

Engin Limited

ACN 063 582 990

Appendix 4D and Financial Report for the Half-Year
Ended 31 December 2007

Engin Limited

Appendix 4D for the Half-Year Ended 31 December 2007

Results For Announcement to the Market

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: Half-year Ended 31 December 2007

Previous Corresponding Period: Half-Year Ended 31 December 2006

| | | <i>Percentage Change</i> | Amount |
|---|-----------|--|--|
| | | % | \$ |
| Revenue and Net Profit | | | |
| Revenue (excludes share of net profits of associates accounted for using the equity method) | Up | 18.7% | To 9,826,731 |
| Loss after tax attributable to members | Up | 50.7% | To 6,779,583 |
| Net loss attributable to members | Up | 50.7% | To 6,779,583 |
| | | Half-Year Ended 31 Dec 2007 | Half-Year Ended 31 Dec 2006 |
| Net tangible assets per security (cents per security) | | 2.5 | 8.2 |
| Dividends (Distributions) | | | |
| | | Amount per security | Franked amount per security |
| No dividends were paid during the period | | - | - |

Engin Limited

Appendix 4D for the Half-Year Ended 31 December 2007

Details Relating to Dividends (Distributions)

| | Date dividend paid | Amount per security € | Amount per security of foreign sourced dividend € |
|--|---------------------------|----------------------------------|--|
| | Dec 2007 | - | - |
| | Dec 2006 | - | - |

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

| | Dec 2007 € | Dec 2006 € |
|---|-----------------------|-----------------------|
| Ordinary securities (each class separately) | - | - |

Interim and final dividend (distribution) on all securities

| | Dec 2007 € | Dec 2006 € |
|---|-----------------------|-----------------------|
| Ordinary securities (each class separately) | - | - |
| Total | - | - |

Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Engin Limited

Appendix 4D for the Half-Year Ended 31 December 2007

Details of Associates and Joint Venture Entities

| Name of Entity | Ownership Interest | | Contribution to net profit | |
|-----------------------------------|--------------------|---------------|----------------------------|----------------|
| | Dec 2007 % | Dec 2006 % | Dec 2007 \$ | Dec 2006 \$ |
| Joint Venture Entities | | | | |
| Look Mobile Limited | 50 | 50 | 5,880 | 4,696 |
| Aggregate Share of Profits | N/A | N/A | 5,880 | 4,696 |

Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

- | | |
|---|---|
| <input type="checkbox"/> The accounts have been audited. | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

| |
|-----|
| N/A |
|-----|

Description of dispute or qualification if the accounts have been audited or subjected to review.

| |
|-----|
| N/A |
|-----|

Engin Limited

Financial Report for the Half-Year Ended 31 December 2007

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Engin Limited

Directors' Report

The directors of Engin Limited submit herewith the financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during and since the end of the half-year are:

| <i>Name</i> | <i>Particulars</i> |
|--|--|
| <u>Current Directors:</u> | |
| Ian Smith Non-executive Chairman | Ian Smith, who joined the company in September 2007, brings a wealth of experience in the media and communications industry to the role, with over twenty years in the advertising business. His previous roles include CEO of Yahoo!7, CEO of the Communications Group Ltd, President International for Bates Worldwide and a board Director of Cordiant Communications PLC. |
| Rohan Lund Non-executive director | Rohan Lund, was Director Corporate Development and Strategy for Singtel Optus. Mr Lund is currently the CEO of Yahoo!7. He was previously Director Digital Media for Seven Network. Mr Lund is also a Director of Yahoo!7 and m.Net Corporation. Mr Lund joined the board of Engin in October 2006. |
| Bruce McWilliam Non-executive director | Bruce McWilliam, who joined the company in October 2006, has been a Director of Seven Network Limited since September 2003. He was appointed Commercial Director for Seven Network Limited in May. 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. |
| Ryan Stokes Non-executive director | Ryan Stokes has been a Director of Seven Network Limited since December 2005. He is the current Chairman of Pacific Magazines, President of Seven Network Asia and Director of Yahoo!7. He is also an executive and Director of Australian Capital Equity Pty Limited and other companies including WesTrac Pty Limited. He is a member of the International Olympic Committee Radio and Television Commission and Chairman of Headspace, the Federal Government's National Youth Mental Health Foundation. Mr Stokes joined the board of Engin in October 2006. |
| <u>Former Directors:</u> | |
| William Jephcott Non-executive Chairman | Will Jephcott, an investment banker, joined the board in April 1999 as non-executive chairman and is currently special advisor with Gresham Partners Limited. He is also the deputy chairman of ROC Oil Company Limited and a director of New South Wales Rugby Union Limited. He previously was vice-chairman Investment Banking Group with Merrill Lynch International (Australia) Limited. Mr Jephcott was a member of the Audit, Nomination and Remuneration Committees. |
| Neil Gamble Non-executive director | Neil Gamble, a chartered accountant, joined the board in November 1999. Mr Gamble has been a senior executive of public companies including the Australis Media Limited, Star City Holdings Limited and Solution 6 Holdings Ltd. Most recently he was CEO of Medallist Developments Pty Ltd. Mr Gamble is a chartered accountant and was chairman of the Audit, Nomination and Remuneration Committees. |
| Chris Shaw Non-executive director | Chris Shaw, a chartered accountant, joined the board in 1994 in a non-executive capacity, and is an executive director of Direct Group Pty Limited. Mr Shaw was a member of the Audit, Nomination and Remuneration Committees. |

Engin Limited

Directors' Report

Ilkka Tales
Executive director, CEO

Ilkka Tales was the Chief Executive Officer and founder of the Company. Formerly he was the CEO of Mobile Innovations Ltd, prior to joining Mobile Innovations, Ilkka held numerous global and regional roles in the telecommunications industry at Philips and Telstra.

The above named directors held office during and since the end of the half-year except for:

- Will Jephcott – resigned 31 August 2007
- Ian Smith – appointed 27 September 2007
- Ilkka Tales – resigned 28 November 2007
- Chris Shaw – resigned 29 November 2007
- Neil Gamble – resigned 11 January 2008

Review Of Operations

Engin Limited announces its financial statements for the half-year ended 31 December 2007 showing a net loss before and after tax of \$6.8 million.

On 25 February 2008, Engin Limited lodged a prospectus with the Australian Securities & Investments Commission (ASIC) for a non-renounceable rights issue of 281,022,213 fully paid ordinary shares on the basis of four (4) New Shares for every existing five (5) Shares held on the Record Date, to be issued at \$0.03 each to raise approximately \$8.4 million.

The funds raised from the offer will be used for purposes including funding to complete the strategic restructure of the business and to provide for ongoing capital (including working capital) requirements. The company will be going through a period of further restructure in order to maintain its underlying operation, align overheads and staffing more closely with the current revenue base and position it to grow. Further initiatives will include a review of supplier arrangements and pricing, staff incentive schemes and all processes across the organisation.

This rights issue is a critical step to provide the funding required to complete the restructure. As a leading player in the broadband telephony market we believe there are substantial opportunities to be gained by focusing on our core telephony business, achieving a cost base appropriate to that business and positioning it to grow.

Engin had previously embarked on an aggressive “triple play” growth strategy aimed at successfully growing the subscriber base while expanding the strategic direction with broadband and TiVo. The Board and management considered both the company’s ability to execute this strategy as well as the associated risks. In particular, it was determined that to proceed with the TiVo strategy at this stage was not in the shareholders’ best interests. The company has therefore successfully negotiated a termination of this agreement and is in the process of finalising an arrangement that will enable Engin to sell TiVo to its large customer base without taking on the very significant financial and inventory liabilities and risks associated with being an exclusive distributor.

