engin™

28 September 2009

Company Announcements Office
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SYDNEY NSW 2000

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By electronic lodgement

Total pages: 63 (including covering letter)

Notice of AGM, Proxy Form and Annual Report

In accordance with Listing Rule 15.2, attached is a copy of the 2009 Notice of Annual General Meeting, Proxy Form and Annual Report which will be despatched to shareholders today.

Share consolidation:
Items 4 and 5 in the 2009 Notice of Annual General Meeting relate to a proposal to effect a consolidation of shares in the Company.

If approved by shareholders at the Annual General Meeting, the Company proposes to implement the share consolidation in accordance with the timetable set out below:

Event	Date
Annual General Meeting Date - shareholders approve consolidation	Monday 16 November 2009
Last day of pre-consolidation trading	Monday 16 November 2009
First day of post-consolidation trading - *deferred* settlement basis	Tuesday 17 November 2009
Last day for registration of pre-consolidation share transfers	Monday 23 November 2009
First day of post-consolidation trading - *ordinary* settlement (T+3) basis	Tuesday 1 December 2009

Yours faithfully

For and on behalf of Engin Limited

John Kinninmont
Company Secretary

Attach.

2009 NOTICE OF ANNUAL GENERAL MEETING

ENGIN LIMITED ABN 46 063 582 990

Notice is hereby given that the Annual General Meeting of Engin Limited (the "Company") will be held at:
Room 7, 38 – 42 Pirrama Road,
Pyrmont, NSW 2009
on Monday, 16 November 2009
at 11.00 am (Sydney time).

AGENDA

ORDINARY BUSINESS

Statements and Reports

Item 1

To receive and consider the Statements of Financial Performance and Financial Position of the Company and consolidated financial statements of the Company and the entities it controlled for the financial year ended 30 June 2009, together with the statements and reports of Directors and Auditors attached to the financial statements.

Remuneration Report

Item 2

To adopt the Remuneration Report of the Company for the financial year ended 30 June 2009. *Note – the vote on this resolution is advisory only and does not bind the Directors of the Company.*

Re-Election of Director

Item 3

To consider, and, if thought fit, to pass the following ordinary resolution: That Ryan Stokes, a Director retiring in accordance with Rule 6.1 of the Company's constitution, being eligible, is re-elected as a Director of Engin Limited.

SPECIAL BUSINESS

Share consolidation

Item 4

To consider, and, if thought fit, to pass the following special resolution:

That the constitution of the Company be amended by inserting the following after rule 2.6, as rule 2.7:

2.7 Fractional entitlements

The directors may do anything required to give effect to any resolution altering the company's share capital, including, where a member becomes entitled to a fraction of a share on a consolidation:

(a) making cash payments;

(b) determining that fractions may be disregarded in order to adjust the rights of all parties;

(c) appointing a trustee to deal with any fractions on behalf of members; and

(d) rounding up each fractional entitlement to the nearest whole share by capitalising any amount available for capitalisation under rule 9.2 even though:

(i) members participate other than in the same proportions as their entitlement to dividends; and

(ii) not all members participate.

In exercising their powers under paragraph (c), the directors shall procure as soon as is reasonably practicable that the aggregate of all the fractional entitlements to shares resulting from the consolidation are sold on the Exchange and that the appointed trustee distributes the net proceeds of the sale to those members entitled to a fraction of a share on consolidation ("Entitled Members") in proportion to their fractional entitlements. For this purpose, each Entitled Member irrevocably appoints the company severally as its attorney to complete and execute such instruments on the member's behalf as the attorney thinks necessary or desirable to give effect to the sale. The company shall bear all cost of a sale made pursuant to this rule.

Item 5

To consider, and, if thought fit, to pass the following ordinary resolution: That, subject to the passing of the resolution in Item 4, and pursuant to section 254H of the Corporations Act and for all other purposes, the Company approves the consolidation of every fifty (50) ordinary shares on issue on the Consolidation Record Date into one ordinary share and where the number of shares held by a member of the Company as a result of the consolidation effected by this resolution includes any fraction of a share, those fractions are to be cancelled and extinguished and the consolidation will otherwise be as described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting.

By order of the Board

John Kinninmont
Company Secretary
28 September 2009

Notes:

1. A member is entitled to appoint a proxy. A member who is entitled to cast two or more votes is entitled to appoint two proxies. If two proxies are appointed by a member, that member may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes.
2. For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as a holder of those shares at 7.00 pm (Sydney time) on Saturday, 14 November 2009.
3. A proxy need not be a member of the Company.
4. A proxy form and the power of attorney or authority (if any) under which it is signed or a copy of the power of attorney or authority certified as a true copy by statutory declaration, must be duly completed and returned to the Secretary, Engin Limited, either at the Company Secretariat, Level 2, 38 – 42 Pirrama Road, Pyrmont NSW 2009 fax number: 02 8777 7192 or at Registries Limited, Level 7, 207 Kent Street, Sydney NSW 2000 fax number: 02 9290 9655 or completed online at www.registries.com.au/vote/enginagm2009 by no later than 11.00 am (Sydney time) on Saturday, 14 November 2009.

EXPLANATORY NOTES

ITEM 1

Statements and Reports

As required by section 317 of the Corporations Act 2001 (Cth) ("Corporations Act") the financial report, Directors' report and auditors' report of Engin Limited (the "Company") for the most recent financial year will be laid before the meeting. There is no requirement for a formal resolution on this item, and accordingly, this item is excluded from the proxy form. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports.

ITEM 2

Remuneration Report

As required by section 300A of the Corporations Act, the Directors' report includes a section entitled the "Remuneration Report".

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting. In addition, the Corporations Act now requires listed companies to put the Remuneration Report for each financial year to a resolution of members at their annual general meeting.

Under the Corporations Act, the vote is advisory only and does not bind the Directors or the Company, and does not affect the employment arrangements in place for employees of the Company and its subsidiaries.

In summary, the Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of Directors, secretaries and senior managers of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- details and explains any performance conditions applicable to the remuneration of Directors, secretaries and senior managers of the Company; and
- sets out remuneration details for each Director and the 5 most highly remunerated senior executives of the Company and the Group (including the value of any options granted to those persons).

The Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

ITEM 3

Re-Election of Director

Rule 6.1 of the constitution of the Company requires that at each annual general meeting, one-third of the Directors in office, (rounded down, if necessary, to the nearest whole number), and any other Director not in such one-third who has held office for 3 years or more, or for 3 or more annual general meetings since he or she was last elected to office, must retire from office. A retiring Director is eligible for re-election.

Any Director appointed to fill a casual vacancy or as an addition to the existing Directors, holds office until the next Annual General Meeting of the Company and is then eligible for re-election but is not taken into account in determining the Directors who are to retire by rotation at that meeting.

Being eligible, Mr Stokes offers himself for re-election to the Board at the meeting. Mr Stokes is currently a Director of Seven Network Limited, having been appointed in December 2005.

Mr Stokes holds a Bachelor of Commerce (Curtin University) and is President of Seven Network Asia. He is a Director of Seven Media Group Pty. Limited and Yahoo!7 and an Alternate Director of West Australian Newspapers Holdings Limited. He is a Director of Consolidated Media Holdings Limited.

He is an Executive and Director of Australian Capital Equity Pty. Limited and associated companies including WesTrac Pty Limited.

He is a member of the Nomination and Remuneration Committee.

The Board (other than Mr Stokes) unanimously recommends that shareholders vote in favour of Mr Stokes' re-election.

ITEMS 4 AND 5

Share consolidation resolution (Item 5)

The Board considers that the Company has a very high number of shares on issue, resulting in a lower nominal share price. This, by its very nature, means that a small change in the share price can lead to a substantial change in the market capitalisation of the Company and its implied worth. For example, a 1 cent change in share price moves the Company's market capitalisation by more than $6 million.

The Board considers that a share consolidation will better align the Company's nominal share price with an average of the share prices of its peers, and is a more appropriate benchmark for a company of Engin's size. Accordingly, it is intended that the number of ordinary shares on issue be reduced by consolidating every fifty (50) shares into one share (the "Share Consolidation").

The resolution in Item 4 is to amend the constitution to facilitate dealing with fractions arising from the consolidation. The resolution in Item 5 is to authorise the Share Consolidation.

Impact of Share Consolidation

The Share Consolidation will reduce the number of shares on issue from 635,516,979 to approximately 12,710,000. All of the Company's shares are, and will remain, fully paid.

The Share Consolidation will have no impact on the amount of paid up capital in the Company and involves no return of capital to shareholders.

Theoretically, following the Share Consolidation the share price of the shares on ASX will be fifty times that of the pre-Share Consolidation price. In practice, however, the share price is affected by a range of factors outside the control of the Company and so the post-Share Consolidation market price cannot be forecast.

Effect on other securities

The Company has no other classes of shares on issue, nor any options, convertible securities or other rights over unissued shares.

Of the 635,516,979 ordinary shares on issue, 39,000 are subject to the Company's Employee Share Plan and 3,628,500 are Employee Escrow Shares. Under the Share Consolidation, these will be consolidated into approximately 780 shares and 72,570 shares, respectively.

Fractional entitlements to shares

Shareholders entitled to a fraction of a share will have the fractional entitlement rounded down to the nearest whole number of shares.

Approval requirements

The Share Consolidation requires approval by shareholders by ordinary resolution. The Share Consolidation is conditional on the passing of the resolution in Item 4, which is to amend the constitution of the Company, to enable the Company to deal with fractions arising on consolidation. In order for the resolution in Item 4 to be passed, a majority of three-quarters of votes cast on the resolution must be in favour of the resolution.

Timing for implementation

The Company intends that if the resolutions in Items 4 and 5 are approved by shareholders, the Share Consolidation will take effect on 17 November 2009. Post Share Consolidation shares will trade on a deferred settlement basis from this date, and from 1 December 2009, will trade on an ordinary settlement basis (T+3).

