:							
Provisions	94,853	51,171	—	—	—	—	146,024
Doubtful debts	8,429	(1,081)	—	—	—	—	7,348
Property, plant and equipment	79,083	—	—	—	—	—	79,083
Other	68,346	85,465	175,051	—	—	—	328,862
	250,711	135,555	175,051	—	—	—	561,317
Attributable to:							
Continuing operations							561,317
Discontinued operations							—
							561,317

2007	COMPANY						
	OPENING BALANCE \$	CHARGED TO INCOME \$	CHARGED TO EQUITY \$	ACQUISITIONS/ DISPOSALS \$	EXCHANGE DIFFERENCES \$	CHANGES IN TAX RATE \$	CLOSING BALANCE \$
Gross deferred tax assets:							
Provisions	—	—	—	—	—	—	—
Doubtful debts	—	—	—	—	—	—	—
Property, plant and equipment	79,083	(79,083)	—	—	—	—	—
Other	211,222	(211,222)	—	—	—	—	—
	290,305	(290,305)	—	—	—	—	—

2006	OPENING BALANCE \$	CHARGED TO INCOME \$	CHARGED TO EQUITY \$	ACQUISITIONS/ DISPOSALS \$	EXCHANGE DIFFERENCES \$	CHANGES IN TAX RATE \$	CLOSING BALANCE \$
Gross deferred tax assets:							
Provisions	—	—	—	—	—	—	—
Doubtful debts	—	—	—	—	—	—	—
Property, plant and equipment	79,083	—	—	—	—	—	79,083
Other	26,171	—	175,051	—	—	—	211,222
	105,254	—	175,051	—	—	—	290,305

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

3. Income taxes (continued)

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses – revenue	8,878,696	–	–	–
Tax losses – capital	257,000	257,000	257,000	257,000
	9,135,696	257,000	257,000	257,000

The taxation benefits of tax losses not brought to account will only be obtained if:

- i. assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- ii. conditions for deductibility imposed by the law are complied with; and
- iii. no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Engin Limited. The members of the tax-consolidated group are identified at note 24.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Engin Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax-sharing agreement is considered remote.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

4. Key management personnel compensation

The directors and other members of key management personnel of the Group during the year were:

- W Jephcott (Chairman, non-executive), resigned 31 August 2007.
- N Gamble (non-executive), Executive Chairman effective 31 August 2007.
- C Shaw (non-executive).
- R Lund (non-executive), appointed 31 October 2006.
- B McWilliam (non-executive), appointed 31 October 2006.
- R Stokes (non-executive), appointed 31 October 2006.
- I Tales (Chief Executive Officer).
- P Jeronimo (Financial Controller and Company Secretary).
- S Ikeda (Chief Technology Officer), resigned 15 September 2007.
- B Evans (Chief Operating Officer), resigned 14 March 2007.
- K Kirk (Marketing Director), resigned 30 November 2006.
- P Dobbie (Chief Marketing Officer), appointed 15 January 2007.

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	CONSOLIDATED	
	2007 \$	2006 \$
Short-term employee benefits	1,209,844	1,118,395
Post-employment benefits	119,350	89,280
Other long-term benefits	8,293	15,928
Equity options	445,952	503,889
Total	1,783,439	1,727,492

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

4. Key management personnel compensation (continued)

The compensation of each member of the key management personnel of the Group for the current year is set out below:

2007	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT	OTHER LONG-TERM BENEFITS	SHARE BASED PAYMENT	TOTAL
	SALARY & FEES	BONUS	NON- MONETARY	SUPER- ANNUATION		OPTIONS & RIGHTS	
	\$	\$	\$	\$	\$	\$	\$
W Jephcott	50,000	—	—	4,500	—	39,037	93,537
C Shaw	30,000	—	—	2,700	—	—	32,700
N Gamble	15,000	—	—	17,700	—	39,037	71,737
R Lund	—	—	—	—	—	21,800 ^(e)	21,800
B McWilliam	—	—	—	—	—	21,800 ^(e)	21,800
R Stokes	—	—	—	—	—	21,800 ^(e)	21,800
I Tales	305,855	75,000 ^(a)	16,916	35,799	4,051	275,588	713,209
P Jeronimo	156,257	22,500 ^(b)	—	16,088	2,069	13,445	210,359
S Ikeda	147,601	11,250 ^(c)	16,909	13,464	2,173	13,445	204,842
B Evans	139,068	15,333 ^(d)	—	13,896	—	—	168,297
K Kirk	114,822	—	—	6,803	—	—	121,625
P Dobbie	93,333	—	—	8,400	—	—	101,733
Total	1,051,936	124,083	33,825	119,350	8,293	445,952	1,783,439

(a) \$75,000 of a maximum \$100,000 bonus paid in September 2006 for the year ended 30 June 2006 re subscriber base and EBITDA targets.

(b) \$22,500 of a maximum \$30,000 bonus paid in September 2006 for the year ended 30 June 2006 re subscriber base and EBITDA targets.

(c) \$11,250 of a maximum \$15,000 bonus paid in September 2006 for the year ended 30 June 2006 re subscriber base and EBITDA targets.

(d) \$15,333 of a maximum \$15,333 bonus paid in September 2006 for the period to 30 June 2006 re the expansion of network and internal systems.

(e) Accrual of fees earned, to be approved as share based payments by shareholders at the 2007 Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

4. Key management personnel compensation (continued)

The compensation of each member of the key management personnel of the Group for the prior year is set out below:

2006	SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT	OTHER LONG-TERM BENEFITS	SHARE BASED PAYMENT	TOTAL
	SALARY & FEES	BONUS	NON- MONETARY	SUPER- ANNUATION		OPTIONS & RIGHTS	
	\$	\$	\$	\$	\$	\$	\$
W Jephcott	50,000	–	–	4,500	–	20,000	74,500
N Bramwell*	25,000	–	–	–	–	–	25,000
C Shaw	30,000	–	–	2,700	–	–	32,700
N Gamble	30,000	–	–	2,700	–	20,000	52,700
I Tales	274,902	75,000 ^(a)	22,493	32,913	10,955	399,998	816,261
P Jeronimo	146,154	30,000 ^(a)	10,607	16,763	2,859	21,297	227,680
S. Ikeda	136,149	7,500 ^(b)	32,616	15,075	2,114	21,297	214,751
B Evans	34,497	–	–	7,285	–	–	41,782
K Kirk	189,600	20,000 ^(c)	3,877	7,344	–	21,297	242,118
Total	916,302	132,500	69,593	89,280	15,928	503,889	1,727,492

* Mr Bramwell resigned as a director on 12 May 2006.

