

16 February 2011

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

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 2010.

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 2010

Results for announcement to the market:

Revenue from ordinary activities	Up	4.3%	to	\$11,006,132
Loss from ordinary activities after tax attributable to members	Down	95.8%	to	\$110,958
Net loss for the period attributable to members	Down	95.8%	to	\$110,958

Dividends

No dividend was declared or paid during the period.

The company reported a net loss attributable to members of \$110,958 compared to the corresponding prior year period net loss of \$2,617,260 – an improvement of 95.8%.

	31 December 2010	31 December 2009
Net tangible assets (NTA) per security	21.7 cents	20.6 cents

Current Reporting Period:	Half-year Ended 31 December 2010
Previous Corresponding Period:	Half-Year Ended 31 December 2009



Engin Limited

ABN 46 063 582 990

Financial report
for the half-year ended 31 December 2010

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 2010 and the Auditor's review report thereon.

Directors

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

Name	Period of directorship
Ian Smith Non-executive director Independent Chairman	A director of the company since September 2007. Chairman since January 2008.
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.
Martin Mercer Non-executive director	A director of the company since 30 June 2010.
Timothy Howard Non-executive director	A director of the company since 30 June 2010.
Charles Solomon Executive director & CEO	A director of the company since 30 June 2010.

Review and results of operations

Compared to the prior year corresponding period the company saw a significant improvement in performance with an after tax loss of \$110,958, which was a \$2.5m turnaround on last year. Decreased depreciation and amortisation expense (down \$2.8m) was the key driver in this improvement.

For the six months, EBITDA was at break even; this was down on the December 09 and June 10 periods. The main driver for the EBITDA decrease was an increase in marketing spend on customer acquisition and retention programmes. In addition the company also incurred \$0.2m of non-recurring costs in relation to the proposed capital reduction in December 2010. The company does not expect to incur further costs in relation to this. Cost control otherwise continues to be a focus for management and other costs have remained consistent with prior periods.

Sales and marketing spend of \$0.8m was almost double that of the prior year period and resulted in strong sales growth with Services in Operation (SIO's) up by 15% versus December 2009. The company ended the period with 77,000 SIOs. The growth in Business Services, particularly ePBX services which launched late in 2009, continue to strengthen and saw 46% year on year growth.

In an extremely competitive market, fixed line data growth continued at a good pace, increasing 150%; the company ended the period with around 5,000 DSL services. DSL continues to underpin the residential VoIP strategy enabling users to access voice services with quality of service generally higher than if accessed through another provider.

Revenue increased 4.3% on the corresponding prior year period to \$11.0m – the increases were led by fixed line data services and business ePBX growth. Generally residential voice ARPU and usage are declining, a trend that is seen consistently across the residential fixed line voice market.

Directors' report
Review and results of operations (continued)

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

	Half-year ended December 2010	Half-year ended June 2010	Half-year ended December 2009
Gross revenue	\$11.0m	\$10.4m	\$10.5m
Gross margin	\$6.4m	\$6.4m	\$6.5m
Operating expenditure	(\$6.4m)	(\$6.0m)	(\$6.2m)
EBITDA	\$0.0m	\$0.4m	\$0.3m
Profit/(loss) after tax	(\$0.1m)	\$0.2m	(\$2.6m)
Cash at end of period	\$4.3m	\$4.6m	\$4.4m

Gross margin for the period of 58% (versus prior year 62%) decreased largely as a result of lower margins on fixed line data services.

The company continues to operate a conservative balance sheet with \$4.3m cash and no significant debt.

Currently the expectation is that the company will trade at positive EBITDA and Profit for the remainder of the year preserving the cash balance and a conservative balance sheet position.

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 2010.

Dated at Sydney, 16 February 2011

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 2010 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

16 February 2011



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Engin Limited, which comprises the consolidated statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information 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 period.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2010 and its performance for the half-year period 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 2010 and of its performance for the half-year period 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

16 February 2011

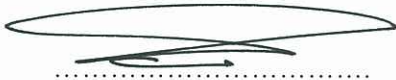
Directors' declaration

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 2010 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 16 February 2011

Signed in accordance with a resolution of the directors:



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Mr I Smith
Chairman

Consolidated statement of comprehensive income
For the half-year ended 31 December 2010

	31 December 2010	31 December 2009
	\$	\$
Continuing operations		
Revenue	11,006,132	10,548,891
Communication expenses	(3,971,750)	(3,451,673)
Cost of hardware	(661,573)	(547,098)
Gross profit	6,372,809	6,550,120
Employee expenses	(3,401,994)	(3,637,017)
Marketing expense	(826,442)	(430,426)
Occupancy expenses	(144,693)	(178,844)
Other operating expenditure	(1,988,702)	(1,979,452)
Earnings before interest, tax, depreciation and amortisation	10,978	324,381
Depreciation and amortisation expense	(218,917)	(2,995,136)
Results from operating activities	(207,939)	(2,670,755)
Finance revenue	112,513	71,067
Finance costs	(15,532)	(17,572)
Net finance revenue	96,981	53,495
Profit/(loss) before income tax	(110,958)	(2,617,260)
Income tax expense/(benefit)	-	-
Profit/(loss) from continuing operations	(110,958)	(2,617,260)
Other comprehensive income	-	-
Other comprehensive income for the period net of income tax	-	-
Total comprehensive income for the period	(110,958)	(2,617,260)
Earnings per share (cents per share)		
From continuing operations	¢	¢
Basic earnings/(loss) per share	(0.9)	(20.6)
Diluted earnings/(loss) per share	(0.9)	(20.6)