Alteration to Constitution (Item 4)

The Board has proposed the resolution in Item 4 to facilitate the implementation of the proposed Share Consolidation (and any future consolidations and subdivisions of shares that the Company may propose).

While the Company does not require constitutional authority to proceed with the Share Consolidation, the Company does require a constitutional amendment to enable it to deal with fractional share entitlements that may occur as a result of the Share Consolidation.

How Fractional Entitlements arise under the Share Consolidation

As explained above, under the Share Consolidation, every fifty (50) shares will be converted into one share. However, not all shareholders will hold a number of shares that is an integral multiple of fifty. For example, if a shareholder held 2,000,001 shares, this would convert into 40,000 and one-fiftieth shares post-Share Consolidation.

The effect of the proposed alteration to the constitution

The proposed alteration provides for several mechanisms for Directors to deal with fractional entitlements that may occur as a result of a consolidation. With regard to the present Share Consolidation proposal, the board wishes to disregard the fractional entitlements such that the amount held on consolidation will be rounded down to the nearest whole share. Paragraph (b) of the proposed alteration will authorise this.

The theoretical maximum reduction in value of the shareholder's holding arising from the rounding down would only be 49 times the market price of a current share. However, the administrative convenience and minimum expense in adopting this method of dealing with fractions may well result in the reduction in value of each member's holding being less than this amount, as there will be fewer shares on issue than there would be if the fractions were dealt with in another way.

One of the alternative avenues that the Directors could pursue under the proposed article is provided for in paragraph (c), which would enable the Directors to appoint a trustee who would sell the shares and remit the proceeds to the shareholders entitled to the fractions in proportion to their fractional entitlements. The Directors have decided not to pursue this alternative on the basis of the costs of conducting the sale and distributing the proceeds of the sale of the fractional entitlements to shareholders.

engin Limited
ABN 46 063 582 990

FOR ALL ENQUIRIES CALL:
(within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

FACSIMILE
+61 2 9290 9655

ALL CORRESPONDENCE TO:
Registries Limited
GPO Box 3993
Sydney NSW 2001
Australia

☐ **Your Address**
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

<SRN/HIN>

LODGE YOUR VOTE - YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 11.00AM SATURDAY 14th NOVEMBER 2009

TO VOTE ONLINE

STEP 1 : VISIT www.registries.com.au/vote/enginagm2009
STEP 2: Enter your holding/Investment type
STEP 3: Enter your SRN/HIN and VAC: <VAC NUMBER>

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. 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 security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

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 securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the 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; and
(b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the 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.

STEP 3 Sign the Form

The form **must** be signed

In the spaces provided you must sign this form as follows:

Individual: This form is to be signed by the securityholder.
Joint Holding: where the holding is in more than one name, all the securityholders must sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 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 Monday, 16 November 2009. Any Proxy Form received after that time will not be valid for the scheduled meeting.
Proxies may be lodged using the reply paid envelope or:

BY MAIL Share Registry – Registries Limited, GPO Box 3993, Sydney NSW 2001 Australia

BY FAX + 61 2 9290 9655

IN PERSON Share Registry – Registries Limited, Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Vote online at:
www.registries.com.au/vote/enginagm2009
or turnover to complete the Form ➔

PROXY FORM

Annual General Meeting

engin™

<Co Name>
<Address 1>
<Address 2>
<Address 3>
<Address 4>
<Address 5>

<BARCODE>

STEP 1 - 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 at the **Annual General Meeting of engin Limited to be held at Room 7, 38-42 Pirrama Road, Pyrmont NSW 2009 on Monday the 16th of November 2009 at 11.00am** and at any adjournment of that meeting, to act 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.

STEP 2 - Voting directions to your Proxy – please mark ☒ to indicate your directions

		For	Against	Abstain*
Item 2	To adopt the Remuneration Report for year ended 30 June 2009	☐	☐	☐
Item 3	To re-elect Mr Ryan Stokes as a director of the Company	☐	☐	☐
Item 4	To approve alteration to the Constitution relating to fractional entitlements	☐	☐	☐
Item 5	To approve share consolidation	☐	☐	☐

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

STEP 3 - 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	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name .... Contact Daytime Telephone ....Date / / 2009 engin™

ABN 46 063 582 990

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

CONTENTS

CHAIRMAN'S STATEMENT

"The engin business is now better placed than ever to grow and deliver greater value for shareholders ..."

CHAIRMAN'S REVIEW

The 2009 year has been a watershed year for engin. The company completed its re-structure, installed a new Management Team and, for the first time, reported positive operating profit and positive operating cash flows in the second half of the year.

Structural changes to the entire organisation to significantly reduce the cost base, improve operating efficiencies and lift customer service have resulted in a lean and focused organisation, which has shown that it can deliver profitable growth.

The engin business now operates off a much-strengthened capital base, has a highly focused and committed Management Team and is now better placed than ever to grow and deliver greater value for shareholders.

It gives me satisfaction to present this 2009 annual report to shareholders and I look forward to your ongoing support of the company.

REDUCTION IN COST

Cost reduction was a focus for the Management Team during the fiscal year as a key component to take the company to profitability and positive cash flow. During the year the Management Team achieved strong results in lifting gross margin by 15.4% and reducing operating costs by 40.8% vs. 2007/8. Encouragingly this focus on cost reduction was achieved while growing the customer base and improving customer service.

GROWTH IN REVENUE AND PROFITABILITY

The Gross Revenue and Gross Profit for the year were $20.2M (2007/8: $19.8M) and $11.6M (2007/8: $10.1M) an increase of 2.3% and 15.4% respectively. The revenue increase is due to continued subscriber growth, increased network usage by customers and the launch of engin's "naked" DSL service.

Encouragingly the company experienced growth across both its Residential Market as well as the Business Market for its services.

FINANCIAL TURNAROUND

The company delivered a positive Operating Profit (EBITDA) for the second half of the year of $0.1M, which was a strong turnaround from the loss of $1.6M in the first half of the year. Importantly the company also achieved cash flow break-even during the year with cash increasing by $0.1M from a first half balance of $4.2M to $4.3M in the second half.

FUTURE GROWTH

The company has established a balanced and robust structure with the capacity to grow through increase in both customer numbers as well as new revenue opportunities. Above all both the Board and Management are committed to ensuring that future growth is profitable and sustainable.

The company has invested in providing the capability to deliver "naked" DSL services to its customer base as well as ongoing investments in call centre and service delivery capability. I am confident that 2010 will see the introduction of a number of changes to service delivery and product offering, which will add to engin's competitive position in the marketplace.

BOARD AND MANAGEMENT

I would like to thank the Management Team at engin for their continued energy and enthusiasm for the company and their leadership during this challenging period. I also thank my fellow Directors for their contribution.

Ian Smith
Chairman

GENERAL MANAGER'S REVIEW

GENERAL MANAGER'S REVIEW

FY09 has been a pivotal year for engin, in which the company achieved two significant milestones. For the half year to June 09 engin recorded a positive operating profit (EBITDA) and positive cash flows from operations for the first time. During this period the company continued to grow Services In Operation (SIOs), launched new products, improved customer service delivery and restructured to provide improved focus on key end-user markets.

KEY ACHIEVEMENTS

- Positive Operating Profit (EBITDA) of $0.1M for the half year to June 09
- Positive Operating Cash-flow of $0.1M for the half year to June 09
- Subscriber growth of 6% vs. FY08
- Launch of "Naked" DSL with more than 1,400 subscribers
- Launch of the engin oneHub. A best in class integrated Internet device to support sales of engin DSL2+.

FINANCIAL PERFORMANCE

- Revenue of $20.2M, an increase of 2% vs FY08
- Gross Margin of $11.6M, an improvement of 15.4% vs. FY08
- Reduction in Operating Expenses of 41% vs. FY08 to $13.1M
- Underlying EBITDA of -$1.5 million. An improvement of 82% vs. FY08
- For the period January-June 09 an underlying EBITDA of $0.1M representing a turnaround of $3.8M for the corresponding period in H2 FY08.

COMPANY OPERATIONS

engin has long established itself as the leading provider of VoIP services in Australia through a focus on innovation, product quality and customer service and support. During FY09 engin continued to deliver industry leading service, support and quality while undertaking a significant restructuring to reduce operating costs and improve profitability and cash flow.

Key Focus areas for the business during FY09 were:

COST REDUCTION

During FY09 the company carried out a comprehensive review of structure, staffing and costs resulting in a re-structure of company operations. As part of this re-structure headcount was reduced by 18% and operating costs were reduced by 41%. In addition the company was successful in reducing direct cost of sales by 11%. These actions resulted in a significant improvement in operating profit and cash flow during the second half of FY09.

SERVICE DELIVERY AND CUSTOMER SERVICE EXCELLENCE

Excellent customer service is key to engin's offer and represents the number one priority in delivering satisfaction and value to our customers. Outstanding service allows us to attract and retain customers and deliver improved profitability.

engin has pioneered the use of web-based chat support service to deliver significant improvements in both customer service as well as improved service productivity. Using advanced web-based software, engin has increased its ability to support customers by over 300%. On-line chat allows all customers to web-chat with our support team in an instant and live environment without the need to call a service centre. As a consequence, engin has successfully delivered higher service levels while reducing cost to serve by 34% in FY09 vs. FY08.

PRODUCT AND SERVICE DEVELOPMENT

engin launched its new innovative "Naked" DSL service in October 08 targeting Residential users and quickly achieved a customer base in excess of 1400 subscribers. "Naked" DSL was quickly followed by the launch of the engin oneHub. The oneHub is a unique all-in-one Internet device, which provides combined DSL Modem, Wireless Router and ATA (Voicebox) capabilities in one device. engin successfully deployed advanced remote provisioning capability to the oneHub making it a truly "no-touch" deployment for customers.

