ANNUAL REPORT 2006

EMPIRED

EMPIRED Ltd.
ABN 81 090 503 843

CORPORATE DIRECTORY

DIRECTORS
Mel Ashton (Chairman)
David Taylor (Non – executive Director)
Russell Baskerville (Managing Director & CEO)

COMPANY SECRETARY
Craig J Ferrier

REGISTERED OFFICE
469 Murray Street
PERTH WA 6000
Telephone No: +618 9321 9401
Fax No: +618 9321 9402

COMPANY NUMBER
A.C.N: 090 503 843

LEGAL ADVISERS
McKenzie Moncrieff Lawyers
Level 5, 37 St Georges Tce
Perth WA 6000

AUDITORS
Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
PERTH WA 6000

COMPANY DOMICILE AND LEGAL FORM
Empired Limited is the parent entity and an Australian Company limited by shares

COUNTRY OF INCORPORATION
Australia

PRINCIPLE PLACE OF BUSINESS
Perth
469 Murray Street
PERTH WA 6000
Telephone No: +618 9321 9401
Fax No: +618 9321 9402

Melbourne
470 Colins Street
MELBOURNE VIC 3000
Telephone No: +613 8610 0700
Fax No: +613 8610 0701

Sydney
3 Spring Street
SYDNEY NSW 2000
Telephone No: +612 9256 0200
Fax No: +612 9256 0201

WEB SITE ADDRESS
www.empired.com

CONTENTS

KEY ACHIEVEMENTS

"... Plan ...

... Develop ...

... Deliver ..."

KEY ACHIEVEMENTS

CORPORATE

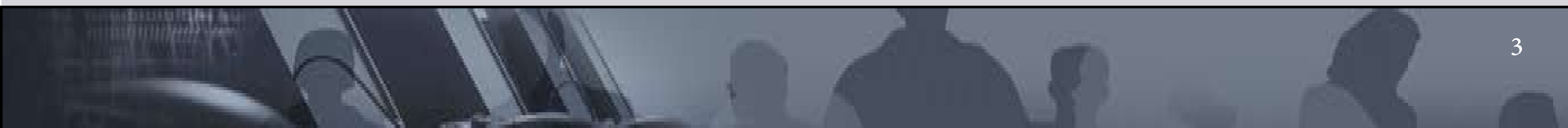
- Restored focus on the development of our core businesses
- Developed a clear vision and a plan for growth
- Full restructure of management team and group operations
- Group revenue Growth of 33%

IT SERVICES

- Implemented new management structure and business model
- Focus on annuity revenue services
- Developed national growth plan and expanded into Victoria
- Revenue growth of 77%

BIGREDSKY

- Developed new business model and sales plan
- 100% Annuity based revenue
- Developed national sales team in Perth, Melbourne and Sydney
- Improved product functionality and competitiveness
- Reduced maintenance costs
- Increased Scalability



RESULTS

1

"Last year was a year of investment and development, laying a solid foundation for the ongoing growth and success of Empired"

RESULTS

Revenue	$4,992,125
EBITDA	$530,789
NPAT	$198,399

2

CHAIRMAN & CEO REVIEW

"Working together to develop a clear business strategy with thorough execution, in doing so, driving growth and shareholder value."

CHAIRMAN & CEO REVIEW

Chairman and CEO Review

Dear fellow shareholders

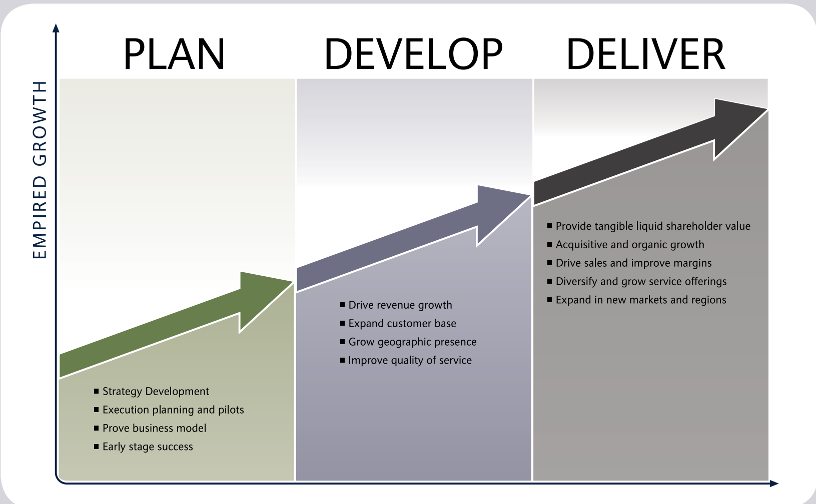
We are pleased to present to you the Empired Limited 2006 Annual Report. Throughout the year we have overseen many changes within the business and our growth initiatives are well underway with positive signs emerging after just twelve months of execution. Last year was a year of investment and development, laying sound foundation for the ongoing growth and success of Empired. Whilst we focused on the development of our business model and plan we continued to deliver a profitable result of $198,399 NPAT with EBITDA of $530,789 and experienced revenue growth across the group to $4.99 Million up 32% on the previous year. With our forward momentum strong and the ongoing development of our initiatives in train, we expect continued growth for some time to come.

To drive growth across our organisation we have developed three clear strategies:

- Diversify our revenue and business model through a balanced investment in both our Talent Management business BigRedSky and our IT Services business
- Focus on building annuity revenue and drive organic growth throughout our chosen regions
- Develop deep long term relationships with our customers through the provision of high quality and valued services

To reflect the new focus in 2006 a number of initiatives were undertaken:

- An organisational re-structure with the appointment of a predominately new and experienced General Management team to focus on the core areas within our respective businesses
- An expansion into Sydney, New South Wales and the securing of customers in every state of Australia
- An investment in R&D that has increased the competitiveness and capacity of the BigRedSky service
- An investment in our Services Business increasing our lines of service and improving the quality of our offering



2

At the operational level we experienced success in a number of areas within both our core businesses.

The investment and development of the BigRedSky business achieved a number of encouraging results:

- A new product version was released that provides increased functionality and competitiveness, reduced maintenance costs and greater scalability
- A national sales team was established with a presence in WA, Vic and NSW
- Sixteen new customers were secured in under 5 months with a 100% annuity based revenue model, significantly many of these customers were members of the top 50 ASX/SFE listed companies

Whilst these early development stage successes have been gratifying there is still much to be done. We now have a proven business model that is starting to deliver returns, we need to further develop and drive this model through organic growth in Australia, expand the regions in which we operate and diversify the services BigRedSky provides to its customers. In so doing, we will position BigRedSky as an industry leader in the provision of talent management services.

Our IT services business continued to provide strong results and with a renewed focus on the growth of this business we expect solid returns to continue. Highlights within the 2006 financial year included:

- Delivering 77% revenue growth
- Securing an IT Outsourcing contract with multi billion dollar resources company Oxiana Limited
- Implementing a new management structure to provide a focus on strategic initiatives and drive growth
- Developing a plan to expand the services business nationally

The IT Services business is established as a sound performer in the deliver of IT projects in WA, our challenge is to increase our service offerings, grow our customer base and expand into regions that present a larger market opportunity. This will provide strong, continued growth and customer satisfaction.

With the expected growth in revenue from both the BigRedSky and IT Services business the company is well poised to establish a strong diversified revenue base over the coming twelve months. This diversified income stream will represent annuity revenue from a broad range of industry sectors including financial services, mining and resources, government and health, all where strong demand levels are being experienced.

CHAIRMAN & CEO REVIEW

With the expected growth in revenue from both the BigRedSky and IT Services business the company is well poised to establish a strong diversified revenue base over the coming twelve months. This diversified income stream will represent annuity revenue from a broad range of industry sectors including financial services, mining and resources, government and health, all where strong demand levels are being experienced.

At heart, we are a services based company and our people drive our success. We recognise the importance they play in our ongoing development and we invest in our human resources to foster a great working environment. We provide professional development and training to ensure we are at the forefront in technical and professional excellence. Our leadership in this area ensures we attract and retain the best in quality experienced professionals, proven through our excellence in customer service.

As a diversified technology provider we are continually assessing the opportunities that are presented to us, these are broad and varied in nature. With growth will come greater opportunities that will improve in quality, constantly improving the companies outlook and potential. We apply a range of management methodologies to assess these opportunities, however employ a common clear goal to focus on developing and growing tangible value in your investment.

Goals

We are a business of great potential, with sound assets and a proven ability to provide results. Our challenge is harnessing this potential, developing it and driving it to become a great business and in turn delivering real commercial results. In achieving this challenge we will create quantifiable, tangible value.

Be a leader in our chosen technology fields

Build diversified sustainable long term revenue

Drive revenue and earnings growth over the following three years

Create tangible, liquid shareholder value

In summary we have

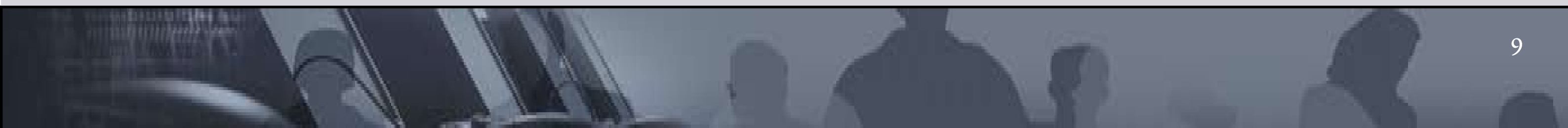
- Restored focus on the development and growth of our core businesses
- Set a clear vision and direction
- Proven the foundations of our business model
- And developed a sound, achievable plan for growth

Before us lies an exciting year that holds much promise, we look forward to delivering on our goals and providing sound progress in the growth and development of our core businesses.

On behalf of the board of directors I would like to thank all our staff for their dedication and commitment to our ongoing success and to you for your confidence, patience and continued support.

Russell Baskerville
Chief Executive Officer

Mel Ashton
Chairman



EMPIRED

3

OPERATIONAL REVIEW: EMPIRED'S IT SERVICES BUSINESS

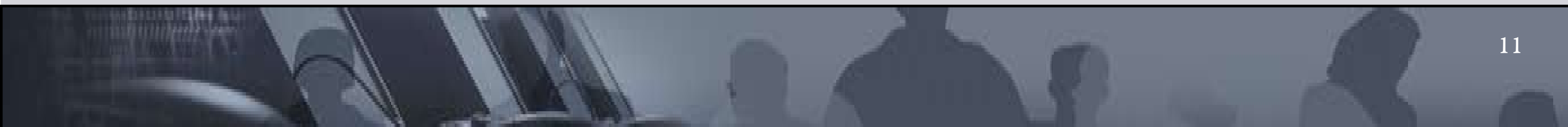
"Continuing to drive solid growth, providing sound profits with strong cash flow"

OPERATIONAL REVIEW: EMPIRED'S IT SERVICES BUSINESS

2006 proved a stellar year for Empired's IT Services business with revenue growth of 77% on 2005 and gross margin's improving to an average of 38%. This growth was driven through a clear strategy to deepen our customer relationships, provide a broader more clearly defined range of services and focus on new business development. As a result not only have we improved revenue and profit from existing customer engagements, we have also substantially improved new business acquisition.

