

Engin Limited

ACN 063 582 990

Appendix 4D and Financial Report for the Half-
Year Ended 31 December 2006

Engin Limited

Appendix 4D for the Half-Year Ended 31 December 2006

Results For Announcement to the Market

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: Half-year Ended 31 December 2006

Previous Corresponding Period: Half-Year Ended 31 December 2005

Revenue and Net Profit		Percentage Change	Amount
		%	\$
Revenue (excludes share of net profits of associates accounted for using the equity method)	Up	173%	To 8,279,410
Loss after tax attributable to members	Up	20%	To 4,500,075
Net loss attributable to members	Up	20%	To 4,500,075
		Half-Year Ended 31 Dec 2006	Half-Year Ended 31 Dec 2005
Net tangible assets per security (cents per security)		8.2	3.4
Dividends (Distributions)		Amount per security	Franked amount per security
No dividends were paid during the period		-	-

Engin Limited

Appendix 4D for the Half-Year Ended 31 December 2006

Details Relating to Dividends (Distributions)

	Date dividend paid	Amount per security ¢	Amount per security of foreign sourced dividend ¢
	Dec 2006	-	-
	Dec 2005	-	-

Total dividend (distribution) per security (interim plus final)

	Dec 2006 ¢	Dec 2005 ¢
Ordinary securities (each class separately)	-	-

Interim and final dividend (distribution) on all securities

	Dec 2006 ¢	Dec 2005 ¢
Ordinary securities (each class separately)	-	-
Total	-	-

Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Engin Limited

Appendix 4D for the Half-Year Ended 31 December 2006

Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	Dec 2006 %	Dec 2005 %	Dec 2006 \$	Dec 2005 \$
Joint Venture Entities				
Look Mobile Limited	50	50	4,696	154,644
Aggregate Share of Profits	N/A	N/A	4,696	154,644

Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

- | | | | |
|--------------------------|--|-------------------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input checked="" type="checkbox"/> | The accounts have been subject to review. |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

N/A

Description of dispute or qualification if the accounts have been audited or subjected to review.

N/A

Engin Limited

Financial Report for the Half-Year Ended 31 December 2006

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Engin Limited

Directors' Report

The directors of Engin Limited submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during and since the end of the half-year are:

Name	Particulars
William Jephcott Non-executive Chairman	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. Mr Jephcott is a member of the Audit, Nomination and Remuneration Committees.
Neil Gamble Non-executive director	Chartered accountant, joined the board on 25 November 1999. Mr Gamble has been a senior executive of public companies including the 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, Nomination and Remuneration Committees.
Rohan Lund Non-executive director	Mr Lund was Director Corporate Development and Strategy for Singtel Optus. Mr Lund is currently the Director Digital Media for Seven Network Limited overseeing all digital interests for Seven, including Yahoo!7 m.Net and digital television. Mr Lund is also a Director of Yahoo!7 and m.Net Corporation
Bruce McWilliam Non-executive director	Bruce McWilliams has been a Director of Seven Network Limited since September 2003. He was appointed Commercial Director for Seven Network Limited in May. 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.
Chris Shaw Non-executive director	Chartered accountant, joined the board in 1994 in a non-executive capacity, and is an executive director of Interfine Holdings Pty Limited. Mr Shaw is a member of the Audit, Nomination and Remuneration Committees.
Ryan Stokes Non-executive director	Ryan 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.
Ilkka Tales Executive director, CEO	Ilkka Tales is the Chief Executive Officer and founder of the Company. He is also the Non Executive Chairman of Look Mobile Pty Ltd. Formerly he was the CEO of Mobile Innovations Ltd, prior to joining Mobile Innovations, Ilkka held numerous global and regional roles in the telecommunications industry at Philips and Telstra.

Engin Limited

Directors' Report

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

- Rohan Lund - appointed 30th October 2006
- Ryan Stokes – appointed 30th October 2006
- Bruce McWilliam – appointed 30th October 2006
- Ilkka Tales – appointed 30th October 2006

Engin Limited

Directors' Report

Review Of Operations

Engin continues to be the leading provider of Broadband Telephony services in Australia. It has a 44% revenue market share in the important consumer and SOHO (small office, home office) market segment. The six months to December 2006 was a period of preparation for an accelerated customer acquisition initiative, highlighted by:

- Securing funding with the \$26 million cornerstone investment from the Seven Network in October 2006;
- Capacity increased in digital voice network infrastructure;
- Approved capacity increase in customer management systems – catering for subscriber growth and billing of new, complementary digital services; and
- Investment in experienced staff - resourced up in engineering, process change and marketing to drive accelerated growth.

The company incurred a net loss after tax of \$4.5 million, compared to the December 2005 loss of \$3.7 million.

Major expense variances compared to the prior corresponding half-year are:

- Employee costs of \$4.6 million (up 25%) compared to \$3.7 million in December 2005;
- Depreciation charge of \$0.9 million (up 200%) compared to \$0.3 million in December 2005; and
- Marketing costs of \$3.0 million compared to \$1.4 million in December 2005.