During FY09, engin released a number of products and plans targeting both Residential and Small and Medium Business (SMB) markets. engin's focus on innovation will continue into FY10 with a number of new products and services currently being developed by our staff.

OUTLOOK

The growth momentum that engin generated in the second half of the year has placed the company in a position of strength going into FY10. Our team are excited by the challenges ahead and anticipate a period of further growth for the company.

The increasing penetration of higher speed broadband services in Australia will generate greater take-up of VoIP services across both Residential and Business markets. engin is well placed to take advantage of the increasing interest in VoIP, and with its leading reputation for service and quality, we expect continued profitable growth for the company.

Looking forward engin will focus on delivering profitable growth through growth in Services In Operation, cost control and ongoing delivery of value to customers through innovative products and excellence in customer service and support.

Charles Solomon
General Manager

CORPORATE GOVERNANCE STATEMENT

This statement outlines the Company's main corporate governance practices and its compliance with the ASX Corporate Governance Council Recommendations 2nd Edition ("ASX Recommendations"). 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.

Corporate governance and corporate practices are available on the Company's website (www.engin.com.au).

PRINCIPLE 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is empowered to manage the business of the Company subject to the Corporations Act and the Company's Constitution. The Board is responsible for the overall corporate governance of the Company and the management of the Company. The role, responsibilities and functions of the Board are set out in a Formal Board Charter (a copy of which can be found on the Company's website). The responsibilities and functions include:

- Oversight of the Company, including internal control and accountability systems.
- Appointment and removal of the Chief Executive Officer (or equivalent).
- 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 Committee and the Nomination 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.

It is the role of management to manage the Company in accordance with the direction determined by the Board and the Board's delegations to management under the Company's Delegated Authority Policy. Formal delegations from the Board to management and functions reserved to the Board are set out in the Company's Delegated Authority Policy.

The Policy provides that the powers and functions retained by the Board include decisions about Company strategy and policies, as well as matters involving amounts over specified limits (which varies depending upon the nature of the transaction). The Board, or the Remuneration Committee, also has authority for succession planning and remuneration of the Chief Executive Officer and his direct reports.

All matters and functions not specifically reserved for the Board and necessary for the day to day management of the Company are delegated to management. For example, the Policy details procedures for the authorisation and signing of Company contracts and authorisations to relevant executives in relation to expenditure. Executive management can sub delegate where appropriate.

As part of the framework set up by the Delegated Authority Policy, management is required to report regularly to the Board concerning the authority exercised and matters which come, or may come within, the scope of matters reserved for the Board. The reports cover a range of matters, including sub delegations, any litigation activity, financial performance and risk management.

The functions exercised by the Board and those delegated to management are subject to ongoing review to ensure that the division of functions remains appropriate. A copy of the Delegated Authority Policy can be found on the Company's website.

The performance of senior executives of the Company is evaluated both formally (through a documented interview process) and informally throughout the year. The performance of the Chief Executive Officer (or equivalent) is formally reviewed annually by the Chairman and Board. Throughout the year, his performance is subject to ongoing Board scrutiny.

The performance of senior executives is formally reviewed annually by the Chief Executive Officer, who may in turn seek Board review. Senior management competencies and performance are reviewed. Throughout the year, the performance of senior management is subject to ongoing scrutiny by the Chief Executive Officer. During the 2009 financial year, additionally, a review of senior management performance was undertaken by the Nomination Committee.

Both the Chief Executive Officer and senior executives are appraised against set objectives, either chosen at the beginning of the year or added during the year. These objectives are selected to enhance Company performance and increase value to shareholders, having regard to the relevant executive's duties and material areas of responsibility. The objectives and assessment criteria will in some instances be linked to the executive's particular remuneration arrangements.

Performance reviews of senior executives have taken place during the year in accordance with these evaluation processes.

Induction procedures are in place to enable senior executives to participate fully and actively in the management of the Company at the earliest opportunity. An induction program is available that enables senior executives to gain an understanding of the Company's financial position, strategies and operations, risk management policies and the respective rights, duties, responsibilities and roles of the Board and senior executives.

PRINCIPLE 2. STRUCTURE THE BOARD TO ADD VALUE

As at the date of this statement, the Board currently comprises four (4) directors. The Directors in office are:

- Mr Ian Smith, Non executive Director and Independent Chairman
- Mr Rohan Lund, Non executive Director
- Mr Bruce McWilliam, Non executive Director
- Mr Ryan Stokes, Non executive Director

Details of Directors, including their time in office, qualifications, experience and special responsibilities are set out in the Directors' Report.

The Company does not currently have a Chief Executive Officer. Mr Charles Solomon is the Company's General Manager.

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 twelve 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. Mr Smith has been appointed Chairman in accordance with these Criteria.

In determining whether a Director is independent, the Board conducts regular assessments and has regard to whether a Director is considered to be one who:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another group member other than as a Director.

The Board has previously determined that a material relationship is to be determined on the basis of fees paid or moneys received or paid to either a Director or a Director-related entity, which may impact the EBITDA of the Company in the previous financial year by more than 5%.

The Board acknowledges the ASX Recommendation that a majority of the Board should be independent directors; however the Chairman and Directors believe they are able to objectively analyse the issues before them in the best interests of all shareholders and in accordance with their duties as directors. Whilst Mr McWilliam and Mr Stokes are associated with a substantial shareholder of the Company, the Chairman and Directors are satisfied that they are free of any business or other relationship that could materially interfere with the independent exercise of their judgement.

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.

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.

The Board has established a Nomination and Remuneration Committee, the membership of which comprises Mr Smith, (independent chair), and

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

The process for appointing a Director is that when the Board considers that a vacancy exists for a Board appointment, the Board, assisted by the Nomination Committee, identifies candidates with the appropriate expertise and experience, and may at its discretion use external consultants as appropriate. The most suitable candidate is appointed by the Board. New appointees to the Board stand for election in accordance with the Constitution at the next Annual General Meeting.

The number of meetings attended by the Nomination Committee members is disclosed in the Directors' Report.

Whilst acknowledging the ASX Recommendation that the Nomination Committee comprise a majority of independent directors and at least three members, the Board is satisfied that its two member Committee can sufficiently and objectively analyse the issues before them.

The Board will review the performance of individual directors annually with the assistance of the Nomination and Remuneration Committee. 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 Key Performance Indicators for the upcoming year.

A performance review of individual directors took place in the 2009 financial year in accordance with these evaluation processes.

The Chairman closely monitors the performance and actions of the Board and its Committees and met with individual Board members during the year to ensure that both the Board and its Committees operated in an effective and efficient manner.

During the 2009 financial year, the Chairman, with the assistance of the Nomination Committee, undertook a review of Board composition and performance.

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

PRINCIPLE 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

As part of the Board's commitment to the highest standards of conduct and integrity, 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 Board and senior management are committed to the promulgation and implementation of the Code of Conduct throughout the Company.

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.

A copy of the Code of Conduct is available on the Company's website.

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 ASX and after the Annual General Meeting. Senior staff also require the approval of the Board prior to trading in the Company's securities. Trading outside the above periods must be first sanctioned by the Board; who must be satisfied that the trade does not result from the possession of any price sensitive information that has not been released to the ASX.

A copy of the share trading policy is available on the Company's website.

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

PRINCIPLE 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board maintains an Audit Committee which comprises Mr McWilliam, as its Chairman, and Mr Smith. Mr McWilliam is a non executive Director and Mr Smith is a non executive and independent Director. Whilst acknowledging the ASX Recommendation that the Audit Committee comprise a majority of independent directors and at least three members, the Board is satisfied that its two member Committee can sufficiently and objectively analyse the issues before them. Both Mr McWilliam and Mr

Smith have wide financial and audit committee experience. Information about the qualifications of Messrs McWilliam and Smith and their attendance at Audit Committee meetings is contained within the Directors' Report. The Board believes the ASX Recommendation is satisfied as regards the technical expertise of the Audit Committee members.

The Audit Committee has a formal Charter, a summary of which is available on the Company's website. The Committee's primary objective is to assist the Board in fulfilling its responsibilities concerning the accounting and reporting practices of the Company and its subsidiaries, the consideration of matters relating to the financial affairs of the Company and its subsidiaries and examination of any other matters referred to it by the Board.

The Audit Committee is also responsible for assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period, the external auditor provides an independence declaration in relation to the audit.

The current practice is for the rotation of the appropriate external audit partner to occur every five years, subject to the requirements of applicable professional and regulatory requirements. No rotation has yet occurred; as the incumbent external auditor firm was appointed by shareholders at the 2008 Annual General Meeting.

The number of meetings attended by the Audit Committee members is disclosed in the Directors' Report.

PRINCIPLE 5. MAKE TIMELY AND BALANCED DISCLOSURE

The Board is committed to ensuring price sensitive information is released to the 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 website www.engin.com.au.

The Company complies with the continuous disclosure obligations of the ASX Listing Rules and, in doing so, immediately notifies the market of any material price sensitive information. The continuous disclosure policy is available on the Company's website.

The Company Secretary has been nominated as the person with primary responsibility for compliance with and communication and liaison with the ASX in relation to ASX Listing Rules and continuous disclosure issues. The Company Secretary also has responsibility for ensuring internal compliance with those ASX Listing Rules and the oversight of information released to the ASX and shareholders.

PRINCIPLE 6. RESPECT THE RIGHTS OF SHAREHOLDERS

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 the fair, timely and cost effective dissemination of information:

- Annual General Meetings and any other formally convened Company meetings. Shareholders are encouraged to participate in general meetings and are invited to put questions to the Chairman of the Board in that forum.
- Company website 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 available to all shareholders.
- Direct communication – the company may also communicate with shareholders, on matters of significance directly via mail, or email.

The Directors ensure that the Company's external auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's report thereon.

The Company's formal Communication Policy is available on its website.