OUR SERVICES MODEL

Empired's IT Services business provides a turn key IT infrastructure solution for its clients. Our clients want more than an organisation to simply build a solution, we are meeting these customer challenges through building deep client relationships at a business level, working to identify how technology can improve and add value to our customers businesses. We work closely with our customers to design thorough solutions, implementing them in line with best practice and providing ongoing management and support of these business critical assets.

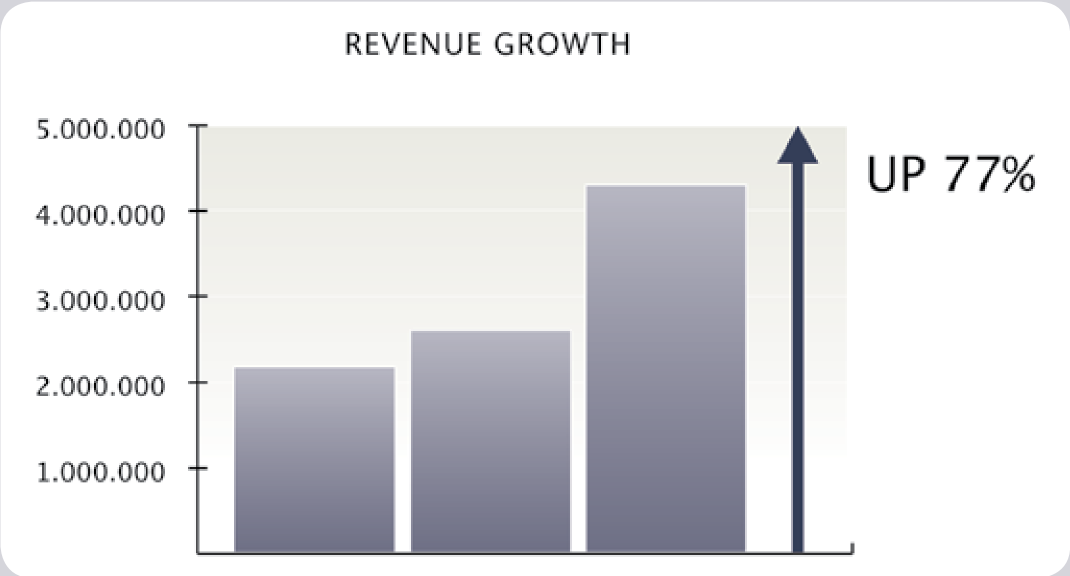


MAJOR PROJECTS

Throughout the year we delivered a number of major IT projects to some of Australia's leading corporations and government departments.

We worked with Unisys West to develop a national infrastructure platform for BankWest. Providing a team of up to 25 engineers working across Australia to develop a state of the art, secure, robust and functional solution allowing the Bank to meet stringent HBOS infrastructure requirements and underpin a national expansion plan.

Leading resources company Oxiana Limited called on Empired's services business to assist in the development of an infrastructure platform that allowed them to pursue an aggressive growth strategy. Oxiana now leverage Empired's expertise in the ongoing management and support of there IT infrastructure assets across the globe. This contract sees Empired providing services throughout Australia and to locations in South East Asia including Laos, Vientiane and China. Oxiana are a top 50 ASX listed company.



OPERATIONAL REVIEW: EMPIRED'S IT SERVICES BUSINESS

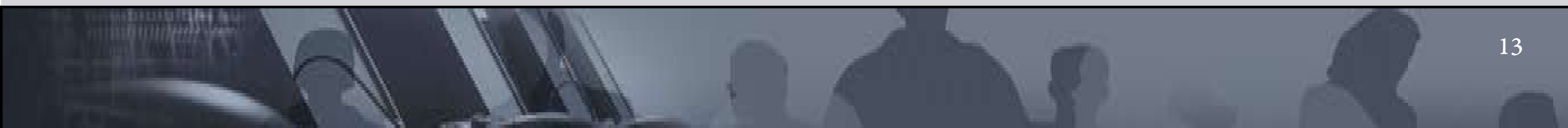
NATIONAL EXPANSION

A solid track record of delivery in Western Australia and the ongoing improvement in the quality and breadth of our services provides a strong platform to launch our services business into the two largest IT Services markets in Australia.

Victoria will be established early in the 2007 financial year and is expected to provide contribution in the same year. Our model will be largely based on the successful model operated in WA. Through a number of clients we are already delivering many services in Victoria and this strategic move will position Empired's services business to capitalise on the current strong market conditions and continue to drive substantial revenue growth.

OUTLOOK

A proven experienced management team, a sound business model, excellent market conditions and a detailed national growth strategy will position Empired's IT Services business for controlled effective growth through the 2007 financial year.



4

"Positioning to capitalise on a strong HR market and provide an exciting growth engine."

OPERATIONAL REVIEW: BIGREDSKY

BigRedSky has experienced a year of change and development in its underlying business model. We are confident with the investment made over the previous 12 months that BigRedSky is now positioned to become an Australian market leader in the provision of online talent management services and is poised to experience sound growth.

OUR SOFTWARE AS A SERVICE OFFERING

Our investment in creating a competitive, best of bread solution over the previous 12 months has been substantial. It is this investment that has underpinned the recent sales growth and will drive our business to a leadership position over the coming twelve months.

Extensive market research was undertaken, incorporating what is happening around the world, what our prospective customers are asking for and user groups to better understand what would vastly improve our service offerings.

The outcome of this development lifecycle is the release of BigRedSky ASAP. A service that is quickly established, cost effective and functionality rich.

We continue to invest in R&D ensuring we stay ahead of our competition and provide an ongoing improvement in services to our customers. Our R&D program includes a product roadmap, user feedback forums and customer based BETA testing teams. We are currently rolling out new services to all of our customers on a 4 to 6 weekly basis. This level of customer service and product improvement ensures long term strong customer relationships where real value is being demonstrated.

GROWING OUR MARKET PENETRATION

While investing heavily in our service offering, we also focused on developing a sound commercialisation plan to take our new offering to market. BigRedSky now provides a 100% annuity based revenue model for its service offering, that allows customers to scale up or down based on their requirements.

This model provides long term recurring revenue from the BigRedSky customer base and drives strong customer relationships.

A focus was placed on developing a commercialisation model that could be scaled up quickly and replicated easily at relatively low cost. We are now starting to bear fruit with the current expansion across Australia.

INCREASING OUR GEOGRAPHIC PRESENCE

On the back of proving our commercialisation plan in Victoria we expanded our sales and customer service reach in Western Australia, Victoria and New South Wales. With a dedicated team of sales executives and customer service representatives now operating out of these three states, BigRedSky is addressing a far larger market with a focused plan and a dedicated team. It is expected that this will drive organic sales growth through the 2007 financial year.

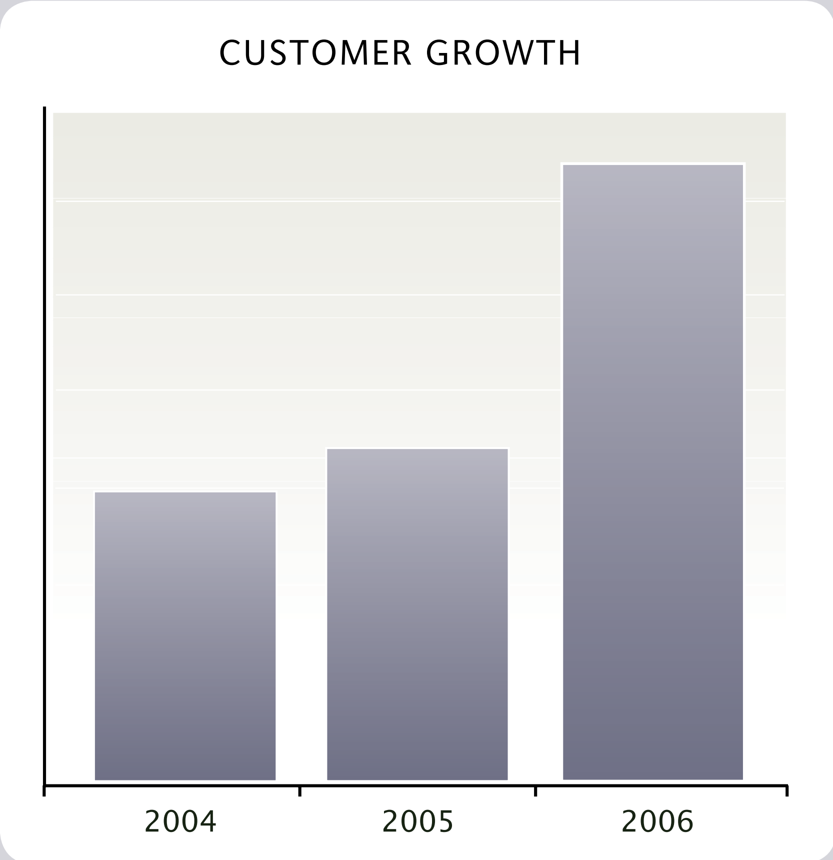
As the model becomes more successful within Australia, a plan is being developed to grow the regions in which we operate.

DIVERSIFYING OUR SOFTWARE AS A SERVICE OFFERING

As the online recruitment market matures and BigRedSky's customer base expands a significant opportunity will exist to grow revenues through the provision of additional online talent management services. BigRedSky is well positioned to take advantage of this through an established client base that is already utilising online HR technology services from BigRedSky. R&D is currently being undertaken to move toward a model to provide broader services as this evolves BigRedSky will become a full service online Talent Management provider to the HR market.

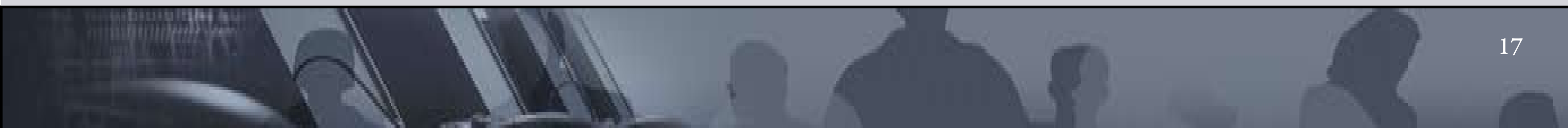
OPERATIONAL REVIEW: BIGREDSKY

4



OUTLOOK

BigRedSky's commercialisation plan is still in its infancy, however initial indicators are positive. With a sound plan now in place, a rapid expansion program underway and strong increasing market demand, we expect an impressive performance from this business.



5

DIRECTORS' REPORT

"A clear focus on creating quantifiable tangible value."

