



EMPIRED

EMPIRED Ltd.

ABN 81 090 503 843

Annual Report 2007

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Craig J Ferrier

REGISTERED OFFICE

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PERTH WA 6000
Telephone No: +618 9321 9401
Fax No: +618 9321 9402

COMPANY NUMBER

A.C.N: 090 503 843

ASX CODE EPD

COUNTRY OF INCORPORATION

Australia

COMPANY DOMICILE AND LEGAL FORM

Empired Limited is the parent entity and an Australian
Company limited by shares

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

SHARE REGISTER

Computershare Investor Services Pty Ltd
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Perth WA 6000

PRINCIPLE PLACE OF BUSINESS

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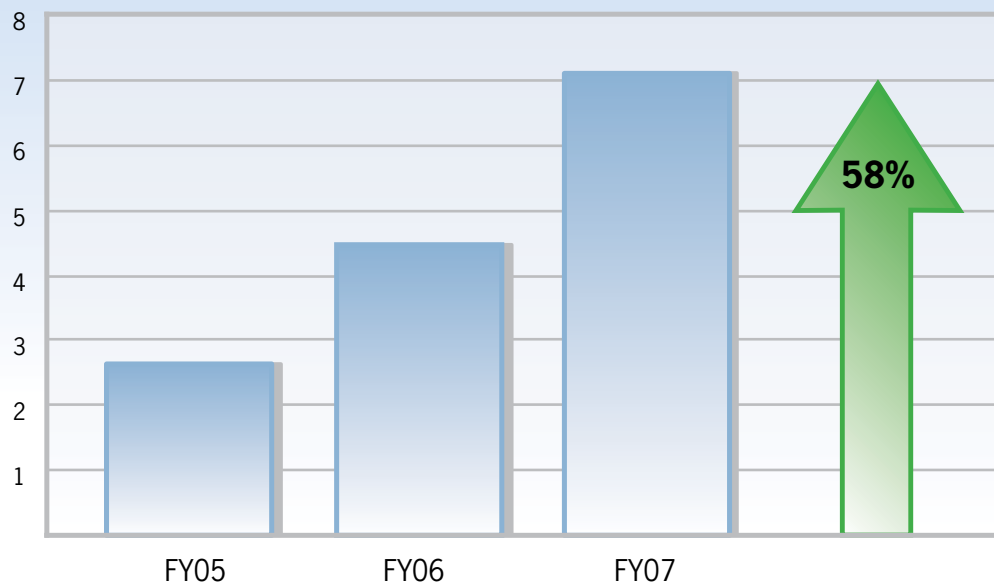
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KEY ACHIEVEMENTS

Sales Revenue	\$7,080,596
EBITDA	\$493,163
NPAT	\$400,155
Earnings Per Share	1.1c

Year on Year Revenue Growth



RESULTS

- Revenue of \$7,080,596 up 58% against 2006 financial year, EBITDA of \$493,163 and NPAT of \$400,155 from continuing operations
- Divestment of BigRedSky Limited through a return of capital to shareholders, immediately creating positive cash flow and profitability from continuing operations
- Secured two multi year recurring revenue contracts for the provision of IT outsourcing services to Oxiana Limited and Anvil Mining Australia Pty Limited

Investment for future growth

- Expanded senior management team, increased sales resources and grew billable staff numbers
- Expanded Victorian operation with the appointment of additional resources
- Investment in Empired's Operations Centre, providing improved capability in the delivery of IT Outsourcing services that deliver recurring revenue and multi year contracts
- Expanded service offerings with the introduction of Data Management services
- Developed clear growth strategy
- Prepared the company for listing on the ASX



Chairman and CEO Review

Dear Shareholder

It is with great pride that we present Empired's inaugural annual report as a listed company to you. Results from continuing operations were above our expectations with revenue growing to \$7.08 Million, a 58% increase on the previous financial year, EBITDA and NPAT of \$493,163 and \$400,155 respectively and importantly both exceeding Empired's budgeted 2007 figures.

There is no question that this year has been very satisfying, yet it is just the beginning. During the year we have created the basis to grow our company. This has been achieved by the divestment of Empired's non core business, development of a clear plan for growth, investment in key areas of Empired's operations and the preparation and subsequent listing of Empired Limited on the Australian Securities Exchange. All of this, whilst outperforming all our key financial measures, from continuing operations, set for the 2007 financial year.