The investment to date in TiVo has not been significant. However, the next stage of TiVo would have seen the company commit to several million dollars had it proceeded. The Company has acted to maintain a component of a triple play strategy. The Board and management are confident that shareholders will be best served by a focus on the core telephony business.

We have a strong, experienced and committed management team led by our CEO Mark Zworestine, committed to maximising the value from our existing subscriber base and systems infrastructure, and exercising financial discipline. The remuneration of this executive team will be structured to retain talent and provide reward only for success in achieving the restructure.

Further detail of the Rights Issue is provided in note 2 of this report.

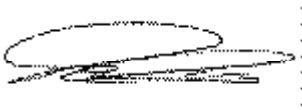
Directors' Report

Auditor's Independence Declaration Under Section 307C of The Corporations Act 2001

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 2007.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



.....
Mr I Smith
Chairman

Sydney, 29 February 2008

The Board of Directors
Engin Limited
431 Warringah Road
SYDNEY NSW 2086

29 February 2008

Dear Board Members

Engin Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Engin Limited.

As lead audit partner for the review of the financial statements of Engin Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



JM Stanley
Partner
Chartered Accountants
Sydney, 29 February 2008

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 balance sheet as at 31 December 2007, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising both Engin Limited (the "Company") and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 16.

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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the 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.



Auditor's Independence Declaration

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 consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "JM Stanley".

JM Stanley
Partner
Chartered Accountants
Sydney, 29 February 2008

Engin Limited

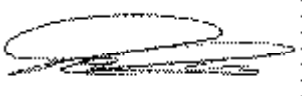
Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors, pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors



.....
Mr I Smith
Chairman

Sydney, 29 February 2008

Engin Limited

Condensed Consolidated Income Statement For the Half Year Ended 31 December 2007

| | Consolidated | |
|--|--------------------------------|--------------------------------|
| | Half-year ended 31 Dec 2007 | Half-year ended 31 Dec 2006 |
| | \$ | \$ |
| Revenue | 9,826,731 | 8,279,410 |
| Other income (includes profit on sale of Unwired shares) | 3,897,870 | - |
| Changes in inventories of finished goods | 377,004 | (526,529) |
| Consumables used and network costs | (6,601,686) | (4,453,743) |
| Employee costs | (7,032,561) | (4,578,524) |
| Marketing expenses | (3,046,712) | (3,025,358) |
| Communications expense | (311,742) | (384,927) |
| IT maintenance costs | (356,228) | (129,838) |
| Financial institution costs | (176,863) | (129,489) |
| Occupancy costs | (248,034) | (156,914) |
| Bad debt expense and collection costs | (70,165) | (53,106) |
| Legal expenses | (246,271) | (33,424) |
| Depreciation and amortisation expense | (1,639,451) | (864,002) |
| Borrowing costs | (641,804) | (82,758) |
| Other expenses from ordinary activities | (515,551) | (544,887) |
| | | |
| <i>Loss Before Income Tax</i> | (6,785,463) | (6,684,089) |
| Income tax benefit | - | 2,179,318 |
| | | |
| <i>Loss From Continuing Operations</i> | (6,785,463) | (4,504,771) |
| Profit From Discontinued Operations | 5,880 | 4,696 |
| | | |
| <i>Loss attributable to members of the parent entity</i> | (6,779,583) | (4,500,075) |
| | | |
| <i>Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners</i> | (6,779,583) | (4,500,075) |
| | | |
| <i>Loss per share:</i> | | |
| From continuing and discontinued operations | | |
| Basic (cents per share) | (1.9) | (1.7) |
| Diluted (cents per share) | (1.9) | (1.7) |
| <i>Loss per share:</i> | | |
| From continuing operations | | |
| Basic (cents per share) | (1.9) | (1.7) |
| Diluted (cents per share) | (1.9) | (1.7) |
| | | |