The 25% increase in employee costs is in line with expectations. This reflects the servicing of the higher subscriber base with resultant 173% increase in revenue and preparation for acceleration of subscriber acquisition.

The higher depreciation charge relates to the additional investment in network and systems in preparation for subscriber acquisition growth. The company invested \$2.5 million in capital expenditure during the half-year.

Cash at bank as at 31 December 2006 was \$21.8 million, up from \$3.0m at the end of June 2006.

Revenue & Subscriber Line Growth

Revenue increased 173% to \$8.279 million for the half year compared to \$ 3.033 million for the December 2005 half year. This increase reflected both growth in subscriber lines and increased usage by subscribers. Despite this increase, growth in subscriber lines was below expectations in the December quarter because of the delayed launch of new customer value propositions, leading to slower than expected growth rates.

Paying subscriber lines grew to 52,500 as at 31 December 2006, up 35% from 39,000 as at June 2006 and up 194% on December 2005 closing base of 18,000.

On 5 February 2007 the company launched stage 1 of its new service offering. Response to this initiative has been encouraging. Engin has 67,000 subscribers, of which 58,000 are paying subscriber lines at the date of this report.

Engin will launch Stage 2 of its new service offering, which includes unlimited local and national calls for \$14.95 per month on 1st March. The company expects this compelling consumer offering to drive growth.

Engin Limited

Directors' Report

Margin Growth & Operating Efficiencies

With the increase in subscriber numbers, higher margins have been achieved. Margin for the half year was \$3.298 million, a 255% increase over the previous half year, compared to the revenue growth of 173%.

Operating expenses increased by 30% compared to the prior half-year, reflecting the increase in operating efficiencies, primarily driven by the increase in scale when compared to the 173% increase in revenue. (Operating costs are defined as total expenses less marketing costs and depreciation charges).

Outlook

The half-year to December saw significant investment in people, capacity and management systems, as well as increased network capacity and improved service quality. The investment was necessary to position Engin for the accelerated growth anticipated in the second half of FY2007.

Engin Limited

Directors' Report

Auditor's Independence Declaration Under Section 307C of The Corporations Act 2001

The auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half-year ended 31 December 2006.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



.....
Mr W Jephcott
Chairman

Sydney, 28 February 2007

The Board of Directors
Engin Limited
431 Warringah Road
SYDNEY NSW 2086

28 February 2007

Dear Board Members

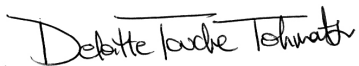
Engin Limited

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.

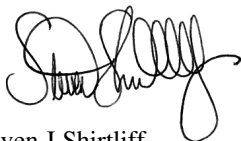
As lead audit partner for the review of the financial statements of Engin Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Steven J Shirtliff
Partner
Chartered Accountants
Sydney, 28 February 2007

Independent Auditor's Review Report to the members of engin Limited

We have reviewed the accompanying half-year financial report of engin Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising both engin Limited (the "Company") and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of engin Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

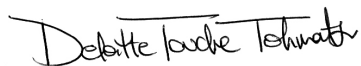
Auditor's Independence Declaration

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

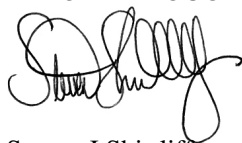
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Steven J Shirtliff
Partner
Chartered Accountants
Sydney, 28 February 2007

Engin Limited

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; and
- (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.

Signed in accordance with a resolution of the directors, pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors



.....
Mr W Jephcott
Chairman

Sydney, 28 February 2007

Engin Limited

Condensed Consolidated Income Statement For the Half Year Ended 31 December 2006

	Consolidated	
	Half-year ended 31 Dec 2006 \$	Half-year ended 31 Dec 2005 \$
Revenue	8,279,410	3,032,922
Changes in inventories of finished goods	(526,529)	(80,889)
Consumables used	(4,453,743)	(1,973,201)
Marketing expenses	(3,025,358)	(1,396,218)
Employee costs	(4,578,524)	(3,665,711)
Communications expense	(384,927)	(185,512)
IT maintenance costs	(129,838)	(71,433)
Financial institution costs	(129,489)	(61,128)
Occupancy costs	(156,914)	(124,237)
Bad debt expense and collection costs	(53,106)	(113,145)
Legal expenses	(33,424)	(10,493)
Depreciation and amortisation expense	(864,002)	(296,790)
Borrowing costs	(82,758)	(2,714)
Other expenses from ordinary activities	(544,887)	(506,342)
Loss Before Income Tax Benefit	(6,684,089)	(5,454,891)
Income tax benefit	2,179,318	1,553,811
Loss From Continuing Operations	(4,504,771)	(3,901,080)
Profit From Discontinued/Discontinuing Operations 4	4,696	154,644
Loss For the Period attributable to the members	(4,500,075)	(3,746,436)
Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners	(4,500,075)	(3,746,436)
Earnings per share:		
From continuing and discontinued operations		
Basic (cents per share)	(1.7)	(1.9)
Diluted (cents per share)	(1.7)	(1.9)
Earnings per share:		
From continuing operations		
Basic (cents per share)	(1.7)	(2.2)
Diluted (cents per share)	(1.7)	(2.2)