- (a) Bonus paid in relation to the settlement of the Vodafone dispute, commercial launch of Engin and successful Rights Issue fund raising.
- (b) Mr Ikeda received a bonus of \$7,500 in July 2005 on the basis of achieving systems availability targets and expanding Engin's broadband telephony network.
- (c) Mr Kirk was paid a \$20,000 bonus in respect of the company achieving a subscriber line target of 30,000.

Performance related bonuses

Performance related bonuses are paid to executives based on the extent of the company's and individual's achievement against both qualitative and quantitative criteria. The criteria applied during the financial year ended 30 June 2007 are summarised as follows:

- EBITDA target.
- Subscriber base in excess of 100,000 subscriber lines by 30 June 2007.
- Reliability of network – measured on network uptime.
- Customer service measures – measured on customer surveys and call centre statistics.
- Employee satisfaction – measured by staff turnover rates and staff feedback.

The criteria selected for performance related bonuses are deemed to be the most appropriate measures of the performance of the business.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

4. Key management personnel compensation (continued)

The criteria set for the upcoming financial year to 30 June 2008 are summarised as follows:

- Successful deployment of ADSL2+ service as part of Engin's Triple Play offering.
- Successful deployment of TiVo service as part of Engin's Triple Play offering.
- Subscriber base growth.
- EBITDA target.
- Reliability of network – measured on network uptime.
- Customer service measures – measured on customer surveys and call centre statistics.
- Employee satisfaction – measured by staff turnover rates and staff feedback.

5. Share-based payments

The Group has an ownership-based compensation scheme for executives, senior employees and non-executive directors of the Group. In accordance with the provisions of the plans, as approved by shareholders at previous annual general meetings, executives, senior employees and non-executive directors are granted options to acquire ordinary shares at no consideration where specified key performance targets are achieved.

Each executive share option converts into one ordinary share of Engin Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Outline of the executive share ownership plan (Option Series 1–6):

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long-term incentives to senior executives and selected independent non-executive directors.

As part of the Company's remuneration strategy, rights to acquire shares in the Company have been granted to key executives and selected independent non-executive directors who, in the opinion of the Board, are able by virtue of their position, experience and skill, to influence growth in shareholder value.

Rights granted under the Plan are in the form of Performance Rights (that is, zero exercise price options). Grants have been made based on the Company's objectives in making the grant and the position within the Company held by the recipient employee. Because Performance Rights generally have a significantly higher present value than traditional market priced options, fewer are required to deliver the same present value. This reduces the impact on dilution of existing shareholders.

The Executive Share Ownership Plan Rules enables the Board to design grants that best meet the particular circumstances.

The options granted on 23 November 2004 vest as follows upon achieving the performance hurdles:

- Tranche 1 30% 31 December 2005.
- Tranche 2 30% 31 December 2006.
- Tranche 3 40% 31 December 2007.

Performance hurdle (Option Series 1–6):

The Board is aware that best practice incentive design requires long-term equity-based rewards to be linked to the achievement of a relevant and meaningful performance hurdle(s). Therefore, Performance Rights granted are subject to a performance hurdle(s). The performance hurdle(s) must be achieved before the Rights become exercisable.

The performance hurdle(s) may vary from grant to grant as the Board takes account of changing conditions and market expectations.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

5. Share-based payments (continued)

Performance condition (Option Series 1–6):

Exercise of the Performance Rights is dependent on Engin Limited achieving a compound Total Shareholder Return (“TSR”) of 15 per cent per annum. Calculation of TSR is measured from 20 September 2004 to the First Exercise Date or if not met, a date up to the Last Exercise Date. The Performance Condition once met shall be deemed to have been met for all purposes. Total Shareholder Return reflects the change in Engin Limited’s share price over the performance period plus dividends notionally reinvested.

Outline of the executive share ownership plan (Option Series 7–9):

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long-term incentives to senior executives and selected independent non-executive directors.

As part of the Company’s remuneration strategy, rights to acquire shares in the Company have been granted to key executives who, in the opinion of the Board, are able by virtue of their position, experience and skill, to influence growth in shareholder value.

Rights granted under the Plan are in the form of Performance Rights (that is, zero exercise price options). Grants have been made based on the Company’s objectives in making the grant and the position within the Company held by the recipient employee. Because Performance Rights generally have a significantly higher present value than traditional market priced options, fewer are required to deliver the same present value. This reduces the impact on dilution of existing shareholders.

The Executive Share Ownership Plan Rules enables the Board to design grants that best meet the particular circumstances.

The options granted on 13 September 2006 vest as follows upon achieving the performance hurdles:

- Tranche 1 30% 31 August 2007.
- Tranche 2 30% 31 August 2008.
- Tranche 3 40% 31 August 2009.

Performance hurdle (Option Series 7–9):

The Board is aware that best practice incentive design requires long-term equity-based rewards to be linked to the achievement of a relevant and meaningful performance hurdle(s). Therefore, Performance Rights granted are subject to a performance hurdle(s). The performance hurdle(s) must be achieved before the Rights become exercisable.

The performance hurdle(s) may vary from grant to grant as the Board takes account of changing conditions and market expectations.

Performance condition (Option Series 7–9):

Exercise of the Performance Rights for Option series 7–9 is dependent on Engin Limited achieving internally set stretch subscriber line and EBITDA targets. The conditions set for Tranche 1 of Option Series 7–9 were not achieved as at 30 June 2007 and accordingly have not vested.

Outline of the executive share ownership plan (Option Series 10–12):

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long-term incentives to senior executives and selected independent non-executive directors.

As part of the Company’s remuneration strategy, rights to acquire shares in the Company have been granted to independent directors who, in the opinion of the Board, are able by virtue of their position, experience and skill, to influence growth in shareholder value.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

5. Share-based payments (continued)

Rights granted under the Plan are in the form of Performance Rights (that is, zero exercise price options). Grants have been made based on the Company's objectives in making the grant and the position within the Company held by the recipient employee. Because Performance Rights generally have a significantly higher present value than traditional market priced options, fewer are required to deliver the same present value. This reduces the impact on dilution of existing shareholders.

The Executive Share Ownership Plan Rules enables the Board to design grants that best meet the particular circumstances.

The options granted on 21 December 2006 vest as follows upon achieving the performance hurdles:

- Tranche 1 30% 31 August 2007.
- Tranche 2 30% 31 August 2008.
- Tranche 3 40% 31 August 2009.

Performance hurdle (Option Series 10–12):

The Board is aware that best practice incentive design requires long-term equity-based rewards to be linked to the achievement of a relevant and meaningful performance hurdle(s). Therefore, Performance Rights granted are subject to a performance hurdle(s). The performance hurdle(s) must be achieved before the Rights become exercisable.

The performance hurdle(s) may vary from grant to grant as the Board takes account of changing conditions and market expectations.