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

Consolidated balance sheet
As at 31 December 2010

	31 December 2010	30 June 2010
	\$	\$
Current assets		
Cash and cash equivalents	4,314,773	4,643,575
Trade and other receivables	1,404,300	1,371,215
Inventories	225,603	240,655
Other	308,802	156,247
Total current assets	6,253,478	6,411,692
Non-current assets		
Property, plant and equipment	827,495	814,244
Total non-current assets	827,495	814,244
Total assets	7,080,973	7,225,936
Current liabilities		
Trade and other payables	3,401,986	3,598,272
Borrowings	121,499	59,790
Provisions	193,169	244,385
Total current liabilities	3,716,654	3,902,447
Non-Current Liabilities		
Borrowings	212,890	192,169
Provisions	159,059	135,306
Other	181,677	142,911
Total non-current liabilities	553,626	470,386
Total liabilities	4,270,280	4,372,833
Net assets	2,810,693	2,853,103
Equity		
Share capital	45,064,769	45,064,769
Reserves	100,000	31,452
Retained earnings/(accumulated losses)	(42,354,076)	(42,243,118)
Total equity	2,810,693	2,853,103

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

Consolidated interim statement of cash flows
For the half-year ended 31 December 2010

	31 December 2010	31 December 2009
	\$	\$
Cash flows from operating activities		
Cash receipts from customers	11,961,461	11,430,975
Cash paid to suppliers and employees	(12,237,505)	(10,848,256)
Net cash (used in)/from operating activities	(276,044)	582,719
Cash flows from investing activities		
Payment for plant and equipment	(104,976)	(142,554)
Interest received	112,513	71,065
Net cash from/(used in) investing activities	7,537	(71,489)
Cash flows from financing activities		
Repayment of borrowings	(44,763)	(325,536)
Interest and other costs of finance paid	(15,532)	(17,572)
Net cash (used in) financing activities	(60,295)	(343,108)
Net (Decrease)/increase in cash and cash equivalents held	(328,802)	168,122
Cash and cash equivalents at the beginning of the period	4,643,575	4,250,567
Cash and cash equivalents at the end of the period	4,314,773	4,418,689

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

Consolidated statement of changes in equity
For the half-year ended 31 December 2010

	Ordinary shares \$	Employee benefits reserve \$	Retained earnings \$	Total equity \$
Balance as at 1 July 2009	45,064,769	-	(39,831,475)	5,233,294
Total comprehensive income for the period	-	-	(2,617,260)	(2,617,260)
Balance as at 31 December 2009	45,064,769	-	(42,448,735)	2,616,034
Balance as at 1 July 2010	45,064,769	31,452	(42,243,118)	2,853,103
Total comprehensive income for the period	-	-	(110,958)	(110,958)
Share based payment – Options	-	68,548	-	68,548
Balance as at 31 December 2010	45,064,769	100,000	(42,354,076)	2,810,693

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 2010

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 2010 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 2010 is available upon request from the Company’s registered office at Level 2, 38-42 Pirrama Road, Pyrmont, NSW, 2009 or at www.engin.com.au.

2. Statement of compliance

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

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 2010.

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

3. Significant accounting policies

The accounting policies applied by the Group and the significant judgements and estimates made by management in applying those accounting policies in this consolidated interim financial report are the same as those in its consolidated financial report as at 30 June 2010 which are in accordance with accounting standards in place at that date.

Certain comparative amounts have been reclassified to conform with the current year presentation.

Condensed notes to the consolidated financial statements For the half-year ended 31 December 2010

4. Critical accounting estimates and judgements

The preparation of the interim financial statements require that management make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statement as at and for the period ended 30 June 2010.

5. Subsequent events

On 2 December 2010 the company received a member's request under section 249D of the Corporations Act 2001 to call and arrange to hold shareholder meetings and a proposal under which the company would undertake a selective capital reduction. Under the proposal, all shares in Engin other than those owned by Network Investment Holdings Pty Limited would have been cancelled in return for a cash payment of \$0.70 per Engin share.

On 20 January 2011 Network Investment Holdings Pty Limited withdrew their request for the company to hold shareholder meetings.

6. Related party transactions

Arrangements with related parties continue to be in place. For details please refer to Note 25 of the 30 June 2010 Annual Financial Report.

7. Segment information

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

8. Commitments

There are no material property, plant and equipment commitments as at 31 December 2010.