DIRECTORS' REPORT

The directors present their report together with the financial report of Empired Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the auditor's report thereon.

Directors

Name	Age	Experience and special responsibilities
Mel Ashton Chairman	48	Mel Ashton is a Chartered Accountant with over 25 years experience. For a majority of that time he has specialised in Corporate Reconstruction. Mel established his own practice in Western Australia, which has grown to be a market leader. Mel's experience covers a wide range of industries and he consults to a number of Executives and Entrepreneurs as a business mentor. Mel is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountants in Australia. Mel's other appointments include: • State Chairman of the WA Branch of Institute of Chartered Accountants • Director and Vice President of the Fremantle Football Club Ltd • Chairman of Finance and Audit of the Fremantle Football Club Ltd • Chairman of PCT Engineers Pty Ltd • Chairman of Gryphon Minerals Ltd
David Taylor Non-executive Director	64	David has extensive commercial experience with a banking and marketing background. During the nineties he held positions as General Manager of the principal operating divisions of BankWest. He was also Chairman of BankWest subsidiaries TrustWest and TW Nominees during that period. He currently holds the position of Chairman, Perth Market Authority, and is a non-executive director of HBF Financial Services and Forest Products Commission. David is a Fellow of the Australian Institute of Company Directors.
Russell Baskerville Managing Director	28	With extensive business experience and exposure to the IT industry Russell brings a wealth of knowledge in both the strategic growth and development of Technology businesses and a strong understanding of the commercial benefits achieved through the application of technology. Prior to Empired, Russell was founder and Managing Director of an IT consultancy and services business. Russell led this business through a successful acquisition in early 2001. In addition Russell was founder and Managing Director of Procom Holdings Pty Ltd supplying EFTPOS service and support to a number of tier one banks in Australia. Russell remains a non-executive director and shareholder of this business.

Principle Activity

The principal activities of the consolidated entity during the year have comprised:

The ongoing development of the BigRedSky online Talent Management System and sales and marketing activities associated with commercialising this technology. In addition, the Company continued the operation of its services business resulting in the provision of services covering software systems, development, consulting and infrastructure deployment.

Other than as described above there were no significant changes in the nature of the activities carried out during the year.

Significant changes in the state of affairs

Gavin Burnett removed himself for re-election as an executive director as per rule 13.2 of the company constitution, resolution 2 in the Annual General Meeting held 29th of November 2005 and as a result retired as a director of the company on that date. Gavin resigned from any position with the company on the 31st of December 2005.

On the 19th of January 2006 Peter Leonhardt and Fraser Campbell resigned as Chairman and non-executive director respectively. Mel Ashton and David Taylor were appointed to the board as Chairman and Non-executive director respectively on the 21st of December 2005.

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years other than as set out below:

The company has completed its application for the research and Development ("R & D") tax concession. The expected value of the R & D tax offset is $332,893. This amount will be payable to the Company following lodgement of its 2006 Income Tax Return. Refer note 5.

The company intends to issue a company wide Share Option plan to all employees. It is hoped that the plan will align the interests

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements as they apply to the consolidated entity.

Dividends

The directors of Empired Limited do not recommend the payment of a dividend and no dividends have been paid or declared since the commencement of the year.

SHARE OPTIONS

Share Options Granted to Directors and Officers

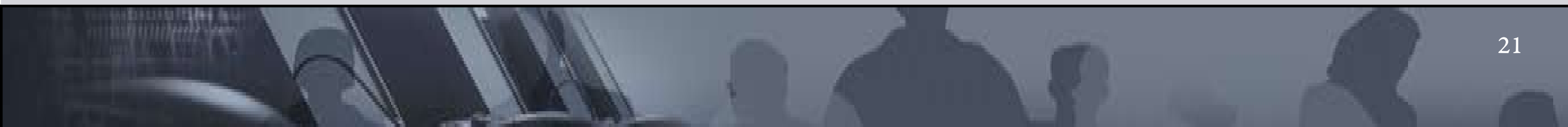
There were no other options granted to Directors and Officers of the company during or since the end of the financial year. Russell Baskerville was granted 700,000 share options during the year as per shareholder approval.

Unissued Shares

At the date of this report, there were 2,737,550 unissued ordinary shares under options (2,737,550 at the reporting date). Refer to Note 12 of the financial statements for more detail. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Shares Issued as a result of the exercise of options

No share options have been exercised in the period, or to the date of this report.



Auditor's independence declaration to the directors of Empired Limited

The directors have received an Independence Declaration from Ernst & Young the auditors of Empired Limited and it is included in this Financial Report.

Non-Audit Services

Non-Audit services provided by the entity's Auditor can be found at note 24. The Directors are satisfied that the provision of non-audit services is compatible with the standard of independence for auditors imposed by the Corporations Act. The nature and scope of each non-audit service provided means that auditor independence was not compromised.

Indemnification of Officers and Directors

The Directors, Secretary and certain former directors of Empired Limited have been indemnified by the company in respect of their potential liability to third parties. The Company does not have a policy of insurance to provide for such liabilities in place at this stage. No such indemnity or insurance exists in relation to the Auditors.

Directors

The following served as directors of the company during the year and since the end of the year:

Name of Director	No. of Meetings Held while a Director	No. of Meetings Attended as a Director during the year ended 30 June 2005
Peter Leonhard	6	6
Gavin Burnett	5	4
Fraser Campbell	6	6
Russell Baskerville	12	12
Mel Ashton	7	7
David Taylor	7	7

Gavin Burnett	Retired 29th of November 2005
Fraser Campbell	Resigned 21st of December 2005
Peter Leonhardt	Resigned 21st of December 2005
Mel Ashton	Appointed 21st of December 2005
David Taylor	Appointed 21st of December 2005

DIRECTORS' REPORT

Director's interests

The following table sets out each Directors (including their related parties) interest in shares and options of the company as at the end of the financial year:

Director	Ordinary Shares	Options
Russell Baskerville	4,220,841	700,000[1]
Mel Ashton	-	-
David Taylor	-	-

[1] On 29 November 2005, 700,000 options were issued with a fair value of:

Options	Fair value per option	Exercise price per option
233,333	$0.05	$0.20
233,333	$0.044	$0.25
233,334	$0.038	$0.30
700,000		

The names of the company's directors in office during the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mel Ashton (Appointed 21st of December 2005)
David Taylor (Appointed 21st of December 2005)
Russell Baskerville

Signed in accordance with a resolution of directors.

Russell Baskerville
Managing Director

5

FINANCE REPORT

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	*CONSOLIDATED*		*PARENT*	
		2006	*2005*	*2006*	*2005*
		$	*$*	*$*	*$*
Continuing Operations					
Revenue					
Rendering of services	4	4,976,559	3,774,558	4,976,559	3,774,558
Cost of Sales		(3,112,809)	(1,785,546)	(3,112,809)	(1,858,116)
Gross profit		1,863,750	1,989,012	1,863,750	1,916,442
Other Income	4	15,566	4,370	15,566	4,370
Legal expenses		(4,772)	(18,426)	(4,772)	(18,426)
Marketing expenses		(30,431)	(21,220)	(30,431)	(21,220)
Occupancy expenses		(128,441)	(85,650)	(128,441)	(85,650)
Employee expenses		(851,445)	(614,934)	(851,445)	(624,291)
Amortisation expenses		(539,912)	(400,874)	(539,912)	(400,874)
Depreciation expenses		(77,306)	(61,930)	(71,790)	(53,488)
Other expenses		(345,165)	(341,099)	(350,679)	(267,614)
Profit before income tax		(98,156)	449,249	(98,156)	449,249
Income tax expense	5	296,555	275,221	296,555	275,221
Profit after tax from continuing operations		198,399	724,470	198,399	724,470

BALANCE SHEET

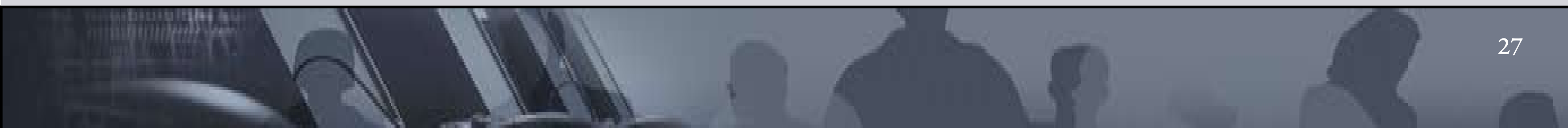
AS AT 30 JUNE 2006

	Notes	CONSOLIDATED		PARENT	
		2006 $	2005 $	2006 $	2005 $
ASSETS					
Current Assets					
Trade and other receivables	7	1,025,578	1,335,688	1,025,578	1,318,449
Inventories	8	4,830	-	4,830	-
Prepayments	9	71,248	79,956	71,248	79,956
Total Current Assets		1,101,656	1,415,644	1,101,656	1,398,405
Non-Current Assets					
Other financial assets	22	-	-	374,345	397,427
Property, plant and equipment	10	256,680	177,550	233,985	149,012
Intangible assets & goodwill	11	3,985,576	3,694,489	2,118,619	1,827,532
Total Non-current assets		4,242,256	3,872,039	2,726,949	2,373,971
TOTAL ASSETS		5,343,912	5,287,683	3,828,605	3,772,376
LIABILITIES					
Current Liabilities					
Bank overdraft	6	1,964	111,668	1,964	111,668
Trade and other payables	13	567,036	434,222	567,036	434,222
Interest-bearing loans and borrowings	14	73,128	63,180	73,128	63,180
Income tax payable	15	36,338	63,419	36,338	63,419
Provisions	15	91,560	58,339	91,560	58,339
Unearned revenue	16	112,199	321,851	112,199	321,851
Total Current Liabilities		882,225	1,052,680	882,225	1,052,680
Non-current Liabilities					
Interest-bearing loans and borrowings	14	23,799	18,192	375,450	369,843
Total Non-current Liabilities		23,799	18,192	375,450	369,843
TOTAL LIABILITIES		906,024	1,070,872	1,257,675	1,422,523
NET ASSETS		4,437,888	4,216,810	2,570,930	2,349,853
EQUITY					
Issued capital	17	5,659,623	5,659,623	5,659,623	5,659,623
Employee equity benefits reserve	17	23,049	370	23,049	370
Accumulated losses		(1,244,784)	(1,443,182)	(3,111,742)	(3,310,140)
TOTAL EQUITY		4,437,888	4,216,810	2,570,930	2,349,853