Performance condition (Option Series 10–12):

Exercise of the Performance Rights are dependent on Engin Limited achieving a compound Total Shareholder Return ("TSR") of 15 per cent per annum. Calculation of TSR will be measured from 31 October 2006 to the First Exercise Date, or if not met on that date, at any date up to the Last Exercise Date. The Performance Condition once met shall be deemed to have been met for the purposes of the respective tranche of Performance Rights. Total Shareholder Return reflects the change in Engin Limited share price over the performance period plus dividends notionally reinvested.

The following share-based payment arrangements were in existence during the period:

OPTIONS SERIES	NUMBER	GRANT DATE	EXPIRY DATE	EXERCISE PRICE \$	FAIR VALUE AT GRANT DATE \$
(1) Executive Share Ownership Plan	1,650,000	27 Jan 2005	30 Nov 2009	0.00	0.18
(2) Executive Share Ownership Plan	1,650,000	27 Jun 2005	30 Nov 2009	0.00	0.17
(3) Executive Share Ownership Plan	2,200,000	27 Jun 2005	30 Nov 2009	0.00	0.17
(4) Executive Share Ownership Plan	1,140,000	27 Jun 2005	30 Nov 2009	0.00	0.07
(5) Executive Share Ownership Plan	1,140,000	27 Jun 2005	30 Nov 2009	0.00	0.06
(6) Executive Share Ownership Plan	1,520,000	27 Jun 2005	30 Nov 2009	0.00	0.05
(7) Executive Share Ownership Plan	2,047,500	13 Sep 2006	13 Sep 2011	0.00	0.30
(8) Executive Share Ownership Plan	2,047,500	13 Sep 2006	13 Sep 2011	0.00	0.30
(9) Executive Share Ownership Plan	2,730,000	13 Sep 2006	13 Sep 2011	0.00	0.30
(10) Executive Share Ownership Plan	150,000	21 Dec 2006	30 Nov 2011	0.00	0.30
(11) Executive Share Ownership Plan	150,000	21 Dec 2006	30 Nov 2011	0.00	0.30
(12) Executive Share Ownership Plan	200,000	21 Dec 2006	30 Nov 2011	0.00	0.30

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

5. Share-based payments (continued)

The weighted average fair value of the share options granted during the financial year is \$0.30 (2006: \$0.126). Options were priced using a binomial model. Expected volatility has been estimated with regards to the average historical volatility of a basket of companies in the Australian information technology sector and second tier telecommunications companies with a market capitalisation of less than US\$100 million. It is noted that the estimate derived through this calculation is in line with the volatility of comparable companies observed over the two year period to June 2007.

INPUTS INTO THE MODEL	OPTION SERIES			
	SERIES 1–3	SERIES 4–6	SERIES 7–9	SERIES 10–12
Grant date share price	\$0.19	\$0.09	\$0.305	\$0.30
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00
Expected volatility	60%	60%	60%	60%
Option life	4 years 10 months	4 years 5 months	5 years	5 years
Dividend yield	Nil	Nil	Nil	Nil
Risk-free interest rate	5.198%	5.084%	6.080%	6.250%

The following reconciles the outstanding share options granted under the Executive Share Option Plan at the beginning and end of the financial year:

	2007		2006	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$
Balance at beginning of the financial year	6,575,000	–	11,250,000	0.10
Granted during the financial year	7,325,000	–	–	–
Forfeited during the financial year	(1,835,000)	–	(17,500)	–
Exercised during the financial year (i)	(2,550,000)	–	(2,707,500)	–
Expired during the financial year	–	–	(1,950,000)	0.58
Balance at end of the financial year (ii)	9,515,000	–	6,575,000	–
Exercisable at end of the financial year	150,000	–	82,500	–

(i) Exercised during the financial year

The following share options granted under the Executive Share Option Plan were exercised during the financial year (2006: 2,707,500).

2007 OPTIONS SERIES	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE \$
Executive Ownership Plan – Series 5–7	1,575,000	8 May 2007	0.19
Executive Ownership Plan – Series 8–10	975,500	8 May 2007	0.19
	2,550,500		

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

5. Share-based payments (continued)

2006 OPTIONS SERIES	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE \$
Executive Ownership Plan – Series 5–7	1,575,000	10 Mar 2006	0.29
Executive Ownership Plan – Series 8–10	1,132,500	10 Mar 2006	0.29
	2,707,500		

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had an exercise price of \$0.00, and a weighted average remaining contractual life of 1,317 days.

6. Remuneration of auditors

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Auditor of the parent entity				
Audit or review of the financial report	132,187	111,000	–	111,000
Audit related services	6,000	5,500	–	5,500
Taxation services	–	–	–	–
	138,187	116,500	–	116,500

The auditor of Engin Limited is Deloitte Touche Tohmatsu. The audit fees were paid in full by a wholly owned controlled entity. Audit related services were for the audit of the Eligible Revenue Return, a statutory requirement by the Australian Communications & Media Authority.

7. Current trade and other receivables

Trade receivables	1,988,880	980,532	–	–
Allowance for doubtful debts	(40,342)	(24,493)	–	–
	1,948,538	956,039	–	–
Goods and Service Tax (GST) receivable	105,055	41,891	–	–
Other sundry debtors	10,972	116,955	–	20,745
	2,064,565	1,114,885	–	20,745

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

8. Current inventories

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Finished goods:				
At cost	839,282	284,842	–	16,990
Provision for obsolescence	(57,770)	(16,990)	–	(16,990)
At net realisable value	781,512	267,852	–	–

9. Other current assets

Prepayments	210,855	123,321	–	–
Other	29,508	23,739	–	–
	240,363	147,060	–	–

10. Investments accounted for using the equity method

NAME OF ENTITY	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST		CONSOLIDATED CARRYING AMOUNT	
			2007 %	2006 %	2007 \$	2006 \$
Joint Venture Entity						
Look Mobile Limited	Mobile Phone Dealer Channel	Australia	50	50	15,207	27,474

	CONSOLIDATED	
	2007 \$	2006 \$
Summarised financial information of jointly controlled entities:		
Current assets	36,394	56,418
	36,394	56,418
Current liabilities	(5,980)	(1,470)
	(5,980)	(1,470)
Net assets	30,414	54,948
Income	–	231,916
Expenses	29,688	244,440

Dividends received from associates and joint venture entities

During the year, no dividends were received by the consolidated entity (2006: \$354,000) from its jointly controlled entities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

