THIS IS THE FUTURE SPEAKING

Registered Office:
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Pyrmont NSW 2009
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ASX Announcement
Engin Limited (ENG)

23 February 2009

Company Announcements Office
Australian Securities Exchange Limited
Level 6
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Total pages: 15 *(including covering letter)*

In accordance with the Listing Rules, following is the Appendix 4D – Half Year Report of the Company for the financial half year ended 31 December 2008.

An Investor Update is also attached.

Yours faithfully
For and behalf of Engin Limited

John Kinninmont
Company Secretary

attach.

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Investor Update

Sydney – 23 February 2009:

Engin ended the half-year to December 08 with over 64,000 active services in operation (SIO's) further re-enforcing its position as the leading VoIP provider in Australia.

Over the past six months the company has successfully delivered a significant restructuring to improve its cost base, operations and competitive position. The restructure has delivered a reduction of operating expenditure by 45% from $13.2m at December 2007 to $7.3m at December 2008.

Additionally these changes have resulted in improved processes in the Contact Centre and the removal of problematic product lines to ensure that our customers are experiencing a better level of service than they were at the same time last year.

In addition to moderate revenue growth, profit after tax and EBITDA both improved significantly compared to the same period last year. EBITDA loss for the period was $1.6m compared to the half-year ended December 2007, which showed an EBITDA loss of $8.4m (excluding the one-off profit on the sale of Unwired Group Limited shares), an 81% improvement. Gross margin has seen a marked improvement from 49% at December 2007 to 57% at December 2008.

For the half-year ended 31 December 2008 the consolidated entity generated a loss before and after tax of $3.1m (2007: loss $6.8m), an improvement on the corresponding prior year period of 54%.

During this period Engin successfully launched an ADSL2+ service, which it is bundling with its VoIP product suite. Engin ADSL2+ customers receive a high quality VoIP service enabling them to abandon their expensive traditional telephone service.

As stated in the Chairman's address at the 2008 AGM, the company still expects, on a monthly basis, to achieve cash flow and EBITDA break even during this financial year.

Engin fundamentals are now stronger than ever with the business rapidly approaching EBITDA and cashflow breakeven, $4.2 million of cash in the bank, no debt (with the exception of finance leases) and a strong balance sheet, all presenting opportunities for growth.

Ends.

Engin Limited

Appendix 4D

Half year report

Half-year ended 31 December 2008

Results for announcement to the market:

Revenue from ordinary activities	Up	1.8%	to	$9,988,001
Loss from ordinary activities after tax attributable to members	Down	53.7%	to	$3,139,410
Net loss for the period attributable to members	Down	53.7%	to	$3,139,410

Dividends

No dividend was declared or paid during the period

The company reported a net loss attributable to members of $3,139,410 compared to the corresponding prior year period loss of $6,779,583 – an improvement of 53.7%

	31 December 2008	31 December 2007
Net tangible assets per security	1.4 cents	2.5 cents

Current Reporting Period:	**Half-year Ended 31 December 2008**
Previous Corresponding Period:	Half-Year Ended 31 December 2007

Engin Limited

ABN 46 063 582 990

Financial report
for the half-year ended 31 December 2008

Directors' report

The directors of Engin Limited are pleased to present their report together with the consolidated financial report for the half-year ended 31 December 2008 and the Auditor's review report thereon.

Directors

The directors of the company at any time during or since the end of the half-year are set out below:

Name	Period of directorship
Ian Smith Non-executive director Independent Chairman	A director of the company since September 2007. Chairman since January 2008.
Rohan Lund Non-executive director	A director of the company since October 2006.
Bruce McWilliam Non-executive director	A director of the company since October 2006.
Ryan Stokes Non-executive director	A director of the company since October 2006.

Review and results of operations

Over the past six months to December 2008 the company has successfully delivered a significant restructuring to improve its cost base, operations and competitive position. The restructure has delivered a reduction of operating expenditure by 45% from $13.2m at December 2007 to $7.3m at December 2008.

In addition to moderate revenue growth, profit after tax and EBITDA both improved significantly compared to the same period last year. EBITDA loss for the period was $1.6m compared to the half year ended December 2007, which showed an EBITDA loss of $8.4m (excluding the one-off profit on the sale of Unwired Group Limited shares), an 81% improvement.

For the half-year ended 31 December 2008 the consolidated entity generated a loss before and after tax of $3.1m (2007: loss $6.8m), an improvement on the corresponding prior year period of 54%.