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT 2006 $	PARENT 2005 $
Cash flows from operating activities					
Receipts from customers		4,960,703	3,761,363	4,960,703	3,761,363
Payments to suppliers and employees		(4,976,165)	(4,029,625)	(4,966,220)	(4,071,453)
Borrowing costs		(11,727)	(4,934)	(11,727)	(4,934)
Income tax rebate		338,686	240,716	338,686	240,716
Income tax paid		(63,130)	(26,733)	(63,130)	(26,733)
Receipt of government grants		12,437	-	12,437	-
Interest received		3,129	4,313	3,129	4,313
Net cash flows from/(used in) operating activities	6(iii)	263,933	(54,900)	273,877	(96,729)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		-	-	-	-
Purchase of property, plant and equipment		(159,201)	(55,582)	(159,201)	(55,582)
Purchase of other financial assets		(3,500)	-	(3,500)	-
Net cash flows from/(used in) investing activities		(162,701)	(55,582)	(162,701)	(55,582)
Cash flows from financing activities					
Payment of share issue and capital raising costs		-	(40,000)	-	(40,000)
Payment of finance lease liabilities		(50,974)	(24,086)	(50,974)	(24,086)
Proceeds from borrowings		59,447	33,180	59,447	33,180
Repayment of loan from subsidiary		-	-	-	42,650
Net cash flows from/(used in) financing activities		8,472	(30,906)	8,472	11,744
Net increase/(decrease) in cash and cash equivalents		109,704	(141,388)	109,704	(140,568)
Net foreign exchange differences		-	-	-	-
Cash and cash equivalents at beginning of period		(111,668)	29,720	(111,668)	28,899
Cash and cash equivalents at end of period	6	(1,964)	(111,668)	(1,964)	(111,668)



EMPIRED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

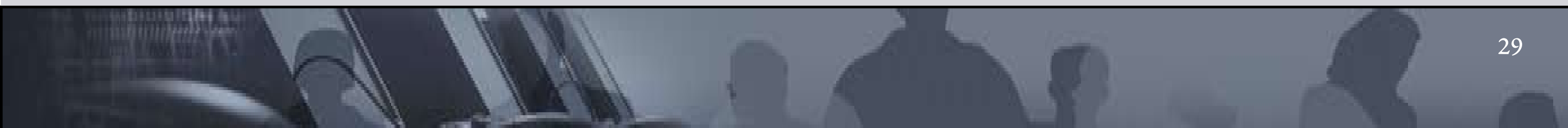
5

	Attributable to equity holders of the parent			*Total equity*
	Issued capital $	Retained earnings $	Equity Benefits Reserve $	$
CONSOLIDATED				
At 1 July 2004	5,659,623	(2,167,652)	-	3,491,971
Profit for the year	-	724,470	-	724,470
Exercise of options	-	-	-	-
Cost of share-based payments	-	-	370	370
At 30 June 2005	5,659,623	(1,443,182)	370	4,216,810
Total income and expense for the year recognised directly in equity	-	-	-	-
Profit for the year	-	198,399	-	198,399
Issue of share capital	-	-	-	-
Exercise of options	-	-	-	-
Cost of share-based payments	-	-	22,679	22,679
At 30 JUNE 2006	5,659,623	(1,244,784)	23,049	4,437,888

STATEMENT OF CHANGES IN EQUITY (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

	Attributable to equity holders of the parent			*Total equity*
	Issued capital $	Retained earnings $	Employee Benefits Reserve $	$
PARENT				
At 1 July 2004	5,659,623	(4,034,901)		1,624,722
Profit for the year	-	724,760	-	724,760
Exercise of options	-	-	-	-
Cost of share-based payments	-	-	370	370
At 30 June 2005	5,659,623	(3,310,141)	370	2,349,852
Total income and expense for the year recognised directly in equity	-	-	-	-
Profit for the year	-	198,399	-	198,399
Issue of share capital	-	-	-	-
Exercise of options	-	-	-	-
Cost of share-based payments	-	-	22,679	22,679
At 30 June 2006	5,659,623	(3,111,742)	23,049	2,570,930



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1 CORPORATE INFORMATION

The financial report of Empired Ltd for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 20 October 2006.

Empired Limited is a company limited by shares incorporated in Australia.

The nature of the operation and principal activities of the Group are described in note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001and applicable Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand unless otherwise stated.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 2 (ac) below.

Australian Accounting Standards that have recently been issued or amended but not yet effective have not been adopted for the annual reporting period ended 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(b) Statement of compliance (c'td)

AASB Amendment	Affected Standard	Nature of change to accounting policy	Application date of standard	Application date for the Group
2005-1	AASB 139: Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-5	AASB 1: First time adoption of AIFRS AASB 139: Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-6	AASB 3: Business Combination	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-9	AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts, AASB 139: Financial Instruments: Recognition and Measurement, AASB 132: Financial Instruments: Disclosure and Presentation.	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132:Financial Instruments: Disclosure and Presentation, AASB 101: Presentation of Financial Statements, AASB 114: Segment Reporting, AASB 117: Leases, AASB 133: Earning per Share, AASB 139: Financial Instruments: Recognition and Measurement, AASB 1: First time adoption of AIFRS, AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts and AASB 1038: Life Insurance Contracts.	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
2006-1	AASB 121: The Tax Effects of Changes in Foreign Exchange Rates	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New Standard	AASB 7: Financial Instruments	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
UIG 4	Determining whether an arrangement contains a lease	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
UIG 8	Scope of AASB 2	No change to accounting policy required. Therefore no impact	1 March 2006	1 July 2006
UIG 9	Reassessment of Embedded Derivatives	No change to accounting policy required. Therefore no impact	1 June 2006	1 July 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Empired Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Empired Limited has control.

Tusk Technologies Pty Ltd has been included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of Tusk Technologies Pty Ltd for the full financial year. The purchase consideration has been allocated to the assets and liabilities on the basis of the fair value at the date of acquisition.

(d) Investment in associate

The Group's investment in its associate is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies.

The investment in the associate is carried in the consolidated balance at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

(e) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment - over 5 to 15 years

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(e) Property, plant and equipment (c'td)

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Impairment losses are recognised in the income statement in the cost of sales line item.
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(f) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(g) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

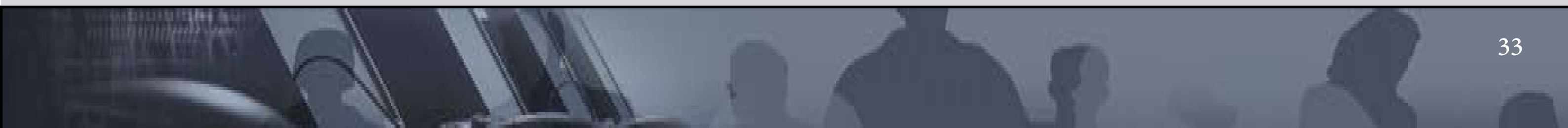
Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.



FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(g) Goodwill (c'td)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

(h) Intangible Assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to the class of intangible assets.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'amortisation expenses' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(h) Intangible Assets (c'td)

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and Licences	*Development Costs*
Useful lives	*Indefinite*	*Finite*
Method used	*Not depreciated or revalued*	*6 years- Straight line*
Internally generated / Acquired	*Acquired*	*Internally generated*
Impairment test / Recoverable amount testing	*Annually and where an indicator of impairment exists*	*Amortisation methods reviewed at each financial year-end; Reviewed annually for indicator of impairment*

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised on the income statement when the asset is derecognised.

(i) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(j) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured as fair value. Gains or losses on investments held for trading are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials - purchase cost on a first-in, first-out basis; and
Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Trade and other receivables

Trade receivables, which generally have 30-45 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(m) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(o) Provisions (c'td)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Share-based payment transactions

The Group provides to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

(i) The Empired Employee Share Option Plan (ESOP), which provides to all employees excluding directors, and

(ii) The BRS Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model further details are given in note 12.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price if the shares of Empired Ltd ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(p) Share-based payment transactions (c'td)

The Group has applied the requirements of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' in respect of equity-settled awards and has applied AASB 2 'Share-based Payments' only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

(q) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Licence sales

Revenue from licence sales is recognised when the economic entity has passed control of the goods to the buyer

Rendering of services

Revenue from the provision of services is recognised when the service has been provided.

Maintenance, Hosting and Support fees

Revenue from maintenance, hosting and support is recognised and bought to account over the time it is earned. Unexpired revenue is recorded as unearned income.

Interest received

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(s) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income amount and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(t) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(u) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(v) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below.

(i) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	CONSOLIDATED		PARENT	
	30-Jun-05	*1-Jul-04*	*30-Jun-05*	*1-Jul-04*
	$	*$*	*$*	*$*
Total equity under AGAAP	3,953,924	3,434,048	2,329,166	1,567,089
Adjustments to retained earnings (net of tax):				
Change in Provisions (A)	20,686	57,923	20,686	57,633
Changes to Goodwill (B)	242,200	-	-	-
Total equity under AIFRS	4,216,810	3,491,971	2,349,853	1,624,722

(A) A doubtful debts provision was recognised under previous AGAAP, but does not qualify for recognition as a liability under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. This has resulted in an increase to total equity

(B) Goodwill is not amortised under AASB 3 'Business Combinations', but was amortised under previous AGAAP. This caused a retrospective increase to the carrying value of Goodwill.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (c'td)

(v) Impact of adoption of AIFRS (c'td)

(ii) Reconciliation of profit before tax under previous AGAAP to that under AIFRS

	CONSOLIDATED *30-Jun-05* *$*	PARENT *30-Jun-05* *$*
Prior year profit before tax as previously reported	244,365	486,565
Share-based payment expense (A)	(370)	(370)
Change in doubtful debts (B)	(36,946)	(36,946)
Amortisation of goodwill (C)	242,200	-
Prior year profit before tax under AIFRS	449,249	449,249

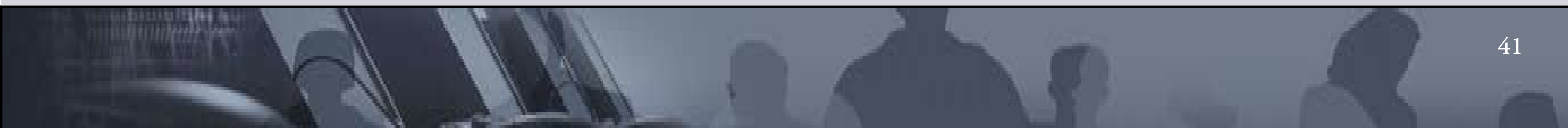
(A) Share-based payment costs are charged to the income statement under AASB 2 'Share-based Payment', but not under previous AGAAP. This has caused a decrease in profit for the year.

(B) A doubtful debts expense was recognised under previous AGAAP, but does not qualify for recognition as a liability under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. This has resulted in an decrease in profit for the year.

(C) Goodwill is not amortised under AASB 3 'Business Combinations', but was amortised under previous AGAAP. This caused an increase in profit for the year.

(iii) Explanation of material adjustments to the cashflow statements

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.



FOR THE YEAR ENDED 30 JUNE 2006

3 SEGMENT INFORMATION

The Group's primary reporting format is business segments.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The company operates in the software contract service industry within Australia. The company operates in the following 2 segments:

Services	Designs, builds and implements software and hardware infrastructure for large corporate companies.
Software	Development and implementation of BigRedSky, an online recruitment program for the corporate, academic and government sectors.