11. Property, plant and equipment

CONSOLIDATED

	CUSTOMER MANAGEMENT & BILLING SYSTEM \$	OTHER PLANT AND EQUIPMENT \$	EQUIPMENT UNDER FINANCE LEASE AT COST \$	TOTAL \$
Gross carrying amount				
Balance at 1 July 2006	–	13,465,209	2,838,711	16,303,920
Additions ⁽ⁱ⁾	3,844,694	1,542,458	1,733,204	7,120,356
Disposals	–	(6,271,979)	(971,352)	(7,243,331)
Balance at 30 June 2007	3,844,694	8,735,688	3,600,563	16,180,945
Accumulated depreciation/ amortisation and impairment				
Balance at 1 July 2006	–	(10,217,635)	(1,198,552)	(11,416,187)
Depreciation expense	–	(1,354,258)	(517,994)	(1,872,252)
Disposals	–	6,265,283	971,352	7,236,635
Balance at 30 June 2007	–	(5,306,610)	(745,194)	(6,051,804)
Net book value				
As at 30 June 2006	–	3,247,574	1,640,159	4,887,733
As at 30 June 2007	3,844,694	3,429,078	2,855,369	10,129,141

COMPANY

	CUSTOMER MANAGEMENT & BILLING SYSTEM \$	OTHER PLANT AND EQUIPMENT \$	EQUIPMENT UNDER FINANCE LEASE AT COST \$	TOTAL \$
Balance at 1 July 2006	–	9,287,206	1,181,351	10,468,557
Additions	–	–	–	–
Disposals	–	(9,287,206)	(1,181,351)	(10,468,557)
Balance at 30 June 2007	–	–	–	–
Accumulated depreciation/ amortisation and impairment				
Balance at 1 July 2006	–	(9,089,430)	(1,181,351)	(10,270,781)
Depreciation expense ⁽ⁱ⁾	–	–	–	–
Disposals ⁽ⁱ⁾	–	9,089,430	1,181,351	10,270,781
Balance at 30 June 2007	–	–	–	–
Net book value				
As at 30 June 2006	–	197,776	–	197,776
As at 30 June 2007	–	–	–	–

(i) The company, Engin Limited transferred its plant and equipment at 30 June 2006 to the 100 per cent owned subsidiary MiBroadband Pty Limited at the written down value on 1 July 2006.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

11. Property, plant and equipment (continued)

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Aggregate depreciation recognised as an expense during the year:				
Billing System	–	–	–	–
Plant and equipment	1,354,258	882,800	–	121,354
Equipment under finance lease	517,994	17,201	–	–
	1,872,252	900,001	–	121,354

12. Assets pledged as security

The consolidated entity does not hold title to the equipment under finance lease, which is pledged as security against the finance lease liability.

13. Current trade and other payables

Trade payables	4,070,040	1,823,958	–	–
Other payables and accruals	2,050,530	2,149,911	23,016	27,451
	6,120,570	3,973,869	23,016	27,451

14. Current borrowings

Secured				
At amortised cost:				
Finance lease liabilities ⁽ⁱ⁾ (note 23)	1,261,761	532,245	–	–

(i) Secured by the assets leased.

15. Current provisions

Employee benefits	549,663	394,935	–	–
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16. Non-current borrowings

Secured				
At amortised cost:				
Finance lease liabilities ⁽ⁱ⁾ (note 23)	1,593,106	1,099,097	–	–

(i) Secured by the assets leased.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

17. Non-current provisions

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Employee benefits	138,384	91,807	—	—

18. Issued capital

351,127,766 fully paid ordinary shares (2006: 229,125,104)	35,451,483	9,677,434	35,451,483	9,677,434
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Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2007		2006	
	NO.	\$	NO.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	229,125,104	9,677,434	112,512,100	221,054
Issue of shares under executive and employee share option plan (note 5)	2,550,000	—	2,707,500	—
Issue of shares	119,452,662	26,282,323	113,905,504	10,039,882
Share issue costs	—	(508,274)	—	(583,502)
Tax benefit	—	—	—	—
Balance at end of financial year	351,127,766	35,451,483	229,125,104	9,677,434

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options

Details of the executive and employee share ownership plan are contained in note 5 to the financial statements.

19. Reserves

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Employee equity-settled benefits reserve				
Balance at beginning of financial year	750,454	148,602	750,454	148,602
Share-based payment	558,906	601,852	558,906	601,852
Transfer to share capital	—	—	—	—
Balance at end of financial year	1,309,360	750,454	1,309,360	750,454

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

19. Reserves (continued)

The employee equity-settled benefits reserve arises on the grant of share options to executives and selected employees under the executive share ownership plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to executives is made in note 5 to the financial statements.

20. (Accumulated losses)/retained earnings

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Balance at beginning of financial year	(3,565,491)	3,753,761	6,288,250	8,660,250
Net loss attributable to members of the parent entity	(17,337,392)	(7,319,252)	(6,000,000)	(2,372,000)
Balance at end of financial year	(20,902,883)	(3,565,491)	288,250	6,288,250

21. Earnings/(Loss) per share

	CONSOLIDATED	
	2007 CENTS PER SHARE	2006 CENTS PER SHARE
Basic earnings/(loss) per share:		
From continuing operations	(5.59)	(3.76)
From discontinued operations	–	0.09
Total basic earnings/(loss) per share	(5.59)	(3.67)
Diluted earnings/(loss) per share:		
From continuing operations	(5.59)	(3.76)
From discontinued operations	–	0.09
Total diluted earnings/(loss) per share	(5.59)	(3.67)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

21. Earnings/(Loss) per share (continued)

Basic earnings/(loss) per share

The earnings/(loss) and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	CONSOLIDATED	
	2007 \$	2006 \$
(Loss)/Earnings (a)	(17,337,392)	(7,319,252)
(Loss)/Earnings from continuing operations (a)	(17,337,392)	(7,510,045)
	2007 NO.	2006 NO.
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	310,316,054	199,636,179

- (a) Earnings used in the calculation of total basic earnings per share and basic earnings/(loss) per share from continuing operations reconciles to net profit in the income statement as follows:

	CONSOLIDATED	
	2007 \$	2006 \$
Net profit/(loss)	(17,337,392)	(7,319,252)
Earnings used in the calculation of basic EPS	(17,337,392)	(7,319,252)
Adjustments to exclude profit for the period from discontinued operations	—	(190,793)
Earnings used in the calculation of basic EPS from continuing operations	(17,337,392)	(7,510,045)

Diluted earnings/(loss) per share

The earnings/(loss) and weighted average number of ordinary shares used in the calculation of diluted earnings/(loss) per share are as follows:

	CONSOLIDATED	
	2007 \$	2006 \$
Earnings (a)	(17,337,392)	(7,319,252)
Earnings from continuing operations (a)	(17,337,392)	(7,510,045)
	2007 NO.	2006 NO.
Weighted average number of ordinary shares for the purposes of diluted earnings per share	310,316,054	199,636,179

