

Preliminary Final Report Of *Engin Limited* for the Financial Year Ended 30 June 2007

(ACN 063 582 990)

*This Preliminary Final Report is provided to the Australian
Securities Exchange (ASX) under ASX Listing Rule 4.3A.*

Current Reporting Period: Financial Year Ended 30 June 2007

Previous Corresponding Period: Financial Year Ended 30 June 2006

Engin Limited

RESULTS FOR ANNOUNCEMENT TO THE MARKET For the year ended 30 June 2007

Revenue and Net Profit		Percentage Change	Amount	
		%	\$	
Revenue from ordinary activities	Up	102.5%	To	17,422,398
Loss from ordinary activities after tax attributable to members	Up	83.8%	To	(13,804,045)
Net loss attributable to members	Up	88.6%	To	(13,804,045)

Dividends (Distributions)

	Amount per security	Franked amount per security
No dividends were paid during the period	-	-

Brief Explanation of Revenue, Net Profit and Dividends

Cash at bank at 30 June 2006 was \$12.3 million (June 2006 \$3.0 million). The company raised net proceeds of \$25.8 million during the financial year by way of a placement to Seven Network.

The company invested \$5.4 million in capital assets during the year (prior year \$2.1 million). \$3.8 million of the capital asset investment relates to the implementation of a subscriber management system in preparation for expansion of its service offering and subscriber growth.

Revenue increased by 102.5 per cent during the year, reflecting the subscriber line base growth to 68,000 at 30 June 2007 (30 June 2006: 39,000).

The company incurred an EBITDA loss of \$12.5 million compared to previous year \$10.0 million loss.

For more detail, please refer to Note 3 - Commentary On Consolidated Results.

Engin Limited

Consolidated income statement for the financial year ended 30 June 2007

	Note	Consolidated	
		2007 \$	2006 \$
Revenue	2(a)	17,422,398	8,605,373
Consumables used		(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)
Depreciation expense		(1,872,252)	(900,001)
Communications expense		(927,988)	(536,434)
Financial institution costs		(293,531)	(158,508)
Occupancy costs		(327,853)	(251,743)
Bad debt expense and collection costs		(163,792)	(204,693)
Computer licence fees & IT maintenance costs		(294,533)	(63,638)
Borrowing costs		(192,685)	(38,367)
Legal expenses		(155,216)	(28,274)
Other expenses from ordinary activities		(1,214,185)	(1,017,429)
Loss before income tax benefit	2	(13,804,045)	(10,882,150)
Income tax benefit		-	3,372,105
Loss from continuing operations		(13,804,045)	(7,510,045)
Profit from discontinued operations		-	190,793
Loss attributable to members of the parent entity		(13,804,045)	(7,319,252)
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)		(4.45)	(3.67)
Diluted (cents per share)		(4.45)	(3.67)
From continuing operations:			
Basic (cents per share)		(4.45)	(3.76)
Diluted (cents per share)		(4.45)	(3.76)

Engin Limited

Consolidated balance sheet as at 30 June 2007

		Consolidated	
	Note	2007 \$	2006 \$
Current Assets			
Cash and cash equivalents	5(a)	12,290,656	2,976,000
Trade and other receivables		2,064,565	1,114,885
Inventories		781,512	267,852
Security deposits		15,636	15,781
Other		224,727	131,279
Total Current Assets		15,377,096	4,505,797
Non-Current Assets			
Investments accounted for using the equity method		15,207	27,474
Property, plant and equipment		6,284,447	4,887,733
Customer management & billing system		3,844,694	-
Deferred tax assets		3,685,828	3,533,346
Total Non-Current Assets		13,830,174	8,448,553
Total Assets		29,207,270	12,954,350
Current Liabilities			
Trade and other payables		6,120,570	3,973,869
Borrowings		1,261,761	532,245
Provisions		549,663	394,935
Total Current Liabilities		7,931,994	4,901,049
Non-Current Liabilities			
Borrowings		1,593,106	1,099,097
Provisions		138,384	91,807
Total Non-Current Liabilities		1,731,490	1,190,904
Total Liabilities		9,663,484	6,091,953
Net Assets		19,543,788	6,862,397
Equity			
Issued capital		35,603,964	9,677,434
Employee equity-settled benefits reserve		1,309,360	750,454
Accumulated losses	4	(17,369,536)	(3,565,491)
Total Equity		19,543,788	6,862,397