Notes to the financial statements are included on pages 13-16

Engin Limited

Condensed Consolidated Balance Sheet As at 31 December 2007

| | Note | 31 Dec 2007 \$ | 30 June 2007 \$ |
|---|------|-------------------|--------------------|
| <i>Current Assets</i> | | | |
| Cash assets and cash equivalents | | 3,490,776 | 12,290,656 |
| Trade and other receivables | | 1,987,226 | 2,064,565 |
| Inventories | | 1,158,516 | 781,512 |
| Other | | 294,513 | 240,363 |
| <i>Total Current Assets</i> | | 6,931,031 | 15,377,096 |
| <i>Non-Current Assets</i> | | | |
| Investments accounted for using the equity method | | 21,087 | 15,207 |
| Property, plant and equipment | | 5,840,475 | 6,284,447 |
| Customer management & billing system | | 4,527,652 | 3,844,694 |
| <i>Total Non-Current Assets</i> | | 10,389,214 | 10,144,348 |
| <i>Total Assets</i> | | 17,320,245 | 25,521,444 |
| <i>Current Liabilities</i> | | | |
| Trade and other payables | | 5,839,005 | 6,120,570 |
| Borrowings | | 1,208,871 | 1,261,761 |
| Provisions | | 424,203 | 549,663 |
| <i>Total Current Liabilities</i> | | 7,472,079 | 7,931,994 |
| <i>Non-Current Liabilities</i> | | | |
| Borrowings | | 974,856 | 1,593,106 |
| Provisions | | 131,933 | 138,384 |
| <i>Total Non-Current Liabilities</i> | | 1,106,789 | 1,731,490 |
| <i>Total Liabilities</i> | | 8,578,868 | 9,663,484 |
| <i>Net Assets</i> | | 8,741,377 | 15,857,960 |
| <i>Equity</i> | | | |
| Issued capital | | 35,451,483 | 35,451,483 |
| Reserves | | 972,360 | 1,309,360 |
| Accumulated losses | | (27,682,466) | (20,902,883) |
| <i>Total Equity</i> | | 8,741,377 | 15,857,960 |

Notes to the financial statements are included on pages 13-16

Engin Limited

Condensed Consolidated Cash Flow Statement For the Half Year Ended 31 December 2007

| | Consolidated | |
|--|---------------------|--------------------|
| | Dec 2007 | Dec 2006 |
| | \$ | \$ |
| <i>Cash Flows From Operating Activities</i> | | |
| Receipts from customers | 10,914,572 | 8,199,235 |
| Payments to suppliers and employees | (20,420,939) | (12,776,440) |
| Interest and other costs of finance paid | (641,804) | (88,173) |
| Net cash used in operating activities | (10,148,171) | (4,665,378) |
| <i>Cash Flows From Investing Activities</i> | | |
| Payment for plant and equipment | (1,878,439) | (2,452,706) |
| Interest received | 186,281 | 270,804 |
| Payment for purchase of Unwired shareholding | (21,463,784) | |
| Proceeds on sale of Unwired Ltd shareholding | 25,175,373 | |
| Net cash from / (used in) investing activities | 2,019,431 | (2,181,902) |
| <i>Cash Flows From Financing Activities</i> | | |
| Repayment of borrowings | (671,140) | (143,399) |
| Proceeds from issue of equity securities, net | - | 25,774,049 |
| Net cash (used in) / provided by financing activities | (671,140) | 25,630,650 |
| <i>Net (Decrease) / Increase In Cash and Cash Equivalents Held</i> | (8,799,880) | 18,783,370 |
| <i>Cash and Cash Equivalents At The Beginning Of The Period</i> | 12,290,656 | 2,976,000 |
| <i>Cash and Cash Equivalents At The End Of The Period</i> | 3,490,776 | 21,759,370 |