Segment accounting policies are the same as the company's accounting policies described in note 1. No intersegment sales or transfers have occurred.

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2006 and 2005.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

3 SEGMENT INFORMATION (c'td)

2006 Business Segment Information

Business Segments	Services 2006 $	Software 2006 $	Eliminations 2006 $	Consolidated 2006 $
Revenue				
Segment revenue				
External revenue	4,470,118	506,441		4,976,559
Inter segment revenue				
Total segment revenue	4,470,118	506,441		4,976,559
Unallocated revenue				15,566
Total consolidated revenue				4,992,125
Results				
Segment result	1,335,729	45,603		1,381,332
Unallocated expenses				(1,479,489)
Consolidated entity profit(loss) from ordinary activities before income tax revenue				(98,157)
Income tax revenue				296,555
Consolidated entity profit/(loss) from ordinary activities after income tax revenue				198,398
Assets				
Segment assets	614,186	348,158		962,343
Unallocated assets				4,381,569
Total assets				5,343,912
Liabilities				
Segment liabilities	347,740	209,343		557,083
Unallocated liabilities				348,942
Total liabilities				906,025
Other Segment Information				
Acquisition of segment plant & equipment	143,281	15,920		159,201
Depreciation	69,573	7,733		77,306
Amortisation	-	539,912		539,912

FOR THE YEAR ENDED 30 JUNE 2006

3 SEGMENT INFORMATION (c'td)

2005 Business Segment Information

Business Segments	Services 2005 $	Software 2005 $	Eliminations 2005 $	Consolidated 2005 $
Revenue				
Segment revenue				
External revenue	2,647,630	1,126,928		3,774,558
Inter segment revenue				
Total segment revenue	2,647,630	1,126,928		3,774,558
Unallocated revenue				4,370
Total consolidated revenue				3,778,928
Results				
Segment result	895,102	664,928		1,560,030
Unallocated expenses				(1,110,781)
Consolidated entity profit(loss) from ordinary activities before income tax revenue				449,249
Income tax revenue				275,221
Consolidated entity profit/(loss) from ordinary activities after income tax revenue				724,470
Assets				
Segment assets	476,759	485,557		962,316
Unallocated assets				4,325,367
Total assets				5,287,683
Liabilities				
Segment liabilities	251,651	418,358		670,009
Unallocated liabilities				400,863
Total liabilities				1,070,872
Other Segment Information				
Acquisition of segment plant & equipment	38,908	16,675		55,583
Depreciation	43,351	18,579		61,930
Amortisation	-	400,874		400,874

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

4 REVENUES

	CONSOLIDATED		*PARENT*	
	2006	*2005*	*2006*	*2005*
	$	*$*	*$*	*$*
Sales Revenue				
Services	4,470,118	2,647,630	4,470,118	2,647,630
Software	506,441	1,126,928	506,441	1,126,928
	4,976,559	3,774,558	4,976,559	3,774,558
Other Revenue				
Interest	3,129	4,313	3,129	4,313
Government grants	12,437		12,437	
Other	-	57	-	57
	15,566	4,370	15,566	4,370
	4,992,125	3,778,928	4,992,125	3,778,928

5 INCOME TAX

Major components of income tax expense for the years ended 30 June 2006 and 2005 are:

Income Statement

Current income				
Current income tax charge	36,338	63,465	36,338	63,465
Research & Development Rebate Receivable	(332,893)	(338,686)	(332,893)	(338,686)
Deferred income tax				
Relating to origination and reversal of temporary differences				
Income tax expense reported in income statement	(296,555)	(275,221)	(296,555)	(275,221)

Statement of changes in equity

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2006 and 2005 is as follows:

5 INCOME TAX (c'td)

	CONSOLIDATED		PARENT	
	2006 $	2005 $	2006 $	2005 $
Prima facie tax on operating profit calculated at 30%	(29,447)	134,775	(29,447)	134,775
	(29,447)	134,775	(29,447)	134,775
Add tax effect of:				
Non-deductible expenses	13,731	461	13,731	461
Amortisation of trademark	356	356	356	356
Development expenditure	61,750	-	61,750	-
Entertainment	4,409	2,321	4,409	2,321
Timing differences not bought to account	40,046	20,248	40,046	20,248
Prior year tax losses utilised	(54,507)	(94,696)	(54,507)	(94,696)
Research and Development offset	(332,893)	(338,686)	(332,893)	(338,686)
	(296,555)	(275,221)	(296,555)	(275,221)
Income tax revenue attributable to ordinary activities	(296,555)	(275,221)	(296,555)	(275,221)
Deferred tax assets and liabilities				
Deferred Tax Assets	283,466	333,528	273,231	313,293
Deferred Tax Liabilities	(59,992)	(138,497)	(59,992)	(138,497)
Current tax receivable	296,556	275,221	296,556	275,221
Income tax losses				
Deferred tax asset arising from tax losses of the parent company has not been recognised at reporting date.				
Revenue losses	260,876	315,807	260,876	315,807
Capital losses	10,235	10,235	-	-

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Empired Limited and its 100% subsidiaries formed a tax consolidated group. The head entity of the consolidated group is Empired Limited.

Empired Limited formally notified the Australian Taxation Office of its adoption of the tax consolidation regime upon lodgement of its 30 June 2003 consolidated tax return.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

6 CASH AND CASH EQUIVALENTS

(i) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and cash in banks. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Parent	
	2006 ($)	2005 ($)	2006 ($)	2005 ($)
Cash assets	152	-	152	-
Bank Overdraft	(2,116)	(111,668)	(2,116)	(111,668)
	(1,964)	(111,668)	(1,964)	(111,668)

(ii) Financing facilities available

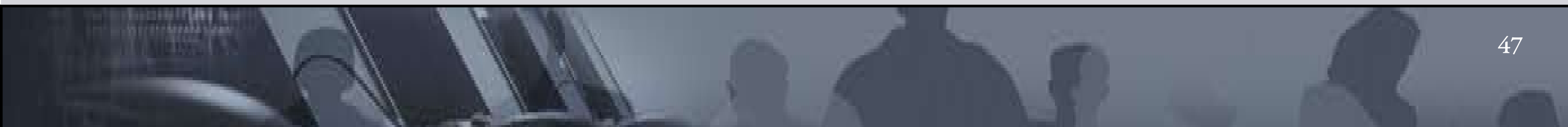
At reporting date the following facilities were available but not used:

Bank Overdraft	247,884	138,182	247,884	138,182

The Bank Overdraft facility has a total limit of $250,000.

(iii) Reconciliation of net cash flows from operating activities to operating profit (loss) after income tax

Operating profit\(loss) after income tax	198,399	724,470	198,399	724,470
Depreciation	77,306	61,930	71,790	53,488
Amortisation	539,914	400,874	539,914	400,874
Write down\(up) of investment in subsidiary	-	-	23,081	(73,221)
Option Plan Expense	22,679	370	22,679	370
Loss on disposal of assets	2,765	-	2,438	-
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:				
(Increase)/decrease in net trade debtors	193,333	(61,345)	193,333	(61,345)
(Increase)/decrease in other receivables	19,531	(60,668)	2,293	(60,668)
(Increase)/decrease in other assets	(10,090)	(2,149)	(146)	(2,149)
(Increase)/decrease in prepayments	8,708	(3,726)	8,708	(3,726)
(Increase)/decrease in unbilled income	97,242	(77,069)	97,242	(77,069)
(increase)/decrease in deferred R & D	(831,000)	(837,509)	(831,000)	(837,509)
Increase/(decrease) in trade creditors	64,994	(292,447)	64,994	(261,970)
Increase/(decrease) in audit fees	2,500	1,000	2,500	1,000
Increase/(decrease) in other creditors	108,257	15,313	108,257	15,313
Increase/(decrease) in unexpired interest	(3,550)	(154)	(3,550)	(154)
Increase/(decrease) in accrued liabilities	(23,832)	176	(23,832)	176
Increase/(decrease) in unearned income	(209,651)	37,973	(209,651)	37,973
Increase/(decrease) in income tax	(26,792)	36,331	(26,792)	36,331
Increase/(decrease) in provision for employee entitlements	33,221	1,730	33,221	11,087
Net cash used in operating activities	263,934	(54,900)	273,878	(96,729)



FOR THE YEAR ENDED 30 JUNE 2006

7 TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED		*PARENT*	
	2006	*2005*	*2006*	*2005*
	$	*$*	*$*	*$*
Trade receivables	686,997	897,833	686,997	897,833
Provision for doubtful debts	-	(17,500)	-	(17,500)
	686,997	880,333	686,997	880,333
Term Deposit Receivable	3,500	-	3,500	-
Unbilled Income	2,187	99,430	2,187	99,430
Loans	-	17,238	-	-
Research & Development Rebate receivable	332,893	338,686	332,893	338,686
	1,025,578	1,335,688	1,025,578	1,318,449

Trade receivables are non-interest bearing and are generally on 30-day terms.

8 INVENTORIES

Online Job Ads held for Sale (at cost)	4,830	-	4830	-
Total inventories at lower of cost and net realisable value	4,830	-	4,830	-

9 OTHER ASSETS

Current				
Prepayments	71,248	79,956	71,248	79,956
Total current other assets	71,248	79,956	71,248	79,956

10 PROPERTY, PLANT AND EQUIPMENT

	Consolidated		**Parent**	
	2006	**2005**	**2006**	**2005**
	($)	**($)**	**($)**	**($)**
Plant and Equipment				
At cost	639,692	495,067	533,919	386,990
Accumulated depreciation	(383,012)	(317,517)	(299,934)	(237,978)
Net carrying amount of plant and equipment	256,680	177,550	233,985	149,012
Plant and Equipment				
Movements during the year:				
Beginning of year	177,550	183,897	149,012	146,918
Additions	159,201	55,583	159,201	55,582
Disposals	(2,768)	-	(2,438)	-
Depreciation expense	(77,303)	(61,930)	(71,790)	(53,488)
End of year	256,680	177,550	233,985	149,012

FOR THE YEAR ENDED 30 JUNE 2006

11 INTANGIBLE ASSETS & GOODWILL

For the year ended 30 June 2006, development costs are capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 6 years.

This asset is tested for impairment where an indicator of impairment arises.

Goodwill represent intangible assets purchased through the effect of a business combination.

The useful lives of these intangible assets were estimated as indefinite and the cost method was utilised for their measurement.

As at 30 June 2006, these assets were tested for impairment (see note 21).

The patent acquired has been granted for a minimum of fifty years by the relevant government agency with the option of renewal at the end of this period based on whether the entity meets certain predetermined targets.

No impairment loss was charged for continuing operations in the 2006 financial year.

