



19 February 2010

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

Registered Office:  
Level 2  
38-42 Pirrama Road  
Pymont NSW 2009  
P: +61 2 8777 7777  
F: +61 2 8777 7192  
W: [engin.com.au](http://engin.com.au)

***By electronic lodgement***

Total pages: **15** (including cover letter)

**Half-Year Report**

In accordance with the Listing Rules, following is the Appendix 4D – Half Year Report of the Company for the financial half year ended 31 December 2009.

Yours sincerely

**For and on behalf of Engin Limited**



**John Kinninmont**  
Company Secretary

**Engin Limited**  
**Appendix 4D**  
**Half year report**  
**Half-year ended 31 December 2009**

**Results for announcement to the market:**

Revenue from ordinary activities	Up	5.6%	to	\$10,548,891
Loss from ordinary activities after tax attributable to members	Down	16.6%	to	\$2,617,260
Net loss for the period attributable to members	Down	16.6%	to	\$2,617,260

**Dividends**

No dividend was declared or paid during the period.

The company reported a net loss attributable to members of \$2,617,260 compared to the corresponding prior year period net loss of \$3,139,410 – an improvement of 16.6%.

Profit was impacted by a decision to revise down the useful life of capitalised software during the period, contributing \$2,084,074 to depreciation expense and to the net loss.

	<b>31 December 2009</b>	<b>31 December 2008</b>
<b>Net tangible assets (NTA) per security</b>	20.6 cents	69.7 cents

The NTA calculation for 2008 and 2009 is reflective of the share consolidation that occurred on 24 November 2009 as if it was effective on the first day of the comparative period.

**Current Reporting Period:** **Half-year Ended 31 December 2009**

Previous Corresponding Period: Half-Year Ended 31 December 2008



**Engin Limited**

ABN 46 063 582 990

**Financial report**  
**for the half-year ended 31 December 2009**

## Directors' report

The directors of Engin Limited are pleased to present their report together with the consolidated financial report for the half-year ended 31 December 2009 and the Auditor's review report thereon.

### Directors

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

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

### Review and results of operations

In six months to December 2009 the company has further consolidated on the gains made in operating efficiency in the past year and delivered a strong result with revenue growth of 5.6% compared to the previous corresponding period and positive EBITDA of \$0.3m.

For the half-year ended 31 December 2009 the consolidated entity generated a loss before and after tax of \$2.6m (2008: loss \$3.1m), an improvement on the corresponding prior year period of 17%. Profit was impacted by a decision to revise down the useful life of capitalised software during the period, contributing \$2.1m to the net loss, bringing the carrying value of this asset down to zero.

Cash flow for the period was positive \$168k with cash flow from operating activities of \$0.6m - a significant \$2.5m improvement against the half-year ended 31 December 08 operating cash flow of negative \$1.9m.

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

	<b>Half-year ended December 2009</b>	<b>Half-year ended June 2009</b>	<b>Half-year ended December 2008</b>
Gross revenue	\$10.5m	\$10.2m	\$10.0m
Gross margin	\$6.5m	\$6.0m	\$5.7m
Operating expenditure	(\$6.2m)	(\$5.9m)	(\$7.3m)
<b>EBITDA</b>	<b>\$0.3m</b>	<b>\$0.1m</b>	<b>(\$1.6m)</b>
Profit/(loss) after tax	(\$2.6m)	(\$3.6m)	(\$3.1m)
Cash at end of period	\$4.4m	\$4.3m	\$4.2m

## **Directors' report**

### **Review and results of operations (continued)**

Gross margin increased to 62% for the period (December 08: 57%)

Engin ended the period with 67,000 active services in operation (SIO's) a 5% increase from December 08. This growth is reflected in the 5.6% increase in revenue. Engin maintains its position as the leading VoIP provider in Australia.

Engin's DSL2+ product continues to enjoy success with over 2,000 DSL services currently active – 70% of these are on a "naked service" and have abandoned their traditional expensive phone line in favour of a high quality, low cost voice over internet product.

During this period Engin successfully migrated its customer base to a new network, which is feature rich and fully scaleable. Finance leases on network equipment have now come to term.