Notes to the financial statements are included on pages 13-16

Engin Limited

Condensed Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2007

| Consolidated | Ordinary shares \$ | Employee Equity-Settled Benefits Reserve \$ | Retained losses \$ | Total attributable to equity holders of the entity \$ |
|---|--------------------------|---|--------------------------|---|
| Balance as at 30 June 2006 | 9,677,434 | 750,454 | (3,565,491) | 6,862,397 |
| Loss for period | - | - | (4,500,075) | (4,500,075) |
| Total recognised income & expense for the period | - | - | (4,500,075) | (4,500,075) |
| Recognition of share-based payments | - | 300,000 | - | 300,000 |
| Issue of shares | 26,282,323 | - | - | 26,282,323 |
| Share issue cost | (508,274) | - | - | (508,274) |
| Tax benefit related to share issue costs | 152,482 | - | - | 152,482 |
| Balance as at 31 December 2006 | 35,603,965 | 1,050,454 | (8,065,566) | 28,588,853 |
| Balance as at 30 June 2007 | 35,451,483 | 1,309,360 | (20,902,883) | 15,857,960 |
| Loss for period | - | - | (6,779,583) | (6,779,583) |
| Total recognised income & expense for the period | - | - | (6,779,583) | (6,779,583) |
| Recognition of share-based payments | - | (337,000) | - | (337,000) |
| Issue of shares | - | - | - | - |
| Share issue cost | - | - | - | - |
| Tax benefit related to share issue costs | - | - | - | - |
| Balance as at 31 December 2007 | 35,451,483 | 972,360 | (27,682,466) | 8,741,377 |

Notes to the financial statements are included on pages 13-16

Notes to the Financial Statements For the Half-Year Ended 31 December 2007

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Notes to the Financial Statements For the Half-Year Ended 31 December 2007

1. Basis of Preparation

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

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.

Significant accounting policies

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2007 Annual Report.

Notes to the Financial Statements For the Half-Year Ended 31 December 2007

2. Subsequent Events

On 25 February 2008, Engin Limited lodged a prospectus with the Australian Securities & Investments Commission (ASIC) for a non-renounceable rights issue of 281,022,213 fully paid ordinary shares on the basis of four (4) New Shares for every existing five (5) Shares held on the Record Date, to be issued at \$0.03 each to raise approximately \$8.4 million. The Record Date will be 5 March 2008.

The Rights Issue is fully underwritten by Network Investment Holdings Pty Limited, a wholly-owned subsidiary of Seven Network Limited. The Underwriter currently owns 34.01% of the Shares in the Company. In consideration for the underwriting, the Company has agreed to pay the Underwriter a fee of \$111,276, being 2% of the difference between the total amount to be raised under the offer and the application moneys for the New Shares for which the Underwriter (as a 34.01% shareholder) is entitled to subscribe under the Rights Issue.

The purpose of the offer is to raise approximately \$8.4 million (before expenses of the offer). The funds raised from the offer will be used for purposes including funding to complete the strategic restructure of the business and to provide for ongoing capital (including working capital) requirements. The company will be going through a period of further restructure in order to maintain its underlying operation, align overheads and staffing more closely with the current revenue base and position it to grow. Further initiatives will include a review of supplier arrangements and pricing, staff incentive schemes and all processes across the organisation.

The purpose of the Offer is primarily to:

- Address the immediate cash issue to provide the funding to complete the strategic restructure of the business;
- Provide capital to grow the subscriber base in the broadband telephony environment;
- Allow the business to consider deploying additional complementary products such as broadband and TiVo; and
- Provide ongoing working capital

3. Segment Information

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

4. Plant and Equipment

The company invested \$1.8 million in capital expenditure during the half-year. The expenditure relates mainly to the implementation of the Customer Management and Billing system that went live during the half-year.

Notes to the Financial Statements For the Half-Year Ended 31 December 2007

5. Net Current Asset Deficiency

The half-year financial report has been prepared on a going concern basis. As at 31 December 2007, the consolidated group has a net current asset deficiency of \$541,000. Subsequent to year end, the company has announced a fully underwritten Rights Issue, to raise \$8.4 million.

The directors are satisfied the company will have sufficient future cash flows to meet its financial obligations.