PRINCIPLE 7. RECOGNISE AND MANAGE RISK

The Board has established a formal charter, which provides an appropriate framework for the oversight and management of material business risks and threats faced by the Company. The Board and the Audit Committee are responsible for adherence to the charter.

A copy of the Risk Management Charter, specifying on the management of various categories of risk, is available on the Company's website.

The operational and financial aspects of the Company's activities, including risk management, are monitored by the Board and the Audit Committee. Through the Audit 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.

CORPORATE GOVERNANCE STATEMENT

During the year, through the Board, and facilitated by an external consultant, management undertook a detailed Strategic Risk Assessment which identified and ranked the key strategic risks facing the Company, these being in the operations category, and provided an assessment of the Company's management of those risks, which was considered satisfactory. The assessment also assisted with the development of a formal risk profile.

Having regard to the size of the Company, the Board has required management to design and implement the risk management and internal control system outlined above to manage the Company's material business risks and report to it on whether those risks are being managed effectively. Management has reported to the Board as to the effectiveness of the Company's management of material business risks. Senior management is responsible for the implementation of appropriate controls and risk mitigation strategies as directed.

The Board receives monthly reporting relating to the financial position and performance of the consolidated entity.

Pursuant to Section 295A of the Corporations Act, the Chief Executive Officer and the Chief Financial Officer confirm in writing to the Board, who subsequently state in writing to the external auditors, that the financial records of the Company have been properly maintained, the financial statements are prepared in accordance with relevant accounting standards, present a true and fair view, and that the integrity of the financial reports is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies prescribed by the Board.

PRINCIPLE 8. REMUNERATE FAIRLY AND RESPONSIBLY

The total maximum remuneration of non executive directors was approved by shareholders at $500,000 per annum on 20 November 2006. The approved limit provides adequate flexibility for the appointment of additional directors.

For the year ended 30 June 2009, the remuneration of the Chairman was $139,000 per annum plus superannuation. Messrs Lund, McWilliam and Stokes received no remuneration from the Company during the financial year. No Director was granted options or received a bonus payment during the financial year. No Director received a retirement benefit, other than the payment of superannuation on behalf of the Chairman.

The Board has established a Nomination and Remuneration Committee, the membership of which comprises Mr Smith, (independent chair), and Mr Stokes. The functions of the Committee include review and recommendation to the Board in relation to the remuneration framework for the Board, executive remuneration and incentive policies and succession planning. A copy of the Committee's Charter is available on the Company's website. The number of meetings attended by the Committee members is disclosed in the Directors' Report.

Whilst acknowledging the ASX Recommendation that the Remuneration Committee comprise a majority of independent directors and at least three members, the Board is satisfied that its two member Committee can sufficiently and objectively analyse the issues before them.

The objective of the remuneration process is to ensure that remuneration packages properly reflect the duties and responsibilities of the employee and that the remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality.

Because there are no unvested entitlements on issue, the Company did not consider it necessary or desirable to develop a policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. The Company will continue to monitor the appropriateness of this approach, and will implement such a policy if it determines that these circumstances have changed and one is required.

Further details relating to remuneration, including executive remuneration, are contained within the Remuneration Report.

DIRECTORS' REPORT

The directors of engin Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors' report follows.
The directors of the Company at any time during or since the end of the financial year are:

DIRECTORS

NAME	PARTICULARS
Ian Smith Non executive director Independent Chairman	A director of the company since September 2007. Chairman since January 2008. Mr Smith brings a wealth of experience in the media and communications industry to the company, with over 20 years in the advertising business. He was appointed a director of Connxion Ventures Limited on 20 July 2009. 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. Mr Smith is a member of the Audit and Risk Management committee and a member and chairman of the Nomination and Remuneration committee.
Rohan Lund Non executive director	A director of the company since October 2006. Mr Lund is currently the CEO of Yahoo!7. He was previously 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 previously a director of m.Net Corporation.
Bruce McWilliam Non executive director	A director of the company since October 2006. 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. He is an alternate director of West Australian Newspapers Holdings Limited. 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 and chairman of the Audit and Risk Management Committee.
Ryan Stokes Non executive director	A director of the company since October 2006. Mr Stokes has been a director of Seven Network Limited since December 2005. He is the current President of Seven Network Asia and a director of Yahoo!7 and former Chairman of Pacific Magazines. He is an alternate director of West Australian Newspapers Holdings Limited. He is also an executive and director of Australian Capital Equity Pty Limited and other companies including WesTrac Pty Limited. Mr Stokes was appointed to the Board of Consolidated Media Holdings Limited on 10 September 2009. Mr Stokes is a member of the Nomination and Remuneration committee.

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
Bruce McWilliam	Seven Network Limited	Since September 2003
Bruce McWilliam	Unwired Group Limited	January 2008 (company de-listed May 2008)
Bruce McWilliam	West Australian Newspapers Holdings Limited	Since 4 November 2008
Ryan Stokes	Seven Network Limited	Since December 2005
Ryan Stokes	Unwired Group Limited	January 2008 (company de-listed May 2008)
Ryan Stokes	West Australian Newspapers Holdings Limited	Since 4 November 2008

DIRECTORS' REPORT

COMPANY SECRETARY

John Kinninmont

Company Secretary since 17 April 2008. Bachelor of Economics (University of Sydney) and a Fellow of Chartered Secretaries Australia. Mr Kinninmont has been a Company Secretary at Seven Network Limited for the past ten years. He is Company Secretary for the Seven Media Group.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was the delivery of broadband telephony services and the sale of related hardware to its customers, branded as "engin".

NET CONSOLIDATED PROFIT

The net amount of consolidated profit/(loss) of the consolidated entity for the financial year after provision for income taxes was ($6,760,201) (2008: ($12,168,391)).

REVIEW OF OPERATIONS

A review of the operations during the financial year of the consolidated entity, and of the results of those operations, and of the financial position of the consolidated entity is set out in the Annual Report under the heading "Chairman's statement".

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

There are no subsequent events to report.

FUTURE DEVELOPMENTS

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 no options were granted to directors or executives.

Shares under option or issued on exercise of options

There were no shares or interests issued during or since the end of the financial year as a result of exercise of options.

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 end of the financial year, except to the extent permitted by law, 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 15 Board meetings, three Audit and Risk Management Committee and one Remuneration and Nomination Committee meetings were held.

DIRECTORS' MEETINGS (CONTINUED)

DIRECTORS	BOARD OF DIRECTORS HELD	BOARD OF DIRECTORS ATTENDED	REMUNERATION AND NOMINATION COMMITTEE HELD	REMUNERATION AND NOMINATION COMMITTEE ATTENDED	AUDIT AND RISK MANAGEMENT COMMITTEE HELD	AUDIT AND RISK MANAGEMENT COMMITTEE ATTENDED
Ian Smith	15	15	1	1	3	3
Ryan Stokes	15	14	1	1	3	3
Bruce McWilliam	15	14	–	–	3	3
Rohan Lund	15	9	–	–	2	2

DIRECTORS' SHAREHOLDINGS

Mr Stokes and Mr McWilliam are both directors of Seven Network Limited, which ultimately holds 369,018,234 shares in the company. No director or director related entities hold shares in the company other than the Seven Network Limited shareholding disclosed.

REMUNERATION REPORT

Remuneration and Nomination committee

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on remuneration and compensation policies and packages for all staff, including Board members and executives of the Group. It oversees the appointment and induction process for directors and committee members, and the election, appointment and succession planning process of the Company's General Manager.

Role of the committee

The Remuneration and Nomination Committee operates in accordance with its Charter; its responsibilities include review and recommendation to the Board on:

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

Membership

The current members of the committee are Mr Smith (Chairman) and Mr Stokes.

Remuneration principles and policy

The key principles of the Company Remuneration Policy are to remunerate and compensate fairly and responsibly; to remunerate competitively enabling the attraction, retention and motivation of staff of the highest quality and best skills from the industry in which the company operates; and to ensure that remuneration packages properly reflect the duties and responsibilities of the staff member, including the impact they are expected to have on operational and financial performance.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. For 2009, key management personnel comprise the Directors of the company, the General Manager, the Head of Finance and the Head of Operations. The CEO and the Head of Sales were considered key management personnel during the year but did not hold their positions at the end of the year. The company secretary is a Company Executive.

Remuneration structure

Remuneration levels for Key Management Personnel and Executives are competitively set to attract and retain appropriately qualified and experienced individuals.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes fringe benefits tax charges related to employee benefits), as well as employer contributions to superannuation funds and guaranteed bonus payments. Remuneration levels are reviewed by the Remuneration Committee through a process that considers individual, segment and overall performance of the Group.

Performance-linked remuneration

Performance-linked remuneration is designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

The company did not pay performance-linked remuneration to any key management personnel during the financial year.

Directors of the company

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

- I. Smith, Independent Chairman, Non executive director
- R. Stokes, Non executive director
- B. McWilliam, Non executive director
- R. Lund, Non executive director

REMUNERATION REPORT (CONTINUED)

The total maximum remuneration of non executive directors is $500,000 per annum (as approved by shareholders on 20 November 2006).

Apart from Mr Smith, the directors did not receive any fixed remuneration during the year.

The Directors received no performance-linked remuneration during the year. No options were granted to any Director during the year, nor did any Director hold or exercise options in the Company during the year.

Company Executives

The Executives discussed in this section are Mr Solomon (General Manager), Mr Gepp (Head of Finance) and Mr Dollar (Head of Operations), all of who are members of the Company's Key Management Personnel and who were employed for the duration of the year and at 30 June 2009, except for Mr Solomon, who joined the company in August 2008. Mr Zworestine and Mr Farmer were considered Key Management Personnel during the year but were no longer employed by the Company at 30 June 2009. Mr Kinninmont (Company Secretary) is a Company Executive.

The Company Executives received no performance-linked remuneration during the year. No options were granted to any Company Executive during the year, nor did any Company Executive hold or exercise options in the Company during the year.