Engin Limited

Consolidated cash flow statement for the financial year ended 30 June 2007

		Consolidated	
	Note	2007	2006
		\$	\$
<i>Cash Flows From Operating Activities</i>			
Receipts from customers		17,241,111	10,733,089
Payments to suppliers and employees		(28,350,454)	(16,441,369)
Interest and other costs of finance paid		(192,685)	(38,367)
R&D Income tax concession refund		-	102,418
Net cash used in operating activities	5(c)	(11,302,028)	(5,644,229)
<i>Cash Flows From Investing Activities</i>			
Payment for property, plant and equipment		(5,380,454)	(2,140,681)
Dividends received		-	628,000
Interest received		732,768	240,494
Net cash used in investing activities		(4,647,686)	(1,272,187)
<i>Cash Flows From Financing Activities</i>			
Proceeds from issues of equity securities		26,282,323	10,039,882
Share issue costs		(508,274)	(583,502)
Repayment of borrowings		(509,679)	(151,998)
Net cash provided by financing activities		25,264,370	9,304,382
<i>Net increase in cash & cash equivalents held</i>		9,314,656	2,387,966
<i>Cash & cash equivalents at the beginning of the financial year</i>		2,976,000	588,034
<i>Cash & cash equivalents at the end of the financial year</i>	5(a)	12,290,656	2,976,000

Engin Limited

Consolidated statement of changes in equity for the financial year ended 30 June 2007

	Ordinary shares \$	Employee Equity Settled Benefits Reserve \$	Retained earnings \$	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 in income & 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 costs	(583,502)	-	-	(583,502)
Balance as at 30 June 2006	9,677,434	750,454	(3,565,491)	6,862,397
Loss for period	-	-	(13,804,045)	(13,804,045)
Total recognised in income & expense for the period	-	-	(13,804,045)	(13,804,045)
Recognition of share-based payments	-	558,906	-	558,906
Issue of shares	26,282,323	-	-	26,282,323
Share issue costs	(508,274)	-	-	(508,274)
Tax benefit	152,481	-	-	152,481
Balance as at 30 June 2007	35,603,964	1,309,360	(17,369,536)	19,543,788

**Notes to the Financial Statements
for the year ended 30 June 2007**

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**Notes to the Financial Statements
for the year ended 30 June 2007**

1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

2. Loss from operations

Loss from operations includes the following items of revenue and expense:

	Consolidated	
	2007	2006
	\$	\$
(a) Operating Revenue		
Rendering of services	14,909,511	5,724,171
Sale of goods	1,780,119	2,366,708
Interest received	732,768	240,494
Dividends from Look Distribution Pty Limited	-	274,000
	17,422,398	8,605,373
Equity share of joint venture's profit	-	190,793
	17,422,398	8,796,166
Attributable to:		
Continuing Operations	17,422,398	8,605,373
Discontinued Operations	-	190,793
	17,422,398	8,796,166
(b) Expenses		
Cost of sales	8,982,283	5,660,414
Borrowing costs:		
Finance lease finance charge	192,685	38,367
Net bad and doubtful debts expense	106,171	70,578
Equity settled share based payments	558,906	601,852
Depreciation and amortisation of non-current assets:		
Billing system and other plant & equipment	1,872,252	900,001
Operating lease rental expenses		
- Minimum lease repayments	149,551	203,922

**Notes to the Financial Statements
for the year ended 30 June 2007**

3. Commentary on Consolidated Results – Review of Operations

The year to 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.

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 incurred an EBITDA loss of \$12.5 million for the year.

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 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 & billing platform.

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

Engin Limited

Notes to the Financial Statements for the year ended 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
4. (Accumulated losses)/Retained earnings		
Balance at beginning of financial year	(3,565,491)	3,753,761
Net loss attributable to members of the parent entity	(13,804,045)	(7,319,252)
Balance at end of financial year	(17,369,536)	(3,565,491)

**Notes to the Financial Statements
for the year ended 30 June 2007**

Consolidated	
2007	2006
\$	\$

5. Notes to the cash flow statement

(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 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 leases. As this transaction is a non-cash financing activity this amount is not included in the payment for plant, property and equipment figure.

(c) Reconciliation loss for the period to net cashflows from operating activities

Loss for the period	(13,804,045)	(7,319,252)
Share of joint venture entity's loss / profit (less dividends)	12,267	163,186
Depreciation and amortisation of non-current assets	1,872,252	900,001
Interest revenue	(732,768)	(240,494)
Dividends received	-	(628,000)
Employee equity settled benefits	558,904	601,852
Increase/(decrease) in current tax balances	-	828,950
Decrease / (Increase) in deferred tax balances	(152,482)	(3,282,518)
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)
Current inventories	(513,660)	(195,532)
Current security deposits	145	2,269,219
Other current assets	(28,795)	(1,004)
Increase/(decrease) in liabilities:		
Current trade payables	2,299,182	1,447,235
Other current liabilities	154,728	149,814
Other non-current liabilities	46,577	20,752
	(11,302,028)	(5,644,229)

Net cashflows (used in)/provided by operating activities

Engin Limited

Notes to the Financial Statements for the year ended 30 June 2007

6. Details Relating to Dividends (Distributions)

		Date dividend payable	Amount per security ¢	Amount per security of foreign sourced dividend ¢
Special dividend	2007	-	-	-
	2006	-	-	-
Total	2007	-	-	-
	2006	-	-	-