The year was again a pivotal step in the history of Empired. A review of operations was undertaken resulting in a strong clear direction to develop a world class Australian IT Services business. Empired has successfully grown its IT Services business year on year since 2002, when it first entered the IT Services market.

Laying the Foundations

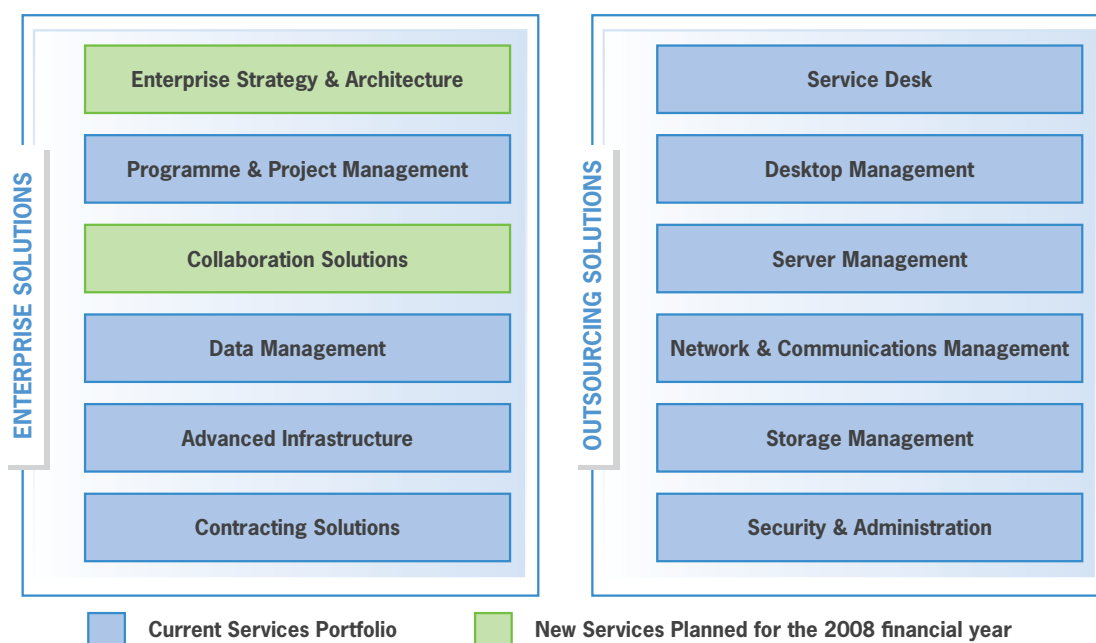
We embarked on divesting Empired's interests in businesses outside of its core and profitable IT Services operation. This was undertaken through a return of capital to shareholders by way of an in-specie distribution of wholly owned subsidiary BigRedSky Limited. The transaction was concluded on 23 July 2007, providing a clean commencement to the 2008 financial year.

Upon divestment, Empired immediately began its journey as a dedicated and focused IT Services organisation that is both profitable and has positive cash flow.

A decision was made for Empired to seek listing of its shares on the Australian Securities Exchange (ASX). Much of the planning and corporate activity for this was done in the 2007 financial year, with a prospectus released to the market in August 2007 for the issue of 10 Million shares to raise \$3 Million dollars.

Today we write this letter to you as an ASX listed IT Services business, confident that the foundations the Board and Management sought are now in place.

The listing of Empired on the ASX provides us with additional funding to enable us to implement our growth strategy. With our strengthened Balance Sheet and enhanced public profile we are confident that we are well placed to deliver on Empired's key objectives.



Chairman and CEO review (cont'd)



Investing for the future

In line with laying the corporate foundations of our company we identified key areas of investment in Empired's IT Services business for the 2007 financial year. These investments will assist us to achieve sustainable year on year growth, provide improved services to our customers and a business model that generates strong earnings.