In the opinion of the Board, there are no other Key Management Personnel (as defined by AASB 124) employed by the consolidated entity.

Remuneration and compensation details of Directors and Company Executives for the year ended 30 June 2009 are shown below.

Key management personnel – Directors

	SHORT TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENTS	
	SALARY AND FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	TERMINATION BENEFITS $	OPTIONS $	TOTAL $
I. Smith (Chairman)							
2009	139,000	–	–	12,510	–	–	151,510
2008	124,493	–	–	11,204	–	–	135,697
R. Stokes [a]							
2009	–	–	–	–	–	–	–
2008	–	–	–	–	–	(21,800) [b]	(21,800)
B. McWilliam [a]							
2009	–	–	–	–	–	–	–
2008	–	–	–	–	–	(21,800) [b]	(21,800)
R. Lund [a]							
2009	–	–	–	–	–	–	–
2008	–	–	–	–	–	(21,800) [b]	(21,800)
Total Directors							
2009	139,000	–	–	12,510	–	–	151,510
2008	124,493	–	–	11,204	–	(65,400)	70,297

[a] Mr Stokes, Mr McWilliam and Mr Lund received no remuneration for services performed in the current or previous financial year.

[b] Reversal of prior period accrual of fees earned. Fees no longer required to be paid at request of specified directors.

REMUNERATION REPORT (CONTINUED)

Key management personnel – Executives and Company Executives

	SHORT TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENTS	
	SALARY AND FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	TERMINATION BENEFITS $	OPTIONS $	TOTAL $
C. Solomon (General Manager) [f]							
2009	232,159	–	–	20,850	–	–	253,009
2008	–	–	–	–	–	–	–
J. Kinninmont (Company Secretary) [c]							
2009	–	–	–	–	–	–	–
2008	–	–	–	–	–	–	–
M. Gepp (Head of Finance) [g]							
2009	180,000	–	–	16,200	–	–	196,200
2008	57,500	–	–	5,175	–	–	62,675
G. Dollar (Head of Operations)							
2009	180,000	–	–	16,200	–	–	196,200
2008	60,000	–	–	3,849	–	–	63,849
M. Zworestine (resigned 21 October 2008)							
2009	120,170	–	–	9,000	150,000	–	279,170
2008	184,938	–	–	17,048	–	140,000 [d]	341,986
M. Farmer (resigned 25 November 2008)							
2009	78,463	–	–	6,938	46,251	–	131,652
2008	153,978	–	15,894	15,347	–	42,935 [e]	228,154
Total Senior Management							
2009	790,792	–	–	69,188	196,251	–	1,056,231
2008	456,416	–	15,894	41,419	–	182,935	696,664

[c] Mr Kinninmont received no remuneration for services performed in the current or previous financial year.

[d] Represents 40.9% of total remuneration.

[e] Represents 18.8% of total remuneration.

[f] Mr Solomon has been employed since 11 August 2008.

[g] Mr Gepp has been employed since 13 February 2008.

Because there are no unvested entitlements on issue, the Company did not consider it necessary or desirable to develop a policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

DIRECTORS' REPORT

REMUNERATION REPORT (CONTINUED)

Employment contracts

The remuneration and other terms of employment for the Executives named above are set out in written employment agreements. Each of these employment agreements are unlimited in term but may be terminated by written notice by either party and by the Company making payment in lieu of notice. The amount of notice required from the Company in these circumstances is set out in the following table:

NAME OF EXECUTIVE	COMPANY NOTICE PERIOD	EMPLOYEE NOTICE PERIOD	TERMINATION PROVISION
C. Solomon	6 months	3 months	6 months base salary
M. Gepp	3 months	3 months	3 months base salary
G. Dollar	3 months	3 months	3 months base salary

Each of the agreements sets out the arrangement for total fixed remuneration, performance-related cash bonus opportunities, superannuation and termination rights and obligations. Executive salaries are reviewed annually. The executive employment agreements do not require the company to increase base salary, incentive bonuses or to continue the participants' participation in equity-based incentive programs.

Value of options issued to directors and executives

No options were issued during or since the end of the financial year.

Remuneration policy and company performance

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009:

	30 JUNE 2009	30 JUNE 2008	30 JUNE 2007	30 JUNE 2006	30 JUNE 2005
Net profit/(loss) after tax ($)	(6,760,201)	(12,168,391)	(17,337,392)	(7,319,252)	3,935,447
Basic earnings/(loss) per share (cents)	(1.06)	(2.90)	(5.59)	(3.67)	3.50
Share price (cents)	1.6	2.1	18.0	22.5	9.6
Dividend (cents per share)	–	–	–	–	9.0

NON-AUDIT SERVICES

The current auditor, being KPMG, performed no non-audit services during the financial year.

In the prior year, the directors were satisfied that the provision of non-audit services by the then auditor, Deloitte Touche Tohmatsu, was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Amounts paid or payable to the 2008 auditors (Deloitte Touche Tohmatsu) for non-audit services performed during the year was $Nil (2008: $20,000). All amounts paid or payable to the auditor are outlined in note 6 to the financial statements.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 16 of the financial report.

Signed for and on behalf of the Board of Directors and in accordance with a resolution of the Directors.

Ian Smith
Chairman
Sydney, 17 September 2009

AUDITOR'S INDEPENDENCE DECLARATION

YEAR ENDED 30 JUNE 2009

KPMG

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 audit for the financial year ended 30 June 2009 there have been:

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

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

KPMG

KPMG

Kenneth Reid
Partner

Sydney

17 September 2009

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Continuing operations					
Revenue from ordinary activities	2	20,200,247	19,755,580	–	–
Communication expenses		(7,023,014)	(7,455,151)	–	–
Cost of hardware sold		(1,519,706)	(2,194,304)	–	–
Gross Profit		11,657,527	10,106,125	–	–
Other income	2	–	3,725,834	–	3,725,834
Employee expenses		(7,779,703)	(12,340,429)	–	–
Marketing expenses		(969,881)	(3,577,911)	–	–
Occupancy expenses		(432,524)	(510,002)	–	–
Other operating expenses		(3,956,660)	(5,778,132)	(15,207)	–
Depreciation, amortisation and impairment expense	2	(5,438,878)	(3,384,939)	–	–
Write down of wholly owned subsidiary receivable		–	–	–	(36,559,991)
Results from operating activities		(6,920,119)	(11,759,454)	(15,207)	(32,834,157)
Finance income		246,016	317,388	–	–
Finance expenses	2	(86,098)	(726,325)	–	(533,760)
Net finance income/(expense)		159,918	(408,937)	–	(533,760)
Profit/(loss) before income tax		(6,760,201)	(12,168,391)	(15,207)	(33,367,917)
Income tax expense	3	–	–	–	–
Profit/(loss) for the year		(6,760,201)	(12,168,391)	(15,207)	(33,367,917)
Earnings/(Loss) per share (cents per share)					
From continuing operations:					
Basic	21	(1.06)	(2.90)		
Diluted	21	(1.06)	(2.90)		

The notes on pages 21 to 44 are an integral part of these consolidated financial statements.

BALANCE SHEETS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		COMPANY	
	NOTE	2009 $	2008 $	2009 $	2008 $
Current assets					
Cash and cash equivalents	28	4,250,567	6,583,252	–	–
Trade and other receivables	7	1,252,280	1,426,293	–	–
Inventories	8	181,003	721,173	–	–
Other assets	9	194,152	296,519	–	–
Total current assets		5,878,002	9,027,237	–	–
Non-current assets					
Receivable from controlled entities	7	–	–	11,969,895	12,000,000
Investments accounted for using the equity method	10	–	1	–	–
Property, plant and equipment	11	1,070,097	5,141,364	–	–
Customer management and billing system	11	2,704,975	3,951,530	–	–
Total non-current assets		3,775,072	9,092,895	11,969,895	12,000,000
Total assets		9,653,074	18,120,132	11,969,895	12,000,000
Current liabilities					
Trade and other payables	13	3,649,670	4,096,018	–	–
Borrowings – Finance lease liability	14	443,474	1,202,802	–	–
Provisions	15	250,384	314,374	–	–
Total current liabilities		4,343,528	5,613,194	–	–
Non-current liabilities					
Borrowings – Finance lease liability	16	–	416,894	–	–
Provisions	17	76,252	81,651	–	–
Total non-current liabilities		76,252	498,545	–	–
Total liabilities		4,419,780	6,111,739	–	–
Net assets		5,233,294	12,008,393	11,969,895	12,000,000
Equity					
Issued capital	18	45,064,769	45,079,667	45,064,769	45,079,667
Reserves	19	–	–	–	–
Retained earnings/(accumulated losses)	20	(39,831,475)	(33,071,274)	(33,094,874)	(33,079,667)
Total equity		5,233,294	12,008,393	11,969,895	12,000,000

The notes on pages 21 to 44 are an integral part of these consolidated financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	COMPANY 2009 $	COMPANY 2008 $
Cash flows from operating activities					
Receipts from customers		22,148,893	22,269,397	–	14,243
Payments to suppliers and employees		(23,329,320)	(36,226,398)	–	76,498
Interest and other costs of finance paid		(86,098)	(726,325)	–	(533,760)
Net cash used in operating activities	28(b)	(1,266,525)	(14,683,326)	–	(443,019)
Cash flows from investing activities					
Amounts (advanced to)/paid by subsidiary		–	–	14,898	(11,487,880)
Payment for property, plant and equipment		(121,056)	(2,037,194)	–	–
Interest received		246,016	317,388	–	–
Payment for purchase of Unwired Group Limited shareholding		–	(21,463,784)	–	(21,463,784)
Proceeds from sale of Unwired Group Limited shareholding		–	25,175,373	–	25,175,373
Net cash from investing activities		124,960	1,991,783	14,898	(7,776,291)
Cash flows from financing activities					
Proceeds from convertible loan note		–	20,816,524	–	20,816,524
Repayment of convertible loan note		–	(20,816,524)	–	(20,816,524)
Repayment of borrowings		(1,176,222)	(1,235,171)	–	–
Proceeds from issues of equity securities		–	8,430,666	–	8,430,666
Share issue costs		(14,898)	(211,356)	(14,898)	(211,356)
Net cash from (used in) financing activities		(1,191,120)	6,984,139	(14,898)	8,219,310
Net (decrease) in cash and cash equivalents		(2,332,685)	(5,707,404)	–	–
Cash and cash equivalents at 1 July		6,583,252	12,290,656	–	–
Cash and cash equivalents at 30 June	28(a)	4,250,567	6,583,252	–	–