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

21. Earnings/(Loss) per share (continued)

(a) Earnings/(loss) used in the calculation of total diluted earnings/(loss) per share and diluted earnings/(loss) per share from continuing operations reconciles to net profit/(loss) in the income statement as follows:

	2007 \$	2006 \$
Net profit/(loss)	(17,337,392)	(7,319,252)
Earnings used in the calculation of diluted EPS	(17,337,392)	(7,319,252)
Adjustments to exclude profit for the period from discontinued operations	—	(190,793)
Earnings used in the calculation of diluted EPS from continuing operations	(17,337,392)	(7,510,045)

(b) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	CONSOLIDATED	
	2007 NO.	2006 NO.
Weighted average number of ordinary shares used in the calculation of basic EPS	310,316,054	199,636,179
Shares deemed to be issued for no consideration in respect of:		
Employee options	—	—
Weighted average number of ordinary shares used in the calculation of diluted EPS	310,316,054	199,636,179

The effect of employee options is anti-dilutive in 2007 and has therefore been excluded from the calculation of the diluted weighted average number of shares.

22. Franking account

	COMPANY	
	2007 \$	2006 \$
Adjusted franking account balance (tax paid basis)	3,985,319	3,985,319

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

23. Leases

Finance leases

Leasing arrangements

Finance leases relate to network hardware and computer leases. The consolidated entity has the option to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

Finance lease liabilities

	MINIMUM FUTURE LEASE PAYMENTS				PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS			
	CONSOLIDATED		COMPANY		CONSOLIDATED		COMPANY	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$
No later than 1 year	1,452,481	661,237	—	—	1,261,761	532,245	—	—
Later than 1 year and not later than 5 years	1,692,210	1,200,181	—	—	1,593,106	1,099,097	—	—
Later than 5 years	—	—	—	—	—	—	—	—
Minimum lease payments*	3,144,691	1,861,418	—	—	2,854,867	1,631,342	—	—
Less future finance charges	(289,824)	(230,076)	—	—	—	—	—	—
Present value of minimum lease payments	2,854,867	1,631,342	—	—	2,854,867	1,631,342	—	—
Included in the financial statements as:								
Current borrowings (note 14)					1,261,761	532,245	—	—
Non-current borrowings (note 16)					1,593,106	1,099,097	—	—
					2,854,867	1,631,342	—	—

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual value.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

23. Leases (continued)

Operating leases

Leasing arrangements

Operating leases relate to office facilities with lease terms to 2009.

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Non-cancellable operating lease payments				
Not longer than 1 year	278,639	149,551	—	149,551
Longer than 1 year and not longer than 5 years	348,298	336,490	—	336,490
Longer than 5 years	—	—	—	—
	626,937	486,041	—	486,041

24. Subsidiaries

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2007 %	2006 %
Parent entity			
Engin Limited	Australia		
Subsidiaries			
MIBroadband Pty Limited	Australia	100	100
Innocom Systems Pty Limited	Australia	100	100
Metrofi Investment Holdings Pty Limited	Australia	100	—

25. Segment information

Engin Limited operates primarily as a provider of Broadband telephony services within Australia.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

26. Related party disclosures

(a) Equity interests in related parties

Equity interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 24 of the financial statements.

Equity interests in Joint venture entities

Details of interests in joint venture entities are disclosed in note 11 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Engin Limited (2007)

	BALANCE AT 1 JULY	GRANTED AS REMUNERATION	RECEIVED ON EXERCISE OF OPTIONS	NET OTHER CHANGE	BALANCE AT 30 JUNE	BALANCE HELD NOMINALLY
	NO.	NO.	NO.	NO.	NO.	NO.
2007						
W Jephcott	5,446,620	–	75,000	–	5,521,620	–
C Shaw	59,926,772	–	–	–	59,926,772	5,714,286
N Gamble	7,260,351	–	–	–	7,260,351	–
I Tales	3,585,901	–	1,500,000	–	5,085,901	–
P Jeronimo ⁽¹⁾	634,500	–	150,000	(484,500) ⁽¹⁾	300,000	–
B Evans	–	–	–	–	–	–
S Ikeda	221,429	–	150,000	–	371,429	–
K Kirk	240,857	–	–	–	240,857	–
P Dobbie	–	–	–	–	–	–
2006						
W Jephcott	1,288,062	–	75,000	4,083,558	5,446,620	–
C Shaw	36,692,850	–	–	23,233,922	59,926,772	5,714,286
N Gamble	2,665,225	–	–	4,595,126	7,260,351	–
N Bramwell ⁽²⁾	36,340,666	–	–	721,018	37,061,684	–
I Tales	995,200	–	1,500,000	1,090,701	3,585,901	–
P Jeronimo	50,000	–	150,000	434,500	634,500	–
B Evans	–	–	–	–	–	–
S Ikeda	–	–	150,000	71,429	221,429	–
K Kirk	–	–	150,000	90,857	240,857	–

(1) The decrease in holding relates to change in status of a related party of Mr Jeronimo, which as at 30 June 2007 was no longer a related party.

(2) Mr Bramwell resigned as a director on 12 May 2006.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

26. Related party disclosures (continued)

Executive share options of Engin Limited (2007)

	BALANCE AT 1 JULY	GRANTED AS COMPENSATION	EXERCISED	NET OTHER CHANGE	BALANCE AT 30 JUNE	BALANCE VESTED AT 30 JUNE	VESTED AND EXERCISABLE	OPTIONS VESTED DURING YEAR
	NO.	NO.	NO.	NO.	NO.	NO.	NO.	NO.
2007								
W Jephcott	175,000	250,000	(75,000)	–	350,000	–	–	75,000
N Gamble	250,000	250,000	–	–	500,000	150,000	150,000	75,000
I Tales	3,500,000	3,000,000	(1,500,000)	–	5,000,000	–	–	1,500,000
P Jeronimo	350,000	150,000	(150,000)	–	350,000	–	–	150,000
B Evans	–	1,000,000	–	(1,000,000)	–	–	–	–
S Ikeda	350,000	150,000	(150,000)	–	350,000	–	–	150,000
K Kirk	350,000	150,000	–	(500,000)	–	–	–	150,000
P Dobbie	–	–	–	–	–	–	–	–
2006								
W Jephcott	250,000	–	(75,000)	–	175,000	–	–	75,000
N Gamble	250,000	–	–	–	250,000	75,000	75,000	75,000
I Tales	5,300,000	–	(1,500,000)	(300,000)	3,500,000	–	–	1,500,000
P Jeronimo	600,000	–	(150,000)	(100,000)	350,000	–	–	150,000
B Evans	–	–	–	–	–	–	–	–
S Ikeda	600,000	–	(150,000)	(100,000)	350,000	–	–	150,000
K Kirk	500,000	–	(150,000)	–	350,000	–	–	150,000

All share options issued were made in accordance with the provisions of the employee share option plan.