Year ended 30 June 2006	*CONSOLIDATED*				*PARENT*
	Development costs $	*Patents and licenses $*	*Good Will $*	*Total $*	*Total $*
At 1 July 2005,					
net of accumulated amortisation	1,824,002	3,528	1,866,958	3,694,488	1,827,531
Additions	831,000	-	-	831,000	831,000
Impairment	-	-	-	-	-
Amortisation	(538,726)	(1,186)	-	(539,912)	(539,912)
At 30 June 2006,					
net of accumulated amortisation	2,116,276	2,342	1,866,958	3,985,576	2,118,619
At 1 July 2005					
Cost (gross carrying amount)	3,024,037	13,389	1,866,958	4,904,384	3,037,427
Accumulated amortisation and impairment	(1,200,035)	(9,861)	-	(1,209,896)	(1,209,896)
Net carrying amount	1,824,002	3,528	1,866,958	3,694,488	1,827,531
At 30 June 2006					
Cost (gross carrying amount)	3,855,037	13,389	1,866,958	5,735,384	3,868,427
Accumulated amortisation and impairment	(1,738,761)	(11,047)	-	(1,749,808)	(1,749,808)
Net carrying amount	2,116,276	2,342	1,866,958	3,985,576	2,118,619

FOR THE YEAR ENDED 30 JUNE 2006

11 INTANGIBLE ASSETS & GOODWILL (c'td)

Year ended 30 June 2005	CONSOLIDATED				PARENT
	Development costs[1]	*Patents and licenses*	*Goodwill[2]*	*Total*	*Total*
	$	*$*	*$*	*$*	*$*
At 1 July 2004,					
net of accumulated amortisation	1,386,179	4,717	1,866,958	3,257,854	1,390,896
Additions	837,509	-	-	837,509	837,509
Amortisation	(399,686)	(1,188)	-	(400,874)	(400,874)
At 30 June 2005,					
net of accumulated amortisation	1,824,002	3,528	1,866,958	3,694,489	1,827,532
At 1 July 2004					
Cost (gross carrying amount)	2,186,528	13,389	1,866,958	4,066,875	2,199,917
Accumulated amortisation and impairment	(800,349)	(8,672)	-	(809,021)	(809,021)
Net carrying amount	1,386,179	4,717	1,866,958	3,257,854	1,390,896
At 30 June 2005					
Cost (gross carrying amount)	3,024,037	13,389	1,866,958	4,904,384	3,037,427
Accumulated amortisation and impairment	(1,200,035)	(9,861)	-	(1,209,896)	(1,209,896)
Net carrying amount	1,824,002	3,528	1,866,958	3,694,488	1,827,531

[1] Internally generated

[2] Purchased as part of business combinations

12 EMPLOYEE BENEFITS

(a) Empired Employee share option plan

The Group has an employee share options plan (ESOP) for the granting of non-transferable options to employees and senior executives.

Options issued under the ESOP will vest on the sooner of one of the following conditions have been met:

(i) on the second anniversary one third of the grant of the options;
(ii) on the third anniversary two thirds of the grant of the options
(iii) on the fourth anniversary all of the grant of the options or
(iv) if a takeover offer or bid in respect of Empired shares is made in accordance with the Corporations Act and the Board recommends that shareholders accept the offer.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- any vested options that are unexercised on the fifth anniversary of their grant date will expire; and
- upon exercise, these options will be settled in ordinary shares of Empired Limited.

FOR THE YEAR ENDED 30 JUNE 2006

12 EMPLOYEE BENEFITS (c'td)

(a) Empired Employee share option plan (c'td)

On 1 August 2005, 308,070 options with a fair value of:

Options	Fair value per option	Exercise price per option
104,740	$0.05	$0.30
101,665	$0.043	$0.35
101,665	$0.038	$0.40
308,070		

were granted over ordinary shares exercisable upon meeting the above vesting conditions and until 31 July 2010.

The fair value of the options are estimated at the date of grant using the binomial model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2006.

	2006
Dividend yield (%)	-
Expected volatility (%)	60%
Risk-free interest rate (%)	5.24%
Expected life of option (years)	5 years
Option exercise price ($)	$0.30, $0.35, $0.40
Share price at grant date ($) (Net Asset Backing)	$0.12

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

During the year ended 30 June 2006, no options were exercised over ordinary shares.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the ESOP.

	2006 No.	*2006 WAEP*
Outstanding at the beginning of the year	-	-
Granted during the year	308,070	$0.35
Forfeited during the year	(30,520)	$0.35
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	277,550	$0.35
Exercisable at the end of the year	-	-

The outstanding balance as at 30 June 2006 is represented by 277,550 options over ordinary shares with an average exercise price of $0.35 each, exercisable upon meeting the above conditions and until 31 July 2010;

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

12 EMPLOYEE BENEFITS (c'td)

(a) Empired Employee share option plan (c'td)

The weighted average contractual life for the share options outstanding as at 30 June 2006 is 4 years.

Share options issued under the ESOP and outstanding at the end of the year have the following exercise prices:

Expiry Date	*Exercise price*	*2006 No.*
31-Jul-2010	$0.30	94,364
31-Jul-2010	$0.35	91,593
31-Jul-2010	$0.40	91,593
Total		277,550

(b) BRS Employee share option plan (1)

The Group has an employee share options plan (ESOP) for the granting of non-transferable options to certain directors and senior executives.

Options issued under the ESOP will vest on the sooner of one of the following conditions have been met:

(i) on the second anniversary the grant of the options;

(ii) if a takeover offer or bid in respect of Empired shares is made in accordance with the Corporations Act and the Board recommends that shareholders accept the offer.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- any vested options that are unexercised on the fifth anniversary of their grant date will expire; and
- upon exercise, these options will be settled in ordinary shares of Empired Limited.

On 29 November 2005, 700,000 options with a fair value of:

Options	Fair value per option	Exercise price per option
233,333	$0.05	$0.20
233,333	$0.044	$0.25
233,334	$0.038	$0.30
700,000		

were granted over ordinary shares exercisable upon meeting the above vesting conditions and until 28 November 2010.

On 23 March 2006, 1,100,000 options with a fair value of:

Options	Fair value per option	Exercise price per option
366,666	$0.05	$0.20
366,667	$0.044	$0.25
366,667	$0.038	$0.30
1,100,000		

were granted over ordinary shares exercisable upon meeting the above vesting conditions and until 23 March 2011.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

12 EMPLOYEE BENEFITS (c'td)

(b) BRS Employee share option plan (1) (c'td)

The fair value of the options are estimated at the date of grant using the binomial model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2006.

	2006
Dividend yield (%)	-
Expected volatility (%)	60%
Risk-free interest rate (%) (29 November 2005)	5.35%
Risk-free interest rate (%) (23 March 2006)	5.32%
Expected life of option (years)	5 years
Option exercise price ($)	$0.20, $0.25, $0.30
Share price at grant date ($) (Net Asset Backing)	$0.12

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

During the year ended 30 June 2006, no options were exercised over ordinary shares.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the ESOP.

	2006 No.	*2006 WAEP*	*2005 No.*	*2005 WAEP*
Outstanding at the beginning of the year	235,000	$0.25	1,100,000	$0.25
Granted during the year	1,800,000	$0.25	100,000	$0.25
Forfeited during the year	-		-	
Exercised during the year	-		-	
Expired during the year	-		965,000	$0.25
Outstanding at the end of the year	2,035,000	$0.25	235,000	$0.25
Exercisable at the end of the year	235,000	$0.25	135,000	$0.25

The outstanding balance as at 30 June 2006 is represented by:

- 2,035,000 options over ordinary shares with an average exercise price of $0.25 each, exercisable upon meeting the above conditions and until:

135,000	26 November 2007
100,000	23 November 2009
700,000	28 November 2010
1,100,000	23 March 2011
2,035,000	

The weighted average contractual life for the share options outstanding as at 30 June 2006 is between 1 and 5 years (2005: 2 and 4 years).

FOR THE YEAR ENDED 30 JUNE 2006

12 EMPLOYEE BENEFITS (c'td)

(b) BRS Employee share option plan (1) (c'td)

Share options issued under the ESOP and outstanding at the end of the year have the following average exercise prices:

Expiry Date	*Exercise price*	*2006 No.*	*2005 No.*
26 November 2007	$0.25	135,000	135,000
23 November 2009	$0.25	100,000	100,000
28 November 2010	$0.25	700,000	-
23 March 2011	$0.25	1,100,000	-
Total		2,035,000	235,000

13 TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		*PARENT*	
	2006 $	*2005 $*	*2006 $*	*2005 $*
Trade payables	228,041	163,047	228,041	163,047
Audit fees payable	16,500	14,000	16,500	14,000
Superannuation payable	58,977	37,182	58,977	37,182
GST payable	78,280	65,115	78,280	65,115
PAYG payable	65,664	36,408	65,664	36,408
Accrued liabilities	94,639	118,471	94,639	118,471
Credit cards payable	24,936	-	24,936	-
	567,036	434,223	567,036	434,223
Included in the above are aggregate amounts payable to the following related parties:				
Due to directors and director related entities	-	127,700	-	127,700

Trade payables are non-interest bearing and are normally settled on 30-day terms.

For terms and conditions relating to related parties refer to note 22).

The net of GST payable and GST receivable, PAYG payable and Superannuation payable and is remitted to the appropriate body on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

14 INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT 2006 $	PARENT 2005 $
Current					
Obligations under finance leases and hire purchase contracts (note 19)		34,272	31,955	34,272	31,955
Obligations under premium funding contracts		38,856	31,225	38,856	31,225
		73,128	63,180	73,128	63,180
Non-current					
Obligations under finance leases and hire purchase contracts (note 19)		20,299	18,192	20,299	18,192
Loan from Employee		3,500	-	3,500	-
Loan from Subsidiary		-	-	351,651	351,651
		23,799	18,192	375,450	369,843

Hire Purchase Contracts

Hire purchase contract maturity ranges from November 2006 to September 2008.

	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT 2006 $	PARENT 2005 $
Finance facilities available				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities:				
- Bank overdraft	250,000	250,000	250,000	250,000
Facilities used at reporting date				
- Bank overdraft	(2,116)	(111,818)	(2,116)	(111,818)
Facilities unused at reporting date				
- Bank overdraft	247,884	138,182	247,884	138,182

Bank overdrafts

The bank overdrafts are secured by a floating charge over assets of the Group.