We commenced by investing in our direct sales and marketing activity, securing two senior sales resources plus the appointment of an additional General Manager to drive national growth. This investment will underpin organic growth in the 2008 financial year and is already delivering new business opportunities. Of note two multi year recurring revenue contracts were secured for the provision of IT outsourcing services to Oxiana Limited and Anvil Mining Australia Pty Limited.

Our breadth of services was increased with the introduction of our Data Management Practice. Strong demand for these services has been experienced with this division being profitable in its first year of operation. A national services partnership was secured with global Data Management specialist NetApp and new customers were attracted including Shell Australia and Racing and Wagering WA. Cross selling of these new services into Empired's existing customers was also successful. It is expected that this demand will continue and that this practice will have significant profit contribution to Empired's growth in the 2008 financial year.

Importantly we recognised the need to secure long term recurring revenue through Empired's Operations division that provides managed services to our customers. Investment in our people, toolsets and processes has led to improved customer satisfaction, new customers being secured and importantly the level of contracted recurring revenue growing 153% between the 1st July 2006 and the 1st of July 2007.

In addition to these key investments, Empired has focused on attracting and retaining the best possible people and has overseen staff numbers increase by 80% between the 1st July 2006 and the 1st of July 2007. This substantial increase in billable staff numbers will assist Empired in delivering on its improved revenue and earnings growth ambitions during the 2008 financial year.

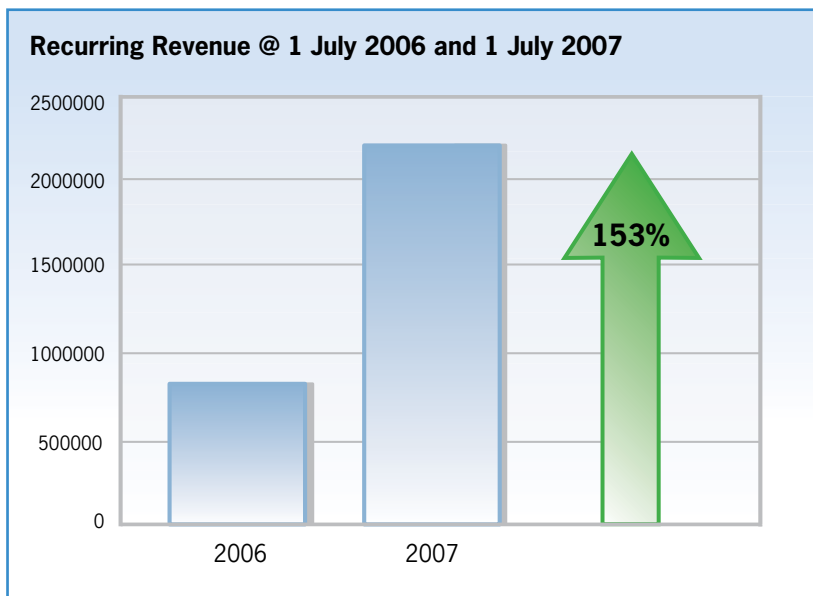
A Clear Plan for Growth

For the 2008 financial year Empired has a well defined plan to grow operations across Australia and deliver improved earnings and shareholder value.

Regional diversification is aimed at expanding the markets in which we operate, reducing geographic reliance and improving our national coverage. This will be delivered through an investment in resources in our Victorian office, leveraging our national partnerships and where appropriate opportunities present, expanding into new regions through earnings accretive acquisitions.

We also plan to deepen our current services through investing in training, forging partnerships with leading technology specialists and continuously striving to attract and retain the highest quality, innovative and driven professionals from our industry.

We will also broaden our services to improve opportunities to cross sell into existing customers, ensure our technical leadership and continue to provide points of differentiation. New service offerings that will be introduced to Empired's services portfolio include "Enterprise Strategy & Architecture" and "Collaboration Solutions".



In addition Empired will focus on the development of long term recurring revenue through the provision of Managed Services. The investment in this area in 2007 enables us to provide world class managed services. This not only provides an opportunity to aggressively drive new business but to ensure we retain and grow our current recurring revenue streams.

Focused on Delivering Value

Delivering on our goals means delivering value to our stakeholders. This starts with improving our current services, seizing opportunities to introduce new services and capitalising on introducing these services to existing customers in existing locations. It is extended by creating value propositions to attract new clients in new locations.