During the financial year, 1,875,000 options were exercised by key management personnel for 1,875,000 ordinary shares in Engin Limited (2006: 2,025,000). No amounts remain unpaid on the options exercised during the financial year at year-end.

Further details of the Executive Share Option Plan and of share options granted during the financial year is contained in notes 4 and 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

26. Related party disclosures (continued)

	CONSOLIDATED	
	2007 \$	2006 \$
(d) Other transactions with key management personnel		
The profit/(loss) from operations includes the following items of revenue and expense that resulted from transactions, which were on normal commercial terms and conditions other than remuneration, loans or equity holdings, with key management personnel or their personally-related entities:		
Sales revenue – rendering of services	2,040	5,000
Sales revenue – supply of goods	58,427	9,150
Internet expenses – reimbursement	27,000	40,500
Total recognised as revenue	87,467	54,650
Administration expenses	36,354	55,956
Rental expenses	245,742	267,696
Telephone expenses	103,018	49,873
Total recognised as expenses	385,114	373,525

(e) Transactions with other related parties

Other related parties include:

- The parent entity.
- Entities with joint control or significant influence over the group.
- Associates.
- Joint ventures in which the entity is a venturer.
- Subsidiaries.
- Other related parties.

(f) Transactions involving the parent entity

During the current financial year, Engin Limited recognised a net receivable of nil (2006: \$3,428,091) from its wholly-owned subsidiaries for their tax payable for the current period.

During the financial year, Engin Limited received dividends of nil (2006: \$354,000) from its subsidiaries. It received dividends of nil (2006: \$274,000) from Look Mobile Distribution Pty Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

26. Related party disclosures (continued)

(g) Transactions involving other related parties

Engin Limited advertised its services on media owned by Seven Network totalling \$995,999. These transactions were on normal commercial terms and conditions.

During the financial year Mibroadband Pty Limited provided administrative and accounting services at cost to Look Mobile Limited, totalling \$12,581 (2006: \$65,550).

(h) Parent entities

The parent entity and the ultimate parent entity in the consolidated entity is Engin Limited.

27. Subsequent events

Unwired

On 4 September Engin announced that it had acquired approximately 10.38 per cent of the ordinary shares of Unwired Group Limited (“Unwired”) through a number of on market transactions. As at the date of this report, Engin has acquired a total 19.81 per cent of the ordinary shares of Unwired Group Limited. The stake has been acquired for investment purposes and should enable Engin, as a significant shareholder, to participate in the growth of wireless broadband in Australia. Engin acquired the Unwired shares using debt funding provided by a Seven Network group company (“Seven”).

Engin has been closely following the global development of WiMAX, and believes the technology is at a point of maturity to deliver both fixed and ultimately mobile broadband solutions to consumers. Unwired owns the vast majority of metropolitan spectrum for the licensed bands across which WiMAX will operate in Australia. There is a strong rationale for Engin and Unwired working co-operatively. The company believes the synergies derived by combining Unwired’s wireless access services with Engin’s broadband telephony and TiVo offering would deliver a compelling consumer proposition and business model.

Funding for the acquisition was provided by Seven through a debt facility on standard commercial terms. Interest on the facility will be capitalised and will not affect Engin’s operational cash position. Shareholders will vote to approve the transaction at the 2007 Annual General Meeting.

On 27 September 2007, Seven Network Limited launched a formal takeover bid for Unwired.

Other

After 8 years as Chairman, Mr. Will Jephcott resigned from the Board on 31 August 2007. Mr. Chris Shaw, a founder and director of the company, will also resign at the AGM due to the ongoing demands on his time from the expanding Direct Group that he controls.

Mr. Neil Gamble, a Director since 1999 assumed the role of Executive Chairman on 31 August 2007 and will continue until such time as the commencement of services of the new CEO. On 24 September 2007, Ian Smith was appointed to the Board. Following the AGM and subject to any new appointments, the Board will comprise Neil Gamble, Bruce McWilliam, Ryan Stokes, Rohan Lund, Ilkka Tales and Ian Smith.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

28. Notes to the cash flow statement

	CONSOLIDATED		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	12,290,656	2,976,000	–	–
	12,290,656	2,976,000	–	–

(b) Non-cash financing and investing activities

During the financial year, the consolidated entity acquired plant, property and equipment with a value of \$1,733,204 by way of finance lease. This acquisition is not included in the cash flow statement.

(c) Reconciliation of loss for the period to net cash flows from operating activities				
Loss for the period	(17,337,392)	(7,319,252)	(6,000,000)	(2,372,000)
Share of jointly controlled entities' loss (less dividends)	12,267	163,186	–	–
Depreciation and amortisation of non-current assets	1,872,252	900,001	–	121,354
Equity settled share-based payment	558,904	601,852	–	601,852
Interest revenue	(732,768)	(240,494)	–	–
Dividends received	–	(628,000)	–	(628,000)
Intercompany provision	–	–	6,000,000	3,000,000
Increase/(decrease) in current tax balances	–	828,950	–	12,950
Increase/(decrease) in deferred tax balances	3,533,346	(3,282,518)	–	(3,157,079)
Amounts advanced to/(from) related parties included in investing activities	–	–	–	1,345,447
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	(1,014,333)	(358,438)	–	215,915
Current inventories	(513,660)	(195,532)	–	–
Security deposits	–	2,269,219	–	2,000,000
Other current assets	(28,649)	(1,004)	–	–
Increase/(decrease) in liabilities:				
Current payables	2,146,700	1,447,235	–	(611,294)
Other current liabilities	154,728	149,814	–	(125,980)
Other non-current liabilities	46,577	20,752	–	–
Net cash from/(used in) operating activities	(11,302,028)	(5,644,229)	–	403,165

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

29. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by limiting the borrowings of the entity to necessary capital expenditure.