Also during this period Engin relocated its primary place of business – taking advantage of favourable conditions in the commercial property market and negotiating a five-year lease on substantially better terms than it previously enjoyed. As at December 2009 head count stands at 80 FTE around the same level at December 08 and June 09.

During the period the company reduced the number of ordinary shares on issue by consolidating every fifty (50) shares into one (1) share. Following the share consolidation and as at 31 December 2009 the company had 12,710,145 shares on issue.

We expect the company to continue to trade at positive EBITDA for the remainder of the year preserving the cash balance and generating positive operating cash flows.

### **Auditor's independence declaration**

The auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half-year ended 31 December 2009.

Dated at Sydney, 19 February 2010

Signed in accordance with a resolution of the directors:



Mr I Smith  
Chairman



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

To: the directors of Engin Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

  
KPMG



Kenneth Reid  
*Partner*

Sydney

19 February 2010



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

We have reviewed the accompanying half-year financial report of Engin Limited, which comprises the consolidated balance sheet as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 6 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year/interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Engin Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

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



*Conclusion*

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Kenneth Reid  
*Partner*

Sydney

19 February 2010



## **Directors' declaration**

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

1. the financial statements and notes set out on pages 9 to 14, are in accordance with the Corporations Act 2001, including:
  - a. giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the six month period ended on that date; and
  - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney 19 February 2010

Signed in accordance with a resolution of the directors:



.....  
Mr I Smith  
Chairman

**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2009**

	31 December 2009	31 December 2008
	\$	\$
<b>Continuing operations</b>		
Revenue	10,548,891	9,988,001
Communication expenses	(3,451,673)	(3,502,162)
Cost of hardware	(547,098)	(792,657)
<b>Gross profit</b>	<b>6,550,120</b>	<b>5,693,182</b>
Employee expenses	(3,637,017)	(4,292,754)
Marketing expense	(430,426)	(479,475)
Occupancy expenses	(178,844)	(216,321)
Other operating expenditure	(1,979,452)	(2,267,454)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>324,381</b>	<b>(1,562,822)</b>
Depreciation and amortisation expense	(2,995,136)	(1,695,666)
<b>Results from operating activities</b>	<b>(2,670,755)</b>	<b>(3,258,488)</b>
Finance revenue	71,067	175,391
Finance costs	(17,572)	(56,313)
<b>Net finance revenue</b>	<b>53,495</b>	<b>119,078</b>
<b>Profit/(loss) before income tax</b>	<b>(2,617,260)</b>	<b>(3,139,410)</b>
Income tax expense/(benefit)	-	-
<b>Profit/(loss) from continuing operations</b>	<b>(2,617,260)</b>	<b>(3,139,410)</b>
Other comprehensive income	-	-
<b>Other comprehensive income for the period net of income tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>(2,617,260)</b>	<b>(3,139,410)</b>
<b>Earnings per share (cents per share)</b>		
<b>From continuing operations</b>	(6)	¢
Basic earnings/(loss) per share	(20.6)	(24.7)
Diluted earnings/(loss) per share	(20.6)	(24.7)

*Notes to the financial statements are included on pages 13-14*

## Consolidated balance sheet

### As at 31 December 2009

	31 December 2009	30 June 2009
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	4,418,689	4,250,567
Trade and other receivables	1,291,593	1,252,280
Inventories	224,168	181,003
Other	238,892	194,152
<b>Total current assets</b>	<b>6,173,342</b>	<b>5,878,002</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,128,481	1,070,097
Customer management & billing system	-	2,704,975
<b>Total non-current assets</b>	<b>1,128,481</b>	<b>3,775,072</b>
<b>Total assets</b>	<b>7,301,823</b>	<b>9,653,074</b>
<b>Current liabilities</b>		
Trade and other payables	4,023,069	3,649,670
Borrowings	146,736	443,474
Provisions	236,852	250,384
<b>Total current liabilities</b>	<b>4,406,657</b>	<b>4,343,528</b>
<b>Non-Current Liabilities</b>		
Borrowings	177,192	-
Provisions	101,940	76,252
<b>Total non-current liabilities</b>	<b>279,132</b>	<b>76,252</b>
<b>Total liabilities</b>	<b>4,685,789</b>	<b>4,419,780</b>
<b>Net assets</b>	<b>2,616,034</b>	<b>5,233,294</b>
<b>Equity</b>		
Share capital	45,064,769	45,064,769
Reserves	-	-
Retained earnings/(accumulated losses)	(42,448,735)	(39,831,475)
<b>Total equity</b>	<b>2,616,034</b>	<b>5,233,294</b>