It is an exciting time to be a part of Empired, our staff are presented with great opportunities, our customers will enjoy expanded and improved services and to our shareholders, you are served by an experienced dedicated board and a proven driven management team that are all aligned to the common goal of value creation and improvement.

On behalf of the board of directors we thank our staff for their dedication, without which we would not be here today, our customers for your commitment and trust and you our shareholders for your patience, loyalty and support.

Yours Sincerely,

Russell Baskerville
Chief Executive Officer

Mel Ashton
Chairman



Director's 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 2007.

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 stated.

Directors

Name	Age	Experience and special responsibilities
Mel Ashton Chairman	49	<p>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.</p> <p>Mel's experience covers a wide range of industries and he consults to a number of Executives and Entrepreneurs as a business mentor.</p> <p>Mel is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountants in Australia.</p> <p>Mel's other appointments include:</p> <ul style="list-style-type: none"> Regional Councilor and former State Chairman of the WA Branch of Institute of Chartered Accountants Director and Vice President of the Fremantle Football Club Ltd Chairman of Venture Minerals Limited Chairman of Gryphon Minerals Ltd Chairman of Empire Beer Group Limited

Name	Age	Experience and special responsibilities
David Taylor Non - executive Director	65	<p>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.</p> <p>He currently holds the position of Chairman of both Perth Market Authority and Forest Products Commission and is a non-executive director of HBF Financial Services</p> <p>David is a Fellow of the Australian Institute of Company Directors.</p>
Russell Baskerville Managing Director & CEO	29	<p>Mr Baskerville is an experienced business professional and has worked in the IT industry for in excess of 10 years. He has extensive knowledge in both the strategic growth and development of technology businesses balanced by strong commercial and corporate skills.</p> <p>Prior to joining Empired, Mr Baskerville was a founding member of Tusk Technologies Pty Ltd, which was acquired by the company in March 2002. He was also the founder and Managing Director of Procom Holdings Pty Ltd, a company established to provide technical service and support to merchant banking facilities on behalf of the larger banks in Australia. Mr Baskerville currently holds non-executive directorships with Procom Holdings Pty Ltd and BigRedSky Limited.</p>
Craig Ferrier Company secretary	45	<p>Mr Ferrier holds a Bachelor of Business and is a CPA with approximately 20 years experience gained at chief financial officer and company secretary level. He has worked within a broad range of sectors including mining and exploration, venture capital, manufacturing and information technology. He is the principle of Seincorp Pty Ltd, a consultancy providing specialist company secretarial and corporate advisory services. He is also a non-executive director of BigRedSky Limited and ASX listed pieNETWORKS Limited.</p>

Principal Activities

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

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

The company demerged the BigRedSky operations in July 2007 leaving the IT infrastructure services business as the company's only continuing operation.

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

Number of Employees

At 30 June 2007 the Company employed 75 staff.

Significant changes in the state of affairs

There were no significant changes in the state of affairs during the year. A special resolution put before shareholders on the 23rd of July 2007, was passed to enable the company to demerge the BigRedSky business to focus on its core competency of IT infrastructure services. This resulted in a decrease to the net assets of \$621,491 for the consolidated group.

Director's Report (cont'd)

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:

A special resolution put before shareholders on the 23rd of July 2007, was passed to enable the company to demerge the BigRedSky business to focus on its core competency of IT infrastructure services.

The Company has issued Directors and Key Executives share options in July 2007. This was subject to shareholder approval at an extraordinary shareholder meeting on the 23rd of July 2007. 3,600,000 options were granted on the 23rd of July 2007.

The company has raised \$3,000,000 (net of \$2,650,000 after costs) from an initial public offering. The company listed on ASX on the 19th of October 2007.

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation.

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.

Operating Results for the Year

The net profit after tax from continuing operations for the year for the consolidated entity is \$400,155 (2006: \$1,004,151). The loss after tax for discontinued operations for the consolidated entity is (\$2,610,401).

Likely Developments

Further information about the likely developments in the operations of the consolidated entity and the expected results of those operations for future years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Share Options

Share Options Granted to Directors and Officers

As per shareholder approval during the financial year 750,000 options over ordinary shares were granted to Russell Baskerville and 250,000 options over ordinary shares were granted to each of Mel Ashton and David Taylor or their specified nominees.