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

	2007 ¢	2006 ¢
Ordinary securities (each class separately)	-	-

Interim and final dividend (distribution) on all securities

	2007 \$	2006 \$
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

Notes to the Financial Statements for the year ended 30 June 2007

7. Earnings Per Share

	Consolidated	
	2007	2006
	¢ per share	¢ per share
Basic loss per share		
From continuing operations	(4.45)	(3.76)
From discontinued operations	(0.00)	0.09
Total basic loss per share	(4.45)	(3.67)
Diluted loss per share		
From continuing operations	(4.45)	(3.76)
From discontinued operations	(0.00)	0.09
Diluted EPS	(4.45)	(3.67)

Basic Earnings per Share

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

	2007	2006
	\$	\$
Loss (a)	(13,804,045)	(7,319,252)
	2007	2006
	No.	No.
Weighted average number of ordinary shares (b)	310,316,054	199,636,179

Diluted Earnings per Share

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

	2007	2006
	\$	\$
Loss (a)	(13,804,045)	(7,319,252)
	2007	2006
	No.	No.
Weighted average number of ordinary shares and potential ordinary shares (b)	310,316,054	199,636,179

**Notes to the Financial Statements
for the year ended 30 June 2007**

7. Earnings Per Share (continued)

- (a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	2007	2006
	\$	\$
Net profit	(13,804,045)	(7,319,252)
	(13,804,045)	(7,319,252)

- (b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation 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:

	2007	2006
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	310,316,054	199,636,179
Employee Options *	-	-
Weighted average number of ordinary shares and potential 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

8. Net Tangible Assets Per Security

	Consolidated	
	2007	2006
	¢	¢
Net tangible assets per security	5.6	2.0

Engin Limited

Notes to the Financial Statements for the year ended 30 June 2007

9. Details of Entities Over Which Control Has Been Gained or Lost

Control gained over entities

Name of entity (or group of entities) N/A

Date control gained N/A

2007
\$

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of gaining control. NIL

2006
\$

Net profit/(loss) of the controlled entity (or group of entities) for the whole of the previous corresponding period. NIL

Loss of control of entities

Name of entity (or group of entities) N/A

Date control lost N/A

2007
\$

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, to the date of losing control. NIL

2006
\$

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities for the whole of the previous corresponding period. NIL

Engin Limited

Notes to the Financial Statements for the year ended 30 June 2007

10. Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net (loss) / profit	
	2007 %	2006 %	2007 \$	2006 \$
Associates	-	-	-	-
Joint Venture Entities				
Look Mobile Pty Limited	50	50	(12,267)	190,793
Aggregate Share of (Loss) / Profit	N/A	N/A	(12,267)	190,793

11. Segment Information

Engin Limited operates predominately as a provider of Broadband Telephony services within Australia.

**Notes to the Financial Statements
for the year ended 30 June 2007**

12. Subsequent Events

After 8 years as Chairman, Mr. Will Jephcott will resign from the Board effective today. Earlier this year Mr. Jephcott flagged to the Board his intention to step down from this position effective the next AGM, however as he will be travelling internationally for the greater part of the next 2 months, he has decided that it would be pragmatic to make this change effective today.

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 will assume the role of Executive Chairman until such time as the commencement of services of the new CEO, and the Board will commence a search for an additional independent director. Following the AGM and subject to any new appointments, the Board will comprise Neil Gamble, Bruce McWilliam, Ryan Stokes and Rohan Lund.

On 31 July 2007, Engin announced the appointment of a new CEO, Mr. Max Alexander, however due to personal circumstances, Mr. Alexander has had to withdraw his previous commitment to relocate to Australia for this role. The Board of Engin have therefore recommenced the search for a CEO. As previously advised, the current CEO Mr Ilkka Tales will continue in his role, reporting to Mr Gamble, until a new candidate has been selected and is ready to take over the reins of leadership.

The Board is pleased to advise the appointment of Mr. Mark Zworestine as the Chief Financial Officer of Engin Ltd. Mark has for the past 8 years been the CFO and Group Company Secretary at E*TRADE Australia providing the full range of financial services to this group which was listed until the recent acquisition by the ANZ Group. Mark will commence with Engin on 15th October 2007 and takes over the role from Paul Jeronimo, who will continue with the business for a transition period.

The Board and Management acknowledge the exemplary performances of Chairman Will Jephcott, Director Chris Shaw and Financial Controller Paul Jeronimo during the early years when the company first listed in 1999, the rapid expansion of that business, the watershed litigation against Vodafone, the capital return in 2005, the challenging start up phase of VoIP and the introduction of Seven as a strategic shareholder, that has brought Engin to the current unparalleled triple play status.

The Board is also prepared to consider further investments that may considerably step up customer levels, add scale generally and thereby widen the Engin community for cross marketing the triple play strategy.

The year to 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 broadband access solutions, broadband telephony and the award winning TiVo service.

**Notes to the Financial Statements
for the year ended 30 June 2007**

13. 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 type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" 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