Maturity profile of financial instruments

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2007:

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	VARIABLE INTEREST RATE	FIXED MATURITY DATES						NON INTEREST BEARING	TOTAL
			LESS THAN 1 YEAR	1-2 YEARS	2-3 YEARS	3-4 YEARS	4-5 YEARS	5+ YEARS		
2007	%	\$	\$	\$	\$	\$	\$	\$	\$	
Financial assets:										
Cash and cash equivalents	6.06	12,290,656	–	–	–	–	–	–	12,290,656	
Trade and other receivables	–	–	–	–	–	–	–	2,064,565	2,064,565	
Security deposit	6.05	15,636	–	–	–	–	–	–	15,636	
		12,306,292	–	–	–	–	–	2,064,565	14,370,857	
Financial liabilities:										
Trade and other payables	–	–	–	–	–	–	–	6,120,570	6,120,570	
Finance lease liabilities	8.57	–	1,261,761	1,176,212	416,894	–	–	–	2,854,867	
Employee benefits	–	–	–	–	–	–	–	688,047	688,047	
		–	1,261,761	1,176,212	416,894	–	–	6,808,617	9,663,484	
2006										
Financial assets:										
Cash and cash equivalents	5.34	2,976,000	–	–	–	–	–	–	2,976,000	
Trade and other receivables	–	–	–	–	–	–	–	1,114,885	1,114,885	
Security deposit	4.90	15,781	–	–	–	–	–	–	15,781	
		2,988,781	–	–	–	–	–	1,114,885	4,106,666	
Financial liabilities:										
Trade and other payables	–	–	–	–	–	–	–	3,973,869	3,973,869	
Finance lease liabilities	9.27	–	532,245	573,929	525,168	–	–	–	1,631,342	
Employee benefits	–	–	–	–	–	–	–	486,742	486,742	
		–	532,245	573,929	525,168	–	–	4,460,611	6,091,953	

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

29. Financial instruments (continued)

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(d) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 of the financial statements.

30. Additional company information

Engin Limited is a listed public company, incorporated and operating in Australia.

Registered office

431 Warringah Road
Frenchs Forest NSW 2086
Tel: (02) 9004 4444

Principal place of business

431 Warringah Road
Frenchs Forest NSW 2086
Tel: (02) 9004 4444

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 10 September 2007

Number of holders of equity securities

Ordinary share capital

- 351,277,766 fully paid ordinary shares are held by 2,890 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

- 9,365,000 options are held by 34 individual option holders.

Options do not carry a right to vote.

Difference to submitted Appendix 4E

Subsequent to the release of the company's Appendix 4E, on 4 September 2007 Engin announced that it had acquired approximately 10.38 per cent of the ordinary shares of Unwired Group Limited ("Unwired") through a number of on market transactions. As at the date of this report, Engin has acquired a total 19.81 per cent of the ordinary shares of Unwired Group Limited. This transaction has been funded by a convertible note debt facility provided by Seven Network Limited, which, when converted, would result in Engin exceeding or near exceeding the threshold to demonstrate continuity of ownership which is one of two criteria used to determine the availability of tax losses in future periods. This, combined with the strategic initiatives currently being explored with Unwired, suggests that there is uncertainty surrounding the availability of tax losses to the company in future financial periods. Accordingly, the Board has determined that the most appropriate course of action at this time was to write off the deferred tax asset of \$3,685,828 (including \$152,481 included in equity). The company, in coordination with its taxation advisors, will continue to investigate the availability of the tax losses having regard to the continuity of ownership and same business criteria.

Distribution of holders of equity securities

	FULLY PAID ORDINARY SHARES	OPTIONS
1–1,000	153	–
1,001–5,000	907	–
5,001–10,000	540	–
10,001–100,000	1,080	18
100,001 and over	210	16
	2,890	34
Holding less than a marketable parcel	658	–

Substantial shareholders

ORDINARY SHAREHOLDERS	FULLY PAID	
	NUMBER	PERCENTAGE
I7 Pty Limited	119,452,660	34.01
Interfine Holdings Pty Limited	36,300,550	10.33
Haley B V	33,300,050	9.48
Interfine Investments Pty Limited	17,771,936	7.43
	206,825,196	61.25

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 10 September 2007

Twenty largest holders of quoted equity securities

	FULLY PAID	
	NUMBER	PERCENTAGE
I7 Pty Limited	119,452,660	34.01
Direct Group Pty Ltd	36,300,550	10.33
Haley BV	33,300,050	9.48
Interfine Investments Pty Limited	17,771,936	5.06
Mrs Jean Susanna Gamble	7,160,351	2.04
Rotherleigh Properties Pty Limited	5,714,286	1.63
En-Dev Finance Consultants Pty Ltd	5,196,619	1.48
Mr Steven Appleby	4,447,293	1.27
Henley Group Holdings Ltd	4,285,715	1.22
CS Fourth Nominees Pty Ltd	4,217,990	1.20
Droga Capital Pty Ltd	3,000,000	0.85
Mr Ilkka Tales	3,000,000	0.85
Citicorp Nominees Pty Limited	1,959,273	0.56
John E Gill Trading Pty Ltd	1,896,523	0.54
Mr Theo Clark	1,850,000	0.53
Mr Gary Hellyer	1,785,714	0.51
CS Third Nominees Pty Ltd <TRES A/C>	1,434,892	0.41
CS Third Nominees Pty Ltd <SBABP A/C>	1,413,275	0.40
Mr Stuart Francis Howes	1,316,580	0.37
UBS Wealth Management Australia Nominees Pty Ltd	1,308,298	0.37
	256,812,005	73.11

Company secretary

Mr P Jeronimo

Shareholder e-mail contact:

investorrelations@engin.com.au

Registered office

431 Warringah Road
Frenchs Forest NSW 2086
Tel: (02) 9004-4444

Principal administration office

431 Warringah Road
Frenchs Forest NSW 2086
Tel: (02) 9004-4444

ACN: 063 582 990

ABN: 46 063 582 990

Share registry

Computershare Registry Services
60 Carrington Street
Sydney NSW 2001
Tel: (02) 8234 5000

CORPORATE DIRECTORY

Company secretary

Mr P Jeronimo

Shareholder e-mail contact:

investorrelations@engin.com.au

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431 Warringah Road
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ACN: 063 582 990

ABN: 46 063 582 990

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Computershare Registry Services
60 Carrington Street
Sydney NSW 2001
Tel: (02) 8234 5000





NOTICE OF ANNUAL GENERAL MEETING

To be held on Thursday,
29 November, 2007 at 11:00am at
Bridge Room II, Four Points by Sheraton,
Darling Harbour, 161 Sussex Street, Sydney

NOTICE OF ANNUAL GENERAL MEETING

Engin Limited ABN 46 063 582 990

Notice is given that the annual general meeting of Engin Limited (**Company**) will be held on Thursday, 29 November 2007 at 11:00am (Sydney time) at Bridge Room II, Four Points by Sheraton, Darling Harbour, 161 Sussex Street, Sydney NSW 2000.

Ordinary Business

1. Financial Statements and Directors' Report

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the Company and the Company's controlled entities for the year ended 30 June 2007.

2. Remuneration Report

To adopt the Remuneration Report as set out in the Annual Report for the year ended 30 June 2007. Note that the vote on this resolution is advisory only and does not bind the Directors of the Company.

3. To re-elect Director, Rohan Lund

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That Rohan Lund, a Director retiring in accordance with rule 6.1 of Engin's constitution, being eligible, is re-elected as a Director of Engin.