A half-year on half-year comparison is provided below:

	Half-year ended December 2008	Half-year ended June 2008	Half-year ended December 2007
Revenue and interest income	$10.2m	$10.1m	$10.0m
Revenue from delivery of VoIP services	$9.9m	$9.7m	$9.4m
Gross margin	$5.7m	$5.3m	$4.8m
Operating expenditure	($7.3m)	($9.0m)	($13.2m)
EBITDA loss *	($1.6m)	($3.7m)	($8.4m)
Profit/(loss) after tax	($3.1m)	($5.4m)	($6.8m)
Cash at end of period	$4.2m	$6.6m	$3.5m

* *EBITDA loss for the half-year ended December 2007 excludes $3.7m profit on sale of Unwired Group Limited shares*

Directors' report

Review and results of operations (continued)

Gross margin has seen a marked improvement from 49% at December 2007 to 57% at December 2008.

Engin ended the period with over 64,000 active services in operation (SIO's) a modest 1.6% increase from June 2008, achieved with a much-reduced marketing budget. Engin maintains its position as the leading VoIP provider in Australia.

The company has significantly restructured its staff base over the past 18 months, most recently in October 2008 which saw a further head count reduction at a cost of $0.4m. The benefits of which will be realised in the second half of this financial year. As at December 2008 head count stands at 80 FTE, 10% down on June 2008 and 38% down on December 2007. These changes have resulted in improved processes in the Contact Centre and the removal of problematic product lines to ensure that our customers are experiencing a better level of service than they were at the same time last year.

During this period Engin successfully launched an ADSL2+ service, which it is bundling with its VoIP product suite. The results for the period include a charge of $0.4m for non-recurring project costs in respect of this launch. Engin ADSL2+ customers receive a high quality VoIP service enabling them to abandon their expensive traditional telephone service.

As stated in the Chairman's address at the 2008 AGM, the company still expects, on a monthly basis, to achieve cash flow and EBITDA break even during this financial year.

Auditor's independence declaration

The auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half-year ended 31 December 2008.

Dated at Sydney, 23 February 2009

Signed in accordance with a resolution of the directors:

....
Mr I Smith
Chairman

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

To: the directors of Engin Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Kenneth Reid
Partner

Sydney

23 February 2009

Independent auditor's review report to the members of Engin Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Engin Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 5 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 establishing 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 Interim and Other Financial Reports 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As 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.

Independence

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 Group's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Kenneth Reid
Partner

Sydney

23 February 2009

Directors' declaration

In the opinion of the directors of Engin Limited ("the Company"):

1. the financial statements and notes set out on pages 9 to 13, are in accordance with the Corporations Act 2001, including:

    a. giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the six month period ended on that date; and

    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney 23 February 2009

Signed in accordance with a resolution of the directors:

....
Mr I Smith
Chairman

Consolidated income statement
For the half-year ended 31 December 2008

	31 December 2008 $	31 December 2007 $
Continuing operations		
Revenue	9,988,001	9,813,987
Communication expenses	(3,502,162)	(3,839,700)
Cost of hardware	(792,657)	(1,148,226)
Gross profit	**5,693,182**	**4,826,061**
Profit on sale of Unwired Group Limited shares	-	3,711,589
Other income	-	12,744
Employee expenses	(4,292,754)	(7,032,561)
Marketing expense	(479,475)	(3,046,712)
Occupancy expenses	(216,321)	(248,034)
Other operating expenditure	(2,267,454)	(2,913,576)
Depreciation and amortisation expense	(1,695,666)	(1,639,451)
Results from operating activities	**(3,258,488)**	**(6,329,940)**
Finance revenue	175,391	186,281
Finance costs	(56,313)	(641,804)
Net finance revenue/(costs)	**119,078**	**(455,523)**
Profit/(loss) before income tax	**(3,139,410)**	**(6,785,463)**
Income tax expense/(benefit)	-	-
Profit/(loss) from continuing operations	**(3,139,410)**	**(6,785,463)**
Profit from discontinued operations	-	5,880
Profit/(Loss) attributable to members of the parent entity	**(3,139,410)**	**(6,779,583)**

Earnings per share (cents per share)	¢	¢
Basic earnings/(loss) per share	(0.5)	(1.9)
Diluted earnings/(loss) per share	(0.5)	(1.9)
From continuing operations		
Basic earnings/(loss) per share	(0.5)	(1.9)
Diluted earnings/(loss) per share	(0.5)	(1.9)