15 PROVISIONS

	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT 2006 $	PARENT 2005 $
Current				
Employee entitlements	91,560	58,339	91,560	58,339
Tax payable	36,338	63,419	36,338	63,419
	127,898	121,758	127,898	121,758
Movements in Employee Entitlements				
Opening Balance	58,339	56,609	58,339	56,609
Movements	33,221	1,730	33,221	1,730
Closing Balance	91,560	58,339	91,560	58,339

16 UNEARNED REVENUE

	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT 2006 $	PARENT 2005 $
Current				
Unearned Revenue	112,199	321,851	112,199	321,851
	112,199	321,851	112,199	321,851

17 ISSUED CAPITAL AND RESERVES

	CONSOLIDATED 2006 $	CONSOLIDATED 2005 $	PARENT 2006 $	PARENT 2005 $
Ordinary Shares				
Issued and fully paid	5,659,623	5,659,623	5,659,623	5,659,623
	No.	*$*	*No.*	*$*
Movement in ordinary shares on the issue				
At 1 July 2004	34,210,648	5,659,623	34,210,648	5,659,623
At 1 July 2005	34,210,648	5,659,623	34,210,648	5,659,623
At 30 June 2006	34,210,648	5,659,623	34,210,648	5,659,623

The company has two share option schemes under which options to subscribe for the company's shares have been granted to certain executives and employees (refer note 12)

Other Reserves	**CONSOLIDATED**					**PARENT**		
	Asset revaluation reserve $	*Net unrealised gains reserve $*	*Employee equity benefits reserve $*	*Foreign currency translation $*	*Total $*	*Employee equity benefits reserve $*	*Asset revaluation reserve $*	*Total $*
At 1 July 2004	-	-	-	-	-	-	-	-
Share based payment	-	-	370	-	370	370	-	370
At 30 June 2005	-	-	370	-	370	370	-	370
Share based payment	-	-	22,679		22,679	22,679	-	22,679
As at 30 June 2006	-	-	23,049	-	23,049	23,049	-	23,049

Nature and purpose of reserves

Employee equity benefits reserve

The employee share option and share plan reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 12 for further details of these plans.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and hire purchase contracts, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (c'td)

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

At 30 June 2006, approximately 98% of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk
The Group's exposure to foreign currency risk is minimal.

Commodity price risk
The Group's exposure to price risk is minimal.

Credit risk
The Group trades only with recognised, creditworthy third parties.

It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For transactions that are not denominated in the measurement currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Due to unforeseen circumstances, one exposure has arisen in the year as a result of the liquidation of a customer.

At the balance sheet date the loss on this contract was $17,040, and has been charged to the income statement.

In light of the above exposure, the directors have reassessed the Group's strategies for managing credit exposure, but are of the continued view that they remain appropriate for the Group's circumstances.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

FOR THE YEAR ENDED 30 JUNE 2006

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (c'td)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and hire purchase contracts.

19 FINANCIAL INSTRUMENTS

a) *Terms, conditions and accounting policies*

Instruments	***Accounting Policies***	***Terms & Conditions***
i) Financial assets		
Cash	All cash is carried at nominal amounts. Interest is recognised as revenue or expense as it accrues.	All cash is available 'at call'. The National Australia Bank hold a first registered mortgage debenture charge over Empired Ltd.
Receivables-trade	Trade receivables are carried at nominal amounts.	Receivables are received in accordance with company credit terms of 30 to 45 days.
Receivables-loans	All loans are recorded at nominal value.	The loans are interest free and unsecured. The loans are for previous employees of Tusk Technologies Pty Ltd who are now employees of Empired Limited. When they leave Empired's employment the loans become payable at the discretion of management.
ii) Financial liabilities		
Accounts payable	Liabilities are recognised for amounts to be paid in the future for goods and services, whether or not billed to the company.	Accounts payable are normally settled on 30-day terms.
Hire Purchase	Hire purchase interest is charged or credited to the statement of financial performance.	Hire purchase contracts are typically for a period of 36 months. Computer equipment on hire purchase is used as security for the loan.
Short term loans	All interest is credited to the statement of financial performance when expired.	The contracts are for 10 months and are not secured.

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

19 FINANCIAL INSTRUMENTS (c'td)

b) Interest Rate Risk

Exposure to interest rate risks on financial assets and liabilities are summarised as follows:

2006		**Floating interest rate**	**Fixed Interest Rate 1 year or less**	**Fixed Interest Rate Over 1 to 5 years**	**Non-interest bearing**	**Carrying amount as per statement of financial position**	**Weighted average effective interest rate**
		2006	**2006**	**2006**	**2006**	**2006**	**2006**
		$	**$**	**$**	**$**	**$**	**$**
i)	*Financial Assets*						
	Cash						
	Receivables – term deposit			3,500		3,500	1.25%
	Receivables – trade				686,997	686,997	-
	Receivables – loans				17,239	17,239	-
	Receivables – other				335,081	335,081	-
	Total financial assets			3,500	1,022,078	1,025,578	
ii)	*Financial liabilities*						
	Bank Overdraft	2,116				2,116	8.75%
	Accounts payables				228,041	228,041	-
	Hire purchase		37,432	21,473		58,905	8.70%
	Short term loans		41,858		3,500	45,358	7.28%
	Total financial liabilities	2,116	79,290	21,473	231,541	334,420	

2005		**Floating interest rate**	**Fixed Interest Rate 1 year or less**	**Fixed Interest Rate Over 1 to 5 years**	**Non-interest bearing**	**Carrying amount as per statement of financial position**	**Weighted average effective interest rate**
		2005	**2005**	**2005**	**2005**	**2005**	**2005**
		$	**$**	**$**	**$**	**$**	**$**
iii)	*Financial Assets*						
	Cash						
	Receivables – term deposit						
	Receivables – trade				859,356	859,356	-
	Receivables - loans				17,239	17,239	-
	Receivables - other				438,116	438,116	-
	Total financial assets				1,314,711	1,314,711	
iv)	*Financial liabilities*						
	Bank Overdraft	111,668				111,668	8.75%
	Accounts payables				434,222	434,222	-
	Hire purchase		31,954	18,193		50,147	8.70%
	Short term loans		31,225			31,225	7.28%
	Total financial liabilities	111,668	63,179	18,193	434,222	627,262	

FOR THE YEAR ENDED 30 JUNE 2006

20 COMMITMENTS AND CONTINGENCIES

No contingent assets or liabilities as at 30 June 2006

Commitments for Expenditure

	CONSOLIDATED		PARENT	
	2006 $	2005 $	2006 $	2005 $
Hire Purchase				
The consolidated entity has various computer equipment on two hire purchase arrangements. The lease is for a period of 35 months.				
Not later than one year	37,432	35,149	37,432	35,149
Later than one year but not later than five years	21,473	18,783	21,473	18,783
Less: unexpired charges	(4,329)	(3,785)	(4,329)	(3,785)
	54,576	50,147	54,576	50,147
Hire Purchase				
Current (refer note 12)	34,272	31,954	34,272	31,954
Non Current (refer note 12)	20,304	18,192	20,304	18,192
Total Hire Purchase	54,576	50,146	54,576	50,147
Loan Repayments				
The consolidated entity has borrowed the necessary funds from CGU to finance insurance. The term of the loans are both for 10 months each.				
Not later than one year	41,858	33,693	41,858	33,693
Later than one year but not later than five years	-	-	-	-
Less: unexpired charges	(3,002)	(2,468)	(3,002)	(2,468)
	38,856	31,225	38,856	31,225
Loan Repayments				
Current (refer note 14)	38,856	31,225	38,856	31,225
Non Current (refer note 14)	-	-	-	-
Total Loan Repayments	38,856	31,225	38,856	31,225

Office premises are leased under non-cancellable operating leases for periods of 36 months and 37 months ending 30 June 2007. Their commitment can be seen below:

	CONSOLIDATED		PARENT	
	2006 $	2005 $	2006 $	2005 $
Operating Leases				
Minimum lease payments under non-cancellable operating leases according to the time expected to elapse to the expected date of payment:				
Not later than one year	113,102	76,969	113,102	76,969
Later than one year but not later than five years	-	48,236	-	48,236
	113,102	125,205	113,102	125,205

21 IMPAIRMENT TESTING OF INDEFINITE LIVED GOODWILL

Goodwill acquired through business combinations has been allocated to the individual cash generating units for impairment testing.

The recoverable amount of the IT Infrastructure Services cash generating unit has been determined based on a value in use calculation.

To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five-year period.

The discount rate applied to cash flow projections is 12.75% (2005: 12.75%) and cash flows beyond the five- year period are extrapolated using a 12.7% growth rate (2005: 12.7%) that is the same as the long-term average growth rate for the IT Infrastructure Services market sector.

Carrying amount of goodwill, patents and licences

	CONSOLIDATED				*PARENT*	
	IT Infrastructure Services Segment		**Total**		**Total**	
	2006 *$*	*2005* *$*	*2006* *$*	*2005* *$*	*2006* *$*	*2005* *$*
Carrying amount of goodwill	1,886,958	1,886,958	1,886,958	1,886,958	-	-

Key assumptions used in value in use calculation for 30 June 2006 and 30 June 2005
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, patents and licences.

Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements. Bond rates - the yield on a five-year government bond rate at the beginning of the budgeted year is utilised and the value assigned to the key assumption is consistent with external information sources. Values assigned to key assumptions reflect past experience, except for efficiency improvements which have been estimated at 3% per annum.

Resources price inflation – the basis used to determine the value assigned to the resources price inflation is the forecast price indices during the budget year for Australia. Key assumptions are consistent with external information sources.

FOR THE YEAR ENDED 30 JUNE 2006

22 RELATED PARTY DISCLOSURE

Other Financial Assets	Country of Incorporation	% Equity Interest 2006 %	2005 %	Investment ($) 2006 $	2005 $
Tusk Technologies Pty Ltd	Australia	100	100	374,345	397,427
				374,345	397,427

The balance of the Tusk Technologies Pty Ltd loan as at 30 June 2006 is $351,651. This loan is unsecured.

Other than this related party loan there are no other related party transactions requiring disclosure.

23 EVENTS AFTER THE BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years other than as set out below:

1. The Company has completed its application for the Research and Development ("R & D") tax concession. The expected value of the R & D tax offset is $332,893. This amount will be payable to the Company following lodgement of its 2006 Income Tax Return. Refer note 5.

2. The company will issue a company wide Employee Share Option plan to all employees. Details of the plan are set out in the Directors Report.

24 AUDITORS' REMUNERATION

	CONSOLIDATED		*PARENT*	
	2006 *$*	*2005* *$*	*2006* *$*	*2005* *$*
Amounts received or due and receivable by Ernst & Young Australia for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	16,500	14,000	16,500	14,000
• other services in relation to the entity and any other entity in the consolidated entity				
* tax compliance	21,200	31,903	21,200	31,903
* assurance related	-	-	-	-
* special audits required by regulators	-	-	-	-
	37,700	44,903	37,700	44,903
Amounts received or due and receivable by auditors other than Ernst & Young Australia for:				
• an audit or review of the financial report of subsidiary entities	690	-	690	-
	38,390	44,903	38,390	44,903

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

25 DIRECTOR AND EXECUTIVE DISCLOSURES

Transactions with key management personnel

In addition to their salaries, the consolidated entity also provides non-cash benefits to key management personnel.

Executive officers also participate in the consolidated entity's share option plan (see note 12).