The notes on pages 21 to 44 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Consolidated

	SHARE CAPITAL $	EMPLOYEE BENEFITS RESERVE $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2007	35,451,483	1,309,360	(20,902,883)	15,857,960
Total recognised income and expense	–	–	(12,168,391)	(12,168,391)
Recognition of share-based payments	1,408,874	(1,309,360)	–	99,514
Issue of shares	8,430,666	–	–	8,430,666
Share issue cost	(211,356)	–	–	(211,356)
Balance as at 30 June/1 July 2008	45,079,667	–	(33,071,274)	12,008,393
Total recognised income and expense	–	–	(6,760,201)	(6,760,201)
Share issue cost	(14,898)	–	–	(14,898)
Balance at 30 June 2009	45,064,769	–	(39,831,475)	5,233,294

Company

	SHARE CAPITAL $	EMPLOYEE BENEFITS RESERVE $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2007	35,451,483	1,309,360	288,250	37,049,093
Total recognised income and expense	–	–	(33,367,917)	(33,367,917)
Recognition of share-based payments	1,408,874	(1,309,360)	–	99,514
Issue of shares	8,430,666	–	–	8,430,666
Share issue cost	(211,356)	–	–	(211,356)
Balance at 30 June/1 July 2008	45,079,667	–	(33,079,667)	12,000,000
Total recognised income and expense	–	–	(15,207)	(15,207)
Share issue cost	(14,898)	–	–	(14,898)
Balance at 30 June 2009	45,064,769	–	(33,094,874)	11,969,895

The notes on pages 21 to 44 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 financial statements were authorised for issue by the directors on 17 September 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost. 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 circumstance, 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 financial report has been prepared on the basis that engin is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Based on current cash and profit projections the Directors believe this is an appropriate basis.

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.

(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'

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

1. SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)

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 are 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: 3-5 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.

(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 unvested 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.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(u) Adoption of new and revised accounting policies

The following Australian accounting standards and Urgent Issues Group pronouncements were available for early adoption but have not been adopted by the Group in these financial statements.

AASB 8 *Operating segments* replaces the presentation requirements of the segment reporting in AASB 114 Segment Reporting. AASB 8 is mandatory for all annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.

AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, and AASB 136 *Impairment Assets*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.

Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term 'total comprehensive income', which represents the changes in equity during a period other than those resulting from changes from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group has not yet determined the potential effect the revised standard will have on the Group's financial report.

AASB 2007-8 *Amendments to Australian Accounting Standards* arise from the amendments to AASB 101 *Presentation of Financial Statements*. The amendments are applicable for annual reporting periods beginning on or after 1 January 2009.

Revised AASB 123 *Borrowing Costs* eliminates the option of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The amendments are applicable for annual reporting periods beginning on or after 1 January 2009.

AASB 2007-6 *Amendments to Australian Accounting Standards* arise from the amendments to AASB 123 *Borrowing Costs*. The amendments are applicable for annual reporting periods beginning on or after 1 January 2009.

Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: The immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by the contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

Amended AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for the investments in subsidiaries. Key changes include: The re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect on the Group's financial report.

AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect on the Group's financial report.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (July 2008) will introduce 24 amendments to 15 different standards that may require changes in the presentation, recognition and measurement of various balances. AASB 2008-5 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect on the Group's financial report.

AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (July 2008) will introduce terminology and editorial amendments to eight different standards. AASB 2008-6 will become mandatory for the Group's 30 June 2010 financial statements. The Group is not expecting this to have a significant impact on its financial statements.

AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate* (July

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2008) will amend AASB 118, AASB 121, AASB 127 and AASB 136, all of which must be adopted at the same time. The amendments in AASB 127 should be applied prospectively to new reorganisation after 1 January 2009. Entities may also elect to apply the amendments in AASB 127.38B and 38C retrospectively to past reorganisations within the scope of these paragraphs. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

AASB 2008-8 *Amendments to Australian Account Standard – Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effects of the amendment.

AASB Interpretation 15 *Agreements for the Construction of Real Estate* provides guidance on the accounting for agreements for the construction of real estate by the seller under AASB 111 *Construction Contracts* or AASB 118 *Revenue* and the timing of revenue recognition. This interpretation will become mandatory for the Group's 30 June 2010 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* applies to annual reporting periods beginning on or after 1 October 2008, with early adoption permitted. This interpretation is not expected to have a significant impact on the financial Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Operating revenue				
Rendering of services	19,912,320	19,118,773	–	–
Sale of goods	287,927	636,807	–	–
	20,200,247	**19,755,580**	–	–
Other income				
Profit on sale of investment in Unwired Group Limited Shares	–	3,711,589	–	3,711,589
Other revenue	–	14,245	–	14,245
	–	**3,725,834**	–	**3,725,834**
Finance expenses				
Finance lease finance charge	86,098	190,632	–	–
Convertible note interest – related party	–	533,760	–	533,760
Other	–	1,933	–	–
	86,098	**726,325**	–	**533,760**
Other expenses				
Net bad and doubtful debts	227,000	176,714	–	–
Equity settled share based payments	–	99,514	–	–
Loss on disposal of property, plant and equipment	–	85,845	–	–
Write off of inventory	–	430,000	–	–
Depreciation and amortisation:				
Billing System	1,254,055	1,099,759	–	–
Other plant and equipment	1,276,604	1,556,521	–	–
Equipment under finance lease	1,276,000	728,659	–	–
Impairment:				
Impairment of plant and equipment and equipment under finance lease	1,632,219	–	–	–
Total depreciation, amortisation and impairment	**5,438,878**	**3,384,939**	–	–
Operating lease rental expenses:				
Minimum lease payments	289,512	322,899	–	–

3. INCOME TAX EXPENSE

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Income tax expense				
Current period	–	–	–	–
Deferred tax (credit)/expense due to origination and reversal of temporary differences	–	67,486	–	–
Tax losses not brought to account	–	(67,486)	–	–
Total tax expense in income statement	–	–	–	–
Reconciliation between tax expense and pre-tax accounting profit				
Profit/(loss) before income tax	(6,760,201)	(12,168,391)	(15,207)	(33,367,917)
Income tax (credit) using the domestic corporation tax rate 30% (2008: 30%)	(2,028,060)	(3,650,517)	(4,562)	(10,010,375)
Non-deductible expenses	5,000	2,111	–	–
Non-deductible intercompany loan write-off	–	–	–	10,967,997
Tax losses not brought to account	2,023,060	3,648,406	4,562	(957,622)
	–	–	–	–
Deferred tax balance				
There was no deferred tax balance recognised on the balance sheet in either the current or prior year.				
Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses – revenue	13,490,158	11,467,098	13,490,158	11,467,098
Tax losses – capital	257,000	257,000	257,000	257,000
	13,747,158	11,724,098	13,747,158	11,724,098

The 2008 Consolidated unrecognised deferred tax balance relating to revenue has been restated due to an error in the amount reported in the 2008 Financial Statements.

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

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

3. INCOME TAX EXPENSE (CONTINUED)

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.

4. DIRECTOR AND EXECUTIVE DISCLOSURES

Individual Directors' and Executives' remuneration disclosures

Information regarding individual Directors' and Executives' remuneration as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' report.

No Director has entered into a material contract with the Company or Group since the end of the previous financial year, and there were no material contracts involving Directors interests existing at year-end.

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

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Short term employee benefits	929,792	1,407,177	–	–
Post-employment benefits	81,698	127,331	–	–
Other long term benefits	–	9,410	–	–
Termination benefits	196,251	694,037	–	–
Share-based payments	–	(321,332)	–	–
Total	1,207,741	1,916,623	–	–

5. SHARE-BASED PAYMENTS

As at 30 June 2009 the number of options on issue was Nil (2008: Nil).

There were no share-based payment arrangements in existence during the period.

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 may be 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.

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

	2009		2008	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $
Balance at beginning of the financial year	–	–	9,515,000	–
Granted during the financial year	–	–	1,100,000	–
Forfeited during the financial year	–	–	(7,248,000)	–
Exercised during the financial year	–	–	(3,367,000)	–
Balance at end of the financial year	–	–	–	–
Exercisable at end of the financial year	–	–	–	–

6. AUDITORS' REMUNERATION

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Amounts received or due and receivable by auditors of the company for:				
Audit services				
KPMG Australia				
– Audit and review of financial statements	100,000	–	–	–
Deloitte Touche Tohmatsu				
– Audit and review of financial statements	–	117,500	–	–
– Other audit related services	–	6,300	–	–
	100,000	123,800	–	–
Other Services				
Deloitte Touche Tohmatsu				
– Other assurance services	–	20,000	–	–
Total Auditors' remuneration	**100,000**	**143,800**	**–**	**–**

KPMG was appointed auditor of the company by a resolution of shareholders at the AGM on 27 November 2008.