Notes to the financial statements are included on page 13

Consolidated balance sheet
As at 31 December 2008

	31 December 2008 $	30 June 2008 $
Current assets		
Cash and cash equivalents	4,214,900	6,583,252
Trade and other receivables	1,169,873	1,426,293
Inventories	372,745	721,173
Other	327,028	296,519
Total current assets	**6,084,546**	**9,027,237**
Non-current assets		
Property, plant and equipment	4,098,599	5,141,365
Customer management & billing system	3,324,501	3,951,530
Total non-current assets	**7,423,100**	**9,092,895**
Total assets	**13,507,646**	**18,120,132**
Current liabilities		
Trade and other payables	3,393,796	4,096,018
Borrowings	850,044	1,202,802
Provisions	218,565	314,374
Total current liabilities	**4,462,405**	**5,613,194**
Non-Current Liabilities		
Borrowings	124,812	416,894
Provisions	66,344	81,651
Total non-current liabilities	**191,156**	**498,545**
Total liabilities	**4,653,561**	**6,111,739**
Net assets	**8,854,085**	**12,008,393**
Equity		
Share capital	45,064,769	45,079,667
Reserves	-	-
Retained earnings/(accumulated losses)	(36,210,684)	(33,071,274)
Total equity	**8,854,085**	**12,008,393**

Notes to the financial statements are included on page 13

Consolidated interim statement of cash flows
For the half-year ended 31 December 2008

	31 December 2008 $	31 December 2007 $
Cash flows from operating activities		
Cash receipts from customers	11,110,072	10,914,572
Cash paid to suppliers and employees	(12,911,893)	(20,420,939)
Interest and other costs of finance paid	(56,313)	(641,804)
Net cash used in operating activities	**(1,858,134)**	**(10,148,171)**
Cash flows from investing activities		
Payment for plant and equipment	(25,871)	(1,878,439)
Interest received	175,391	186,281
Payment for purchase of Unwired Group Limited shares	-	(21,463,784)
Proceeds on sale of Unwired Group Limited shares	-	25,175,373
Net cash from / (used in) investing activities	**149,520**	**2,019,431**
Cash flows from financing activities		
Repayment of borrowings	(644,840)	(671,140)
Expenses from issue of equity securities	(14,898)	-
Net cash (used in) / provided by financing activities	**(659,738)**	**(671,140)**
Net (Decrease) / Increase in cash and cash equivalents held	**(2,368,352)**	**(8,799,880)**
Cash and cash equivalents at the beginning of the period	**6,583,252**	**12,290,656**
Cash and cash equivalents at the end of the period	**4,214,900**	**3,490,776**

Notes to the financial statements are included on page 13

Consolidated statement of changes in equity
For the half-year ended 31 December 2008

	Ordinary shares $	Employee equity-settled benefits reserve $	Retained earnings/ (accumulated losses) $	Total equity $
Balance as at 30 June 2007	**35,451,483**	**1,309,360**	**(20,902,883)**	**15,857,960**
Total recognised income & expense for the period	-	-	(6,779,583)	(6,779,583)
Recognition of share-based payments	-	(337,000)	-	(337,000)
Balance as at 31 December 2007	**35,451,483**	**972,360**	**(27,682,466)**	**8,741,377**
Total recognised income & expense for the period	-	-	(5,388,808)	(5,388,808)
Recognition of share-based payments	1,408,874	(972,360)	-	436,514
Issue of shares	8,430,666	-	-	8,430,666
Share issue cost	(211,356)	-	-	(211,356)
Balance as at 30 June 2008	**45,079,667**	-	**(33,071,274)**	**12,008,393**
Total recognised income & expense for the period	-	-	(3,139,410)	(3,139,410)
Share issue cost	(14,898)	-	-	(14,898)
Balance as at 31 December 2008	**45,064,769**	-	**(36,210,684)**	**8,854,085**

Notes to the financial statements are included on page 13

Condensed notes to the consolidated financial statements
For the half-year ended 31 December 2008

1. Reporting entity

Engin Limited (the "Company") is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange ("ASX"). The Consolidated interim financial report of the Company as at and for the half-year ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at Level 2, 38-42 Pirrama Road, Pyrmont, NSW, 2009 or at www.engin.com.au

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

The half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2008.

The half-year 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. All amounts are presented in Australian dollars, unless otherwise noted.

3. Significant accounting policies

The accounting policies applied by the Group and the significant judgements and estimates made by management in applying those accounting policies in this consolidated interim financial report are the same as those in its consolidated financial report as at 30 June 2008 which are in accordance with accounting standards in place at that date.

4. Subsequent events

There are no subsequent events to report.

5. Segment information

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