Key management personnel compensation

	CONSOLIDATED		*PARENT*	
	2006	*2005*	*2006*	*2005*
	$	*$*	*$*	*$*
Aggregate of income paid or payable or otherwise made available:				
Short-term employee benefits	285,002	343,228	285,002	343,228
Termination benefits	49,500	171,875	49,500	171,875
Share-based payments	30,800	370	30,800	370
To all directors by the company or by any related party	365,302	515,473	365,302	515,473

Loans to key management personnel and other related parties

There are no loans to key management personnel or other related parties.

Other key management personnel transactions with the company or its controlled entities

There have been no other key management personnel transactions with the company or its controlled entities.

26 DIVIDENDS

There were no Dividends paid or provided for during the year.

27 TRANSITION TO AIFRS

For all periods up to and including the year ending 30 June 2005, the group prepared its financial statements in accordance with Australian Generally Accepted Accounting Practice (AGAAP). These financial statements are the first the company has had to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 First-time adoption of AIFRS .

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

FOR THE YEAR ENDED 30 JUNE 2006

27 TRANSITION TO AIFRS (c'td)

Exemptions Applied:

AASB 1 allows for certain exemptions from the general requirement to apply AIFRS retrospectively.

The Group has taken the following exemptions:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the company and group have adopted AASB 132: Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS restrospectivelyretrospectively.

- AASB 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 July 2004.
- AASB 2 Share-based Payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

DIRECTOR'S DECLARATION

FOR THE YEAR ENDED 30 JUNE 2006

27 TRANSITION TO AIFRS (c'td)

Balance Sheet Reflecting Transition to AIFRS at 1 July 2004

	Consolidated			Parent		
	AGAAP ($)	AIFRS Impact ($)	AIFRS ($)	AGAAP ($)	AIFRS Impact ($)	AIFRS ($)
Current Assets						
Cash assets	29,720	-	29,720	28,899	-	28,899
Receivables	1,078,393	57,923	1,136,316	1,061,155	57,633	1,118,788
Other	36,230	-	36,230	36,230	-	36,230
Total Current Assets	1,144,343	57,923	1,202,356	1,126,284	57,633	1,183,917
Non-Current Assets						
Investments	-	-	-	324,205	-	324,205
Plant and equipment	183,897	-	183,897	146,918	-	146,918
Intangible assets	1,871,676	-	1,871,676	4,718	-	4,718
Other	1,386,179	-	1,386,179	1,386,179	-	1,386,179
Total Non-Current Assets	3,441,752	-	3,441,752	1,862,020	-	1,862,020
Total Assets	4,586,095	57,923	4,644,018	2,988,304	57,633	3,045,937
Current Liabilities						
Bank Overdraft						
Payables	710,180	-	710,180	679,704	-	679,704
Provisions	83,408	-	83,408	74,051	-	74,051
Interest bearing liabilities	49,864	-	49,864	49,864	-	49,864
Other	283,878	-	283,878	283,878	-	283,878
Total Current Liabilities	1,127,330	-	1,127,330	1,087,497	-	1,087,497
Non-Current Liabilities						
Interest bearing liabilities	24,717	-	24,717	24,717	-	24,717
Other financial liabilities	-	-	-	309,001	-	309,001
Total Non-Current Liabilities	24,717	-	24,717	333,718	-	333,718
Total Liabilities	1,152,047	-	1,152,047	1,421,215	-	1,421,215
Net Assets	3,434,048	57,923	3,491,971	1,567,089	57,633	1,624,722
Equity						
Contributed equity	5,659,623	-	5,659,623	5,659,623	-	5,659,623
Accumulated losses	(2,225,575)	57,923	(2,167,652)	(4,092,534)	57,633	(4,034,901)
Total Equity	3,434,048	57,923	3,491,971	1,567,089	57,633	1,624,722

FOR THE YEAR ENDED 30 JUNE 2006

27 TRANSITION TO AIFRS (c'td)

Balance Sheet Reflecting Transition to AIFRS at 30 June 2005

	Consolidated			Parent		
	AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
	($)	($)	($)	($)	($)	($)
Current Assets						
Cash assets	-	-	-	-	-	-
Receivables	1,314,711	20,686	1,335,397	1,297,472	20,686	1,318,158
Other	79,956	-	79,956	79,956	-	79,956
Total Current Assets	1,394,667	20,686	1,415,353	1,377,428	20,686	1,398,114
Non-Current Assets						
Investments	-	-	-	397,427	-	397,427
Plant and equipment	177,550	-	177,550	149,012	-	149,012
Intangible assets	1,628,287	242,200	1,870,487	3,530	-	3,530
Other	1,824,002	-	1,824,002	1,824,002	-	1,824,002
Total Non-Current Assets	3,629,839	242,200	3,872,039	2,373,971	-	2,373,971
Total Assets	5,024,506	262,886	5,287,392	3,751,399	20,686	3,772,085
Current Liabilities						
Bank Overdraft	111,668	-	111,668	111,668	-	111,668
Payables	434,222	-	434,222	434,222	-	434,222
Provisions	121,469	-	121,469	121,469	-	121,469
Interest bearing liabilities	63,180	-	63,180	63,180	-	63,180
Other	321,851	-	321,851	321,851	-	321,851
Total Current Liabilities	1,052,390	-	1,052,390	1,052,390	-	1,052,390
Non-Current Liabilities						
Interest bearing liabilities	18,192	-	18,192	18,192	-	18,192
Other financial liabilities	-	-	-	351,651	-	351,651
Total Non-Current Liabilities	18,192	-	18,192	369,843	-	369,843
Total Liabilities	1,070,582	-	1,070,582	1,422,233	-	1,422,233
Net Assets	3,953,924	262,886	4,216,810	2,329,166	20,686	2,349,852
Equity						
Contributed equity	5,659,623	-	5,659,623	5,659,623	-	5,659,623
Employee Equity Benefits Reserve		370	370		370	370
Accumulated losses	(1,705,699)	262,516	(1,443,183)	(3,330,457)	20,316	(3,310,141)
Total Equity	3,953,924	262,886	4,216,810	2,329,166	20,686	2,349,852

NOTES TO THE FINANCIAL STATEMENTS (c'td)

FOR THE YEAR ENDED 30 JUNE 2006

27 TRANSITION TO AIFRS (c'td)

Income Statement for the Year Ended 30 June 2005

	Consolidated			Parent		
	AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
	($)	($)	($)	($)	($)	($)
Revenues from ordinary activities	3,778,928	-	3,778,928	3,778,928	-	3,778,928
Cost of sales	(1,785,546)	-	(1,785,546)	(1,858,116)	-	(1,858,116)
Gross Profit	1,993,382	-	1,993,382	1,920,813	-	1,920,813
Legal expenses	(18,426)	-	(18,426)	(18,426)	-	(18,426)
Marketing expenses	(21,220)	-	(21,220)	(21,220)	-	(21,220)
Occupancy expenses	(85,650)	-	(85,650)	(85,650)	-	(85,650)
Salaries and employee expenses	(614,564)	(370)	(614,934)	(623,921)	(370)	(624,291)
Amortisation expense	(643,074)	242,200	(400,874)	(400,874)	-	(400,874)
Depreciation expense	(61,930)	-	(61,930)	(53,488)	-	(53,488)
Other expenses from ordinary activities	(304,153)	(36,946)	(341,099)	(230,668)	(36,947)	(267,615)
Profit\(Loss) from ordinary activities before income tax	244,365	204,884	449,249	486,566	(37,317)	449,249
Income tax revenue relating to ordinary activities	275,510	-	275,510	275,510	-	275,510
Profit\(Loss) from ordinary activities after income tax	519,875	204,884	724,759	762,076	(37,317)	724,759
Net Profit\(Loss) attributable to members of Empired	519,875	204,884	724,759	762,076	(37,317)	724,759
Total changes in equity other than those resulting from transactions with owners as owners	519,875	204,884	724,759	762,076	(37,317)	724,759

27 TRANSITION TO AIFRS (c'td)

(i) Accounting for Goodwill

On transitions to AIFRS Goodwill is no longer amortised but continues to be subject to an annual assessment for impairment to ensure that the carrying value of goodwill is not greater than the recoverable amount. As a result, the statement of financial performance will no longer include an expense item reflecting the annual Goodwill Amortisation. No impairment adjustment to opening Retained Earnings arises in respect of this issue. During the AIFRS comparative financial year ended 30 June 2005, goodwill amortisation of $242,200 was recognised under Australian GAAP. This amount will be reversed in the AIFRS comparative statement of financial performance.

(ii) Income Tax

A "balance sheet" approach to tax-effect accounting is followed under AIFRS replacing the current "statement of financial performance" approach. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.

(iii) Research & Development

Replacing AASB 1011 Accounting for Research and Development costs is AASB 138 intangibles. Under the prior standard research and development costs may be carried forward in relation to a project if the costs are expected, beyond reasonable doubt, to be recoverable in the future. Under AASB 138 no intangible asset arising from the research phase of development is permitted to be recognised. An intangible asset arising from development is still recognised on satisfaction of certain criteria to do with future economic benefits. It is not expected that this will have a significant impact on Empired as most cost relating to research and development is development work as opposed to research.

(iv) Impairment of Assets

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. Empired will have to test the Net Recruiter software and goodwill for impairment on an annual basis. On testing the Net Recruiter software and goodwill for impairment there was no impairment loss at 30 June 2005.

(v) Share Based Employee Payments

Empired does not currently recognise an expense for options issued to staff, under the directors, or employee Share Option Plan. Under AASB2 Share Based Payments, Empired will recognise an expense for all share based remuneration over the relevant vesting periods. The standard applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. This will effectively create an expense to the income statement and a subsequent increase in equity.

DIRECTOR'S DECLARATION

5

In accordance with a resolution of the directors of Empired Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

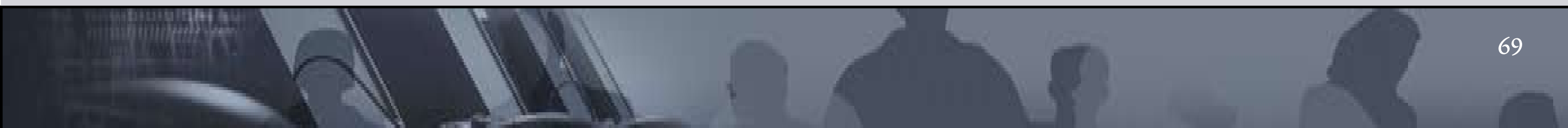
(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

On behalf of the Board

Russell Baskerville
Managing Director
20th of October 2006



ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

Independent audit report to members of Empired Limited

Scope

The financial report and directors responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Empired Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report ; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion:

the financial report of Empired Limited is in accordance with:

(a) the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Empired Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
   (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst + Young

Ernst & Young

P McIver
Partner
Perth
20 October 2006

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

Auditor's Independence Declaration to the Directors of Empired Limited

In relation to our audit of the financial report of Empired Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

P McIver
Partner
Perth
20 October 2006

THIS PAGE INTENTIONALLY LEFT BLANK.

EMPIRED

www.empired.com