4. To elect Director, Ian Smith

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That Ian Smith, a Director appointed since the previous general meeting and ceasing to hold office in accordance with rule 6.1 of Engin's constitution, being eligible, is elected as a Director of Engin.

By order of the Board



Paul Jeronimo
Company Secretary
26 October 2007

Notes

1. Definitions

There is a Glossary of Terms just before the Proxy Form at the end of this document.

2. Voting

Engin has determined, in accordance with the Corporations Regulations 2001 (Cth), that the Engin Shares quoted on ASX Limited at 7:00pm Sydney time on 27 November 2007, will be taken for the purposes of the annual general meeting to be held by the persons who held them at that time. Accordingly, subject to the voting exclusion described above, those persons will be entitled to attend and vote at the meeting.

3. Proxies

- (a) A Proxy Form accompanies this notice of meeting. Instructions for completion are included on the proxy form.
- (b) A member who is entitled to vote at the meeting may appoint:
 - (i) one proxy if the member is only entitled to cast one vote at the general meeting; or
 - (ii) one or two proxies if the member is entitled to cast more than one vote.
- (c) Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded. No proxy is entitled to vote on a show of hands if more than one proxy attends.
- (d) A proxy may, but need not, be a member of Engin.
- (e) If you require an additional Proxy Form, Engin will supply it on request.
- (f) The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received at least 48 hours before the time for holding the annual general meeting.

- (g) Proxies may be lodged:
- (i) with Engin's share registry:
 - in person**, at Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney NSW 2000; or
 - by using the enclosed reply paid envelope** to GPO Box 242, Melbourne VIC 3001; or
 - by fax**, on + 61 (0)3 9473 2118; or
 - (ii) by mail, at Engin's registered office: Engin Limited (AGM Proxies), Innovations Park, 431 Warringah Road, Frenchs Forest NSW 2086; or
 - (iii) by fax, to Engin's registered office on + 61 (0)2 9004 4455.
- (h) A proxy may decide whether to vote on any motion, except where the proxy is required by law or Engin's constitution to vote, or abstain from voting, in his or her capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on the item only as directed. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.
- (i) If a shareholder appoints the chairperson of the meeting as the shareholder's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson intends to vote, as proxy for the shareholder, in favour of that item on a poll.

EXPLANATION OF MEETING ITEMS

Main paragraph numbers below correspond with the numbered items in the notice of meeting.

1. Financial statements and reports

The *Corporations Act 2001* (Cth) requires the Financial Report (which includes the financial statements and Directors' declaration), the Directors' Report and Auditor's Report to be laid before the annual general meeting. There is no requirement either in the Corporations Act or Engin's constitution for shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report and accordingly, this item is also excluded from the proxy form. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports.

2. Remuneration Report

- 2.1 The Remuneration Report for the Financial Year ended 30 June 2007 is set out in the Directors' Report on pages 11 to 16 of the Financial Report for the year ended 30 June 2007. It is also available on the Company's website, www.engin.com.au. The Remuneration Report sets out the Company's policy for determining remuneration for Directors and Senior Executives. It includes information on the elements of remuneration that are performance based and the performance hurdles that apply. Pursuant to section 250R of the Corporations Act, a resolution must be put to the shareholders of the Company that the Remuneration Report be adopted. The vote on this resolution is advisory only and does not bind the Directors of the Company. However, the board will take the outcome of this vote into consideration when reviewing the remuneration practices and policies of the Company.
- 2.2 A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

3. Re-election of Director – Rohan Lund

- 3.1 Rule 6.1 of Engin's constitution requires that at each annual general meeting one-third of the Directors must retire from office. A Director appointed during the year either to fill a casual vacancy or as an addition to the Directors is not taken into account in determining the Directors who must retire by rotation, nor is the Company's Managing Director, Ilkka Tales, required to retire as a Director.
- 3.2 It therefore falls to one of Messrs Lund, McWilliam and Stokes to retire by rotation under the Company's constitution. As each of those Directors has served for the same period of time (namely since 30 October 2006 when they were all elected to the board by shareholders), they have decided amongst themselves that Mr Lund should retire. Being eligible, Mr Lund offers himself for re-election to the board at the meeting.
- 3.3 Mr Lund is currently the Director Digital Media for Seven Network Limited overseeing all digital interests for Seven Network Limited, including Yahoo!7, m.Net and digital television. He was previously Director Corporate Development and Strategy for Singtel Optus. Mr Lund is also a Director of Yahoo!7 and m.Net Corporation. Mr Lund is a member of the Audit & Risk Management, Nomination and Remuneration Committees.

4. Election of Director – Ian Smith

- 4.1 During the year, Ian Smith was appointed a Director by the board of Directors. In accordance with rule 6.1 of Engin's constitution, a Director appointed by the board holds office until the annual general meeting and is then eligible for re-election. Ian Smith seeks re-election as a Director of the Company.
- 4.2 Mr Smith brings a wealth of experience in the media and communications industry to the Company, with over twenty years in the advertising business. Ian Smith's previous roles include CEO of Yahoo!7, CEO of The Communications Group Holdings Pty Limited, President International for Bates Worldwide and a board Director of Cordiant Communications plc.

GLOSSARY OF TERMS

Annual Report means the annual report of the Company for the Financial Year ended 30 June 2007.

Associate has the meaning given in the Corporations Act.

ASX means ASX Limited ACN 008 624 691.

Corporations Act means the Corporations Act 2001 (Cth).

Engin or Company means Engin Limited ABN 46 063 582 990

Remuneration Report means the remuneration report as set out in the Annual Report of the Company for the Financial Year ended 30 June 2007.



All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 242, Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 855 080
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2118
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

Appointment of Proxy

I/We being a member/s of Engin Limited and entitled to attend and vote hereby appoint

the Chairman
of the Meeting
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Engin Limited to be held at Bridge Room II, Four Points by Sheraton, Darling Harbour, 161 Sussex Street Sydney NSW 2000 on Thursday 29 November 2007 at 11.00am and at any adjournment of that meeting.

Voting directions to your proxy - please mark X to indicate your directions

	For	Against	Abstain*
Item 2 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-election of Mr. Rohan Lund as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Election of Mr. Ian Smith as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name	Contact Daytime Telephone	Date
		/ /



How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at 11.00am on Thursday 29 November 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

- IN PERSON Registered Office - 431 Warringah Road, Frenchs Forest, NSW 2086 Australia
Share Registry - Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney NSW 2000 Australia
- BY MAIL Registered Office - 431 Warringah Road, Frenchs Forest, NSW 2086 Australia
Share Registry - Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 Australia
- BY FAX 61 3 9473 2118