7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Current				
Trade receivables	1,414,666	1,505,163	–	–
Allowance for doubtful debts	(162,386)	(105,293)	–	–
	1,252,280	1,399,870	–	–
Other sundry debtors	–	26,423	–	–
	1,252,280	1,426,293	–	–
Non-current				
Receivable from controlled entities	–	–	11,969,895	12,000,000
Movement in the allowance for doubtful debts				
Balance at the beginning of the year	105,293	40,342	–	–
Amounts written off as uncollectible	(183,295)	(130,358)	–	–
Amounts recovered during the year	13,388	17,545	–	–
Impairment losses recognised on receivables	227,000	177,764	–	
Balance at the end of the year	162,386	105,293	–	–

In determining the recoverability of a trade receivable, engin considers any debt over the age of 90 days to be impaired. This amount is fully provided for as a doubtful debt. Debts with an ageing of less than 90 days that become unrecoverable are fully provided for. Accordingly the directors believe that there is no further provision required for impairment than the allowance of doubtful debts. There were no individually significant impaired receivables, all impaired receivables were over 90 days past due.

With respect to the related party receivables, these balances are not interest bearing and have been assessed for impairment and written down to recoverable amount on the basis of the forecast operations of the relevant entities.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 29.

8. INVENTORIES

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Finished goods				
At cost	393,459	940,900	–	–
Provision for obsolescence	(212,456)	(219,727)	–	–
At net realisable value	181,003	721,173	–	–

9. OTHER CURRENT ASSETS

Prepayments	191,102	289,160	–	–
Other	3,050	7,359	–	–
	194,152	296,519	–	–

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

			OWNERSHIP INTEREST		CONSOLIDATED CARRYING AMOUNT	
NAME OF ENTITY	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	2009 %	2008 %	2009 %	2008 %
Joint Venture Entity						
Look Mobile Pty Limited	Mobile Phone Dealer Channel	Australia	–	50	–	1

	CONSOLIDATED	
	2009 $	2008 $
Summarised financial information of jointly controlled entities:		
Current assets	–	–
	–	–
Current liabilities	–	–
	–	–
Net assets	–	–
Expenses	–	30,412

Dividends received from associates and joint venture entities

During the year, dividends of Nil (2008: $14,245) were received by the Consolidated entity from its jointly controlled entity.

Look Mobile Pty Limited was de-registered in October 2008.

11. PROPERTY, PLANT AND EQUIPMENT

	CUSTOMER MANAGEMENT AND BILLING SYSTEM $	OTHER PLANT AND EQUIPMENT $	EQUIPMENT UNDER FINANCE LEASE AT COST $	TOTAL $
Gross carrying amount				
Balance at 1 July 2007	3,844,694	8,735,688	3,600,563	16,180,945
Additions	1,206,595	1,227,942	–	2,434,537
Disposals	–	(1,716,352)	(750)	(1,717,102)
Transfer	–	209,249	(209,249)	–
Balance at 1 July 2008	5,051,289	8,456,527	3,390,564	16,898,380
Additions	7,500	113,556	–	121,056
Disposals	–	(19,000)	–	(19,000)
Transfer	–	234,560	(234,560)	–
Balance at 30 June 2009	5,058,789	8,785,643	3,156,004	17,000,436
Accumulated depreciation, amortisation and impairment				
Balance at 1 July 2007	–	(5,306,610)	(745,194)	(6,051,804)
Depreciation expense	(1,099,759)	(1,556,521)	(728,659)	(3,384,939)
Disposals	–	1,630,507	750	1,631,257
Transfer	–	(209,249)	209,249	–
Balance at 1 July 2008	(1,099,759)	(5,441,873)	(1,263,854)	(7,805,486)
Depreciation expense	(1,254,055)	(1,276,604)	(1,276,000)	(3,806,659)
Impairment [(a)]	–	(1,169,051)	(463,168)	(1,632,219)
Disposals	–	19,000	–	19,000
Transfer	–	(136,814)	136,814	–
Balance at 30 June 2009	(2,353,814)	(8,005,342)	(2,866,208)	(13,225,364)
Net book value				
As at 30 June 2008	3,951,530	3,014,654	2,126,710	9,092,894
As at 30 June 2009	2,704,975	780,301	289,796	3,775,072

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Aggregate depreciation recognised as an expense during the year:				
Billing system	1,254,055	1,099,759	–	–
Plant and equipment	1,276,604	1,556,522	–	–
Equipment under finance lease	1,276,000	728,658	–	–
	3,806,659	3,384,939	–	–

(a) The impairment relates to assets both owned and under finance lease which will be decommissioned in the first quarter of Financial Year 2010. The recoverable amount was determined based on each assets value in use over the remaining useful life and residual value and a discount rate of 12.5%.

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

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Trade payables	1,798,129	1,825,994	–	–
Other payables and accruals	1,851,541	2,270,024	–	–
	3,649,670	4,096,018	–	–

14. CURRENT BORROWINGS

Secured				
At amortised cost:				
Finance lease liabilities (note 12 and 23)	443,474	1,202,802	–	–

15. CURRENT PROVISIONS

Employee benefits	250,384	314,374	–	–

16. NON-CURRENT BORROWINGS

Secured				
At amortised cost:				
Finance lease liabilities (note 12 and 23)	–	416,894	–	–

17. NON-CURRENT PROVISIONS

Employee benefits	76,252	81,651	–	–

18. ISSUED CAPITAL

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Fully paid ordinary shares (2009: 635,516,979)	45,064,769	45,079,667	45,064,769	45,079,667

The company does not have authorised capital and issued shares do not have a par value.

	2009		2008	
	NO.	$	NO.	$
Fully paid ordinary shares				
Balance at beginning of financial year	635,516,979	45,079,667	351,127,766	35,451,483
Issue of shares under executive and employee share option plan (note 5)	–	–	3,367,000	1,408,874
Issue of shares	–	–	281,022,213	8,430,666
Share issue costs	–	(14,898)	–	(211,356)
Balance at end of financial year	635,516,979	45,064,769	635,516,979	45,079,667

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

19. RESERVES

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Employee equity-settled benefits reserve				
Balance at beginning of financial year	–	1,309,360	–	1,309,360
Share-based payment	–	99,514	–	99,514
Transfer to share capital	–	(1,408,874)	–	(1,408,874)
Balance at end of financial year	–	–	–	–

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	
	2009 $	2008 $	2009 $	2008 $
Balance at beginning of financial year	(33,071,274)	(20,902,883)	(33,079,667)	288,250
Net loss attributable to members of the parent entity	(6,760,201)	(12,168,391)	(15,207)	(33,367,917)
Balance at end of financial year	(39,831,475)	(33,071,274)	(33,094,874)	(33,079,667)

21. EARNINGS/(LOSS) PER SHARE

	CONSOLIDATED	
	2009 CENTS PER SHARE	2008 CENTS PER SHARE
Basic earnings/(loss) per share:		
From continuing operations	(1.06)	(2.90)
Total basic earnings/(loss) per share	(1.06)	(2.90)
Diluted earnings/(loss) per share:		
From continuing operations	(1.06)	(2.90)
Total diluted earnings/(loss) per share	(1.06)	(2.90)

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	
	2009 $	2008 $
(Loss)/Earnings from continuing operations [a]	(6,760,201)	(12,168,391)

	CONSOLIDATED	
	2009 NO.	2008 NO.
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	635,516,979	420,007,435

(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	
	2009 $	2008 $
Net profit/(loss)	(6,760,201)	(12,168,391)

21. EARNINGS/(LOSS) PER SHARE (CONTINUED)

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	
	2009 $	2008 $
Earnings from continuing operations [a]	(6,760,201)	(12,168,391)

	CONSOLIDATED	
	2009 NO.	2008 NO.
Weighted average number of ordinary shares for the purposes of diluted earnings per share [b]	635,516,979	420,007,435

(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:

	CONSOLIDATED	
	2009 $	2008 $
Net profit/(loss)	(6,760,201)	(12,168,391)

(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	
	2009 NO.	2008 NO.
Weighted average number of ordinary shares used in the calculation of basic EPS	635,516,979	420,007,435
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	635,516,979	420,007,435

There were no employee options on issue at 30 June 2009.

22. FRANKING ACCOUNT

	COMPANY	
	2009 $	2008 $
Adjusted franking account balance (tax paid basis)	3,985,319	3,985,319

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	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
No later than 1 year	456,582	1,288,798	–	–	443,474	1,202,802	–	–
Later than 1 year and not later than 5 years	–	430,002	–	–	–	416,894	–	–
Later than five years	–	–	–	–	–	–	–	–
Minimum lease payments*	456,582	1,718,800	–	–	443,474	1,619,696	–	–
Less future finance charges	(13,108)	(99,104)	–	–	–	–	–	–
Present value of minimum lease payments	443,474	1,619,696	–	–	443,474	1,619,696	–	–
Included in the financial statements as:								
Current borrowings (note 14)					443,474	1,202,802	–	–
Non-current borrowings (note 16)					–	416,894	–	–
					443,474	1,619,696	–	–

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

Operating leases

Leasing arrangements

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

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Non-cancellable operating lease payments				
Not longer than 1 year	72,377	289,506	–	–
Longer than 1 year and not longer than 5 years	–	72,377	–	–
	72,377	361,883	–	–

24. SUBSIDIARIES

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2009 %	2008 %
Parent entity			
engin Limited	Australia		
Subsidiaries			
MIBroadband Pty Limited	Australia	100	100
Innocom Systems Pty Limited	Australia	100	100
Metrofi Investment Holdings Pty Limited [(a)]	Australia	–	100

All entities are members of the tax consolidated group.

(a) Approved for de-registration on 13 June 2008 and formally dissolved on 13 August 2008.

25. SEGMENT INFORMATION

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

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 10 to the financial statements.

(b) Key management personnel remuneration

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

26. RELATED PARTY DISCLOSURES (CONTINUED)

(c) 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:

	CONSOLIDATED	
	2009 $	2008 $
Sales revenue – rendering of services		–
Sales revenue – supply of goods	–	(7,741)
Internet expenses – reimbursement		–
Total recognised as revenue	–	(7,741)
Administration expenses	–	–
Rental expenses	–	414,691
Telephone expenses	–	78,995
Marketing expenses	–	260,208
Total recognised as expenses	–	753,894

(d) 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.