*Notes to the financial statements are included on pages 13-14*

**Consolidated interim statement of cash flows**  
For the half-year ended 31 December 2009

	<b>31 December 2009</b>	<b>31 December 2008</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	11,430,975	11,110,072
Cash paid to suppliers and employees	(10,848,256)	(12,911,893)
Interest and other costs of finance paid	(17,572)	(56,313)
<b>Net cash from/(used in) operating activities</b>	<b>565,147</b>	<b>(1,858,134)</b>
<b>Cash flows from investing activities</b>		
Payment for plant and equipment	(348,544)	(25,871)
Interest received	71,065	175,391
<b>Net cash (used in)/from investing activities</b>	<b>(277,479)</b>	<b>149,520</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(325,536)	(644,840)
Proceeds from borrowings	205,990	-
Expenses from issue of equity securities	-	(14,898)
<b>Net cash (used in) / provided by financing activities</b>	<b>(119,546)</b>	<b>(659,738)</b>
<b>Net Increase /(Decrease) in cash and cash equivalents held</b>	<b>168,122</b>	<b>(2,368,352)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,250,567</b>	<b>6,583,252</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,418,689</b>	<b>4,214,900</b>

*Notes to the financial statements are included on pages 13-14*

**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2009**

	Ordinary shares \$	Employee benefits reserve \$	Retained earnings \$	Total equity \$
<b>Balance as at 1 July 2008</b>	<b>45,079,667</b>	-	<b>(33,071,274)</b>	<b>12,008,393</b>
Total recognised income & expense for the period	-	-	(3,139,410)	(3,139,410)
Share issue cost	(14,898)	-	-	(14,898)
<b>Balance as at 31 December 2008</b>	<b>45,064,769</b>	-	<b>(36,210,684)</b>	<b>8,854,085</b>
<b>Balance as at 1 July 2009</b>	<b>45,064,769</b>	-	<b>(39,831,475)</b>	<b>5,233,294</b>
Total recognised income & expense for the period	-	-	(2,617,260)	(2,617,260)
<b>Balance as at 31 December 2009</b>	<b>45,064,769</b>	-	<b>(42,448,735)</b>	<b>2,616,034</b>

*Notes to the financial statements are included on pages 13-14*

## **Condensed notes to the consolidated financial statements For the half-year ended 31 December 2009**

### **1. Reporting entity**

Engin Limited (the “Company”) is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange (“ASX”). The Consolidated interim financial report of the Company as at and for the half-year ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.

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

### **2. Statement of compliance**

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

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

The half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2009.

The half-year financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

### **3. Significant accounting policies**

With the exception of the instance below, the accounting policies applied by the Group and the significant judgements and estimates made by management in applying those accounting policies in this consolidated interim financial report are the same as those in its consolidated financial report as at 30 June 2009 which are in accordance with accounting standards in place at that date.

Since June 2009 the Group has revised the useful life of its software to reflect current expectations of the useful life of such assets. Accordingly, a useful life of 30 months has been prospectively applied from 1 July 2009, which accelerates the depreciation of the written down value compared to the useful life of 5 years applied before.

**Condensed notes to the consolidated financial statements**  
**For the half-year ended 31 December 2009**

4. Subsequent events

There are no subsequent events to report.

5. Segment information

The Group operates primarily as a provider of Broadband telephony services within Australia, and as such segmenting its operations is not relevant.

6. Share Consolidation

During the period the company reduced the number of ordinary shares on issue by consolidating every fifty (50) shares into one (1) share. Following the share consolidation and as at 31 December 2009 the company had 12,710,145 shares on issue.

For comparative purposes the calculation of NTA (Net Tangible Assets) and EPS (Earnings per share) in this report are reflective of the share consolidation that occurred on 24 November 2009 as if it was effective on the first day of the comparative period.