Notes to the financial statements are included on pages 15-17

Engin Limited

Condensed Consolidated Balance Sheet As at 31 December 2006

	Note	31 Dec 2006 \$	30 June 2006 \$
<i>Current Assets</i>			
Cash assets and cash equivalents		21,759,370	2,976,000
Trade and other receivables		1,700,660	1,114,885
Inventories		794,381	267,852
Security deposits		16,224	15,781
Other		131,387	131,279
		24,402,022	4,505,797
<i>Non-Current Assets</i>			
Investments accounted for using the equity method		32,170	27,474
Plant and equipment		6,931,317	4,887,733
Deferred tax assets		5,865,146	3,533,346
		12,828,633	8,448,553
		37,230,655	12,954,350
<i>Current Liabilities</i>			
Trade and other payables		6,127,466	3,973,869
Borrowings		730,999	532,245
Provisions		458,848	394,935
Other		4,256	-
		7,321,569	4,901,049
<i>Non-Current Liabilities</i>			
Borrowings		1,211,823	1,099,097
Provisions		108,410	91,807
		1,320,233	1,190,904
		8,641,802	6,091,953
		28,588,853	6,862,397
<i>Equity</i>			
Contributed equity		35,603,965	9,677,434
Employee equity – settled benefits reserve		1,050,454	750,454
Retained earnings		(8,065,566)	(3,565,491)
		28,588,853	6,862,397

Notes to the financial statements are included on pages 15-17

Engin Limited

Condensed Consolidated Cash Flow Statement For the Half Year Ended 31 December 2006

	Consolidated	
	Dec 2006 \$	Dec 2005 \$
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	8,199,235	3,312,347
Payments to suppliers and employees	(12,776,440)	(7,326,038)
Dividends received	-	124,000
Interest and other costs of finance paid	(88,173)	(2,714)
Income tax paid	-	(28,824)
Net cash used in operating activities	(4,665,378)	(3,921,229)
<i>Cash Flows From Investing Activities</i>		
Payment for plant and equipment	(2,452,706)	(1,033,929)
Interest received	270,804	127,303
Net cash used in investing activities	(2,181,902)	(906,626)
<i>Cash Flows From Financing Activities</i>		
Repayment of borrowings	(143,399)	(75,962)
Proceeds from issue of equity securities, net	25,774,049	5,906,881
Net cash provided by financing activities	25,630,650	5,830,919
<i>Net Increase In Cash and Cash Equivalents Held</i>	18,783,370	1,003,064
<i>Cash and Cash Equivalents At The Beginning Of The Period</i>	2,976,000	2,873,034
<i>Cash and Cash Equivalents At The End Of The Period</i>	21,759,370	3,876,098

Notes to the financial statements are included on pages 15-17

Engin Limited

Condensed Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2006

Consolidated	Ordinary shares	Employee Equity- Settled Benefits Reserve	Retained losses	Total attributable to equity holders of the entity
	\$	\$	\$	\$
Balance as at 30 June 2006	9,677,434	750,454	(3,565,491)	6,862,397
Loss for period	-	-	(4,500,075)	(4,500,075)
Total recognised income & expense for the period	-	-	(4,500,075)	(4,500,075)
Recognition of share-based payments	-	300,000	-	300,000
Issue of shares	26,282,323	-	-	26,282,323
Share issue cost	(508,274)	-	-	(508,274)
Tax benefit related to share issue costs	152,482	-	-	152,482
Balance as at 31 December 2006	35,603,965	1,050,454	(8,065,566)	28,588,853

Notes to the financial statements are included on pages 15-17

Notes to the Financial Statements For the Half-Year Ended 31 December 2006

Note	Contents
1	Basis of Preparation
2	Significant Transactions
3	Subsequent Events
4	Discontinued Operations
5	Segment Information
6	Property, Plant & Equipment

Notes to the Financial Statements For the Half-Year Ended 31 December 2006

1. Basis of Preparation

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed financial statements have 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. All amounts are presented in Australian dollars, unless otherwise noted.

Significant accounting policies

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2006 Annual Report.

2. Significant Transactions

In October 2006, the Company received shareholder approval to issue 119,452,662 ordinary shares to the Seven Network Limited, raising \$26,282,323 (\$25,774,049 net of raising costs). Raising costs of \$508,274 and associated tax benefit of \$152,482 were netted against equity.

Notes to the Financial Statements For the Half-Year Ended 31 December 2006

3. Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

4. Discontinued Operations

On the 27th May 2006, Look Mobile Limited ceased operations. Any income is a result of the collection of bad debts, which had previously been written off.

5. Segment Information

As the company trades solely as a provider of digital services in the Australian market, segmenting its operations is not relevant.

6. Plant and Equipment

The company invested \$2.5 million in capital expenditure during the half-year. The expenditure relates to the additional investment in network and systems in preparation for subscriber acquisition growth.