(e) Transactions involving the parent entity

During the financial year, engin Limited received dividends of $Nil (2008: $14,245) from Look Mobile Limited.

During the year ended June 2008 Network Investment Holdings Pty. Limited (a Seven Network Limited group company) provided a convertible note debt facility to engin to enable the acquisition of Unwired Group Limited shares in September 2007, on normal commercial terms. The loan amount drawn down by engin was $20,816,523 and subsequent interest payments of $533,760 were paid.

During the year ended June 2008 engin Limited sold its 19.81% share in Unwired Group Limited to a Seven Network Limited Group company and realised a profit on sale of $3,711,589. The company paid back the convertible note facility following this sale.

During the year ended June 2008 an underwriting fee of $111,276 was paid to a Seven Network Limited group company in relation to the non-renounceable rights issue that took place on 3 April 2008.

(f) Transactions involving other related parties

engin Limited engaged the services of a Seven Network Limited group company for printing to the value of $26,494 (2008: $72,734). 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 $Nil (2008: $14,544).

(g) Parent entities

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

27. SUBSEQUENT EVENTS

There are no subsequent events to report.

28. 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 related items in the balance sheet as follows:

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Cash and cash equivalents	4,250,567	6,583,252	–	–

(b) Reconciliation of loss for the period to net cash flows from operating activities

	CONSOLIDATED		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Loss for the period	(6,760,201)	(12,168,391)	(15,207)	(33,367,917)
Share of jointly controlled entities' loss (less dividends)	–	15,206	–	(1)
Depreciation and amortisation of non-current assets	3,806,659	3,384,939	–	–
Impairment of assets	1,632,219	–	–	–
Equity settled share-based payment		99,514	–	99,514
Interest revenue	(246,016)	(317,388)	–	–
Profit on sale of investment in Unwired Limited	–	(3,711,589)	–	(3,711,589)
Write-off of intercompany loan	–	–	–	36,559,990
Increase/(decrease) in deferred tax balances	–	–	–	–
Other non-cash transactions	–	–	15,207	–
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	(10,018)	638,272	–	–
Current inventories	540,170	60,339	–	–
Other current assets	286,394	(56,156)	–	–
Increase/(decrease) in liabilities:				
Current payables	(446,343)	(2,336,050)	–	(23,016)
Other current liabilities	(63,990)	(235,289)	–	–
Other non-current liabilities	(5,399)	(56,733)	–	–
Net cash from/(used in) operating activities	(1,266,525)	(14,683,326)	–	(443,019)

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 2009:

			FIXED MATURITY DATES					
2009	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	VARIABLE INTEREST RATE $	LESS THAN 1 YEAR $	1-2 YEARS $	2-3 YEARS $	3+ YEARS $	NON INTEREST BEARING $	TOTAL $
Financial assets:								
Cash and cash equivalents	3.40	4,250,567	–	–	–	–	–	4,250,567
Trade and other receivables [a]	–	–	–	–	–	–	1,252,280	1,252,280
Security deposit	–	–	–	–	–	–	–	–
		4,250,567	–	–	–	–	1,252,280	5,502,847
Financial liabilities:								
Trade and other payables [a]	–	–	–	–	–	–	3,649,670	3,649,670
Finance lease liabilities	8.00	–	456,582	–	–	–	–	456,582
Employee benefits [a]	–	–	–	–	–	–	326,636	326,636
		–	456,582	–	–	–	3,976,306	4,432,888

(a) Due in less than one year.

29. FINANCIAL INSTRUMENTS (CONTINUED)

2008	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	VARIABLE INTEREST RATE $	FIXED MATURITY DATES LESS THAN 1 YEAR $	1-2 YEARS $	2-3 YEARS $	3+ YEARS $	NON INTEREST BEARING $	TOTAL $
Financial assets:								
Cash and cash equivalents	7.51	6,583,252	–	–	–	–	–	6,583,252
Trade and other receivables [a]	–	–	–	–	–	–	1,426,293	1,426,293
Security deposit	–	–	–	–	–	–	–	–
		6,583,252	–	–	–	–	1,426,293	8,009,545
Financial liabilities:								
Trade and other payables [a]	–	–	–	–	–	–	4,096,018	4,096,018
Finance lease liabilities	8.46	–	1,288,798	430,002	–	–	–	1,718,800
Employee benefits [a]	–	–	–	–	–	–	396,025	396,025
		–	1,288,798	430,002	–	–	4,492,043	6,210,843

(a) Due in less than one year.

Ageing of receivables past due but not impaired

	CONSOLIDATED 2009	CONSOLIDATED 2008	COMPANY 2009	COMPANY 2008
			–	–
0-30 days	58,807	63,459	–	–
31-60 days	29,882	19,047	–	–
61-90 days	–	–	–	–
Total overdue receivables not impaired	88,689	82,506	–	–

(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 approximates their respective fair values, determined in accordance with the accounting policies disclosed in note 1 of the financial statements.

(e) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group and Company's short, medium and long-term funding and liquidity management requirements. The Group and Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

(f) Capital risk management

The Group and Company manages its capital to ensure that entities in the Group and Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group and Company's overall strategy remains unchanged from 2008.

The capital structure of the Group and Company consists of debt, which includes the borrowing disclosed in notes 14 and 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 18, 19 and 20 respectively.

Operating cash flows are used to maintain and expand the group's VoIP business, as well as to make routine outflows for repayment of maturing debt.

30. ADDITIONAL COMPANY INFORMATION

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

Registered office
Level 2, 38-42 Pirrama Road
Pyrmont NSW 2009
Tel: (02) 8777 7777

Principal place of business
431 Warringah Road
Frenchs Forest, NSW, 2086
Tel: (02) 9004 4444

DIRECTORS' DECLARATION

1 In the opinion of the directors of engin Limited ('the Company'):

(a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 11 to 44, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1;

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

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the General Manager and Head of Finance for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors:

Ian Smith
Chairman
Sydney, 17 September 2009

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of Engin Limited

Report on the financial report

We have audited the accompanying financial report of Engin Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration set out on pages 17 to 45 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

INDEPENDENT AUDITOR'S REPORT

KPMG

Independence

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 the Group's financial position as at 30 June 2009 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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included on pages 11 to 14 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Engin Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kenneth Reid
Partner

Sydney

17 September 2009

ADDITIONAL STOCK EXCHANGE INFORMATION

AS AT 8 SEPTEMBER 2009

SHAREHOLDER INFORMATION

Substantial Shareholders

The number of ordinary shares held by Substantial Shareholders as at 8 September 2009 are as follows:

SHAREHOLDER	NO. OF SHARES	%
Network Investment Holdings Pty. Limited	369,018,234	58.07
Direct Group Pty. Limited	36,300,550	5.71

Distribution of Ordinary Shareholders

CATEGORY (NO.s)	ORDINARY SHAREHOLDERS	OPTIONS
1-1,000	198	–
1,001-5,000	728	–
5,001-10,000	484	–
10,001-100,000	1,085	–
100,001 and over	263	–
	2,758	–
Holding less than a marketable parcel	2,056	–

Voting Rights – ordinary shares

On a show of hands, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote. On a poll, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote for every share held.

Stock Exchange Listing

The Company is listed with the Australian Stock Exchange Limited and the home exchange is Sydney.

On-Market Buy-Back

There is no current on-market buy-back.

ADDITIONAL STOCK EXCHANGE INFORMATION
AS AT 8 SEPTEMBER 2009

Top 20 Holdings as at 8 September 2009

ORDINARY FULLY PAID HOLDER NAME	NUMBER	PERCENTAGE
Network Investment Holdings Pty. Limited	369,018,234	58.07
Direct Group Pty. Limited	36,300,550	5.71
Avondale Management Limited	28,100,050	4.42
Interfine Investments Pty. Limited	17,771,936	2.80
Steven Appleby	10,340,883	1.63
Jean Gamble	7,160,351	1.12
Rotherleigh Properties Pty. Limited	5,714,286	0.90
Henley Group Holdings Limited	4,285,715	0.67
Michael and Birgit Roth	3,808,800	0.60
En – Dev Finance Consultants Pty. Limited	3,800,000	0.60
Geoffrey and Catherine Sinclair	3,600,000	0.56
Angus Martin	3,230,593	0.51
John Waterman	3,019,516	0.48
Iikka Tales	3,000,000	0.48
Tresdam Pty. Limited	2,750,453	0.43
Theo Clark	2,708,978	0.43
Stuart Howes	2,500,080	0.39
JVMPP Investments Pty. Limited	2,273,354	0.37
Don and Ann Lazzaro	2,000,000	0.31
John E Gill Trading Pty. Ltd	1,896,523	0.29
Totals for Top 20	513,280,302	80.77
Security Totals	635,516,979	

ADDITIONAL STOCK EXCHANGE INFORMATION

AS AT 8 SEPTEMBER 2009

Company secretary

Mr J Kinninmont

Shareholder e-mail contact

investorrelations@engin.com.au

Registered office

Level 2,
38-42 Pirrama Road
Pyrmont NSW 2009
Tel: (02) 8777 7777
ACN: 063 582 990
ABN: 46 063 582 990

Principal administration office

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

Share registry

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Tel: (02) 9290 9600

NOTES

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CORPORATE DIRECTORY

Company secretary

Mr J Kinninmont

Shareholder e-mail contact

investorrelations@engin.com.au

Registered office

Level 2,
38-42 Pirrama Road
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Principal administration office

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

Share registry

Registries Limited
PO Box R67, Royal Exchange
Sydney NSW 1223

Auditors

KPMG

Bankers

Westpac Banking Corporation

Solicitors

Freehills

www.engin.com.au