As per shareholder approval post the end of the financial year 1,100,000 options were granted to Russell Baskerville, 600,000 options to Mel Ashton, and 350,000 options to David Taylor or their specified nominees.

Unissued Shares

At the date of this report, there were 8,161,476 unissued ordinary shares under options (4,561,476 at the reporting date). Refer to Note 14 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.

Share issues during the year

2,000,000 shares were issued during the year at \$0.15 per share to raise \$300,000. The funds were used to pay for the listing costs the company incurred prior to listing on ASX.

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 attached at page 69.

Non-Audit Services

Non-Audit services provided by the entity's Auditor can be found at note 26. 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.

Remuneration Report

This report outlines the remuneration arrangements in place for directors and executives of Empired Limited (the company).

Remuneration Philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Have a portion of certain executive's remuneration 'at risk', dependant upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performances hurdles for variable executive remuneration.

Remuneration Committee

Due to the structure of the Board, a separate remuneration committee is not considered to add any efficiencies to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate that it set aside time at Board meetings to address matter that would normally fall to the remuneration committee.

Remuneration Structure

In accordance with the best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Director's Report (cont'd)

Non-executive director remuneration

Objective

The board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on the 17th of November 2006 when shareholders approved an aggregated remuneration of \$175,000 per year.

The amount of aggregated remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed from time to time. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The remuneration of non-executive directors for the period ending 30 June 2007 is detailed in Table 1 of this report.

Executive director remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for company, business unit and individual performances against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link rewards with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level of remuneration paid to senior executives of the company, the Board took into account available benchmarks and prior performance.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior executive by the Board. Table 1 details the fixed and variable components (%) of the executive directors of the company.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Structure

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the group.

The fixed remuneration component of the company executives is detailed in Table 1.

Variable Remuneration - Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.

Structure

Actual STI payments granted to the company executives depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to net profit after tax, customer service, risk management, and leadership/team contribution.

Any STI payments are subject to the approval of the Remuneration Committee. Payments made are delivered as a cash bonus in the following reporting period. No STI payments were made during or since the end of the financial period.

Variable Pay - Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against the relevant long term performance hurdle.

Structure

LTI grants to executives are delivered in the form of options.

Relationship of rewards to performance

The only performance related condition was in relation to options, which was listing the company on ASX. This condition has been satisfied. There are no other performance related rewards.

Table 2 provides details of options granted and the value of options granted, exercised and lapsed during the year.

Employment Contracts

The CEO, Mr. Baskerville, is employed under contract. The current employment contract commenced on 1 July 2005 and is a rolling twelve month contract.

- Mr. Baskerville receives fixed remuneration of \$200,000 per annum at balance date.
- Mr. Baskerville may resign from his position and thus terminate his contract by giving three months written notice.
- Any options not exercised within 30 days of termination will be forfeited.
- The company may terminate this employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the fixed component of Mr. Baskerville's remuneration).
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where the termination with cause occurs the CEO is only entitled to that portion of remuneration that is fixed, and only up to the date of the termination.

Director's Report (cont'd)

Table 1: Directors remuneration for the year ended 30 June 2007 and 30 June 2006

		Salary & Fees	Primary benefits		Post Employment	Equity Options	Total	% Performance related
			Cash STI	LTI	Superannuation			
M. Ashton	2007	50,000	-	-	-	6,000	56,000	-
Chairman	2006	25,000	-	-	-	-	25,000	-
R. Baskerville	2007	200,000	-	-	-	12,750	212,750	-
Chief Executive	2006	165,000	-	-	-	30,800	195,800	-
D. Taylor	2007	5,000	-	-	25,000	6,000	36,000	-
Non-executive Director	2006	2,083	-	-	10,416	-	12,499	-

Table 2: Options granted as part of remuneration

	Grant date	Grant number	Average Value per option at grant date	Value of options granted during the year	Total value of options granted, exercised and lapsed during year	% remuneration consisting of options for the year
M. Ashton	17/11/2006	250,000	0.024	6,000	6,000	10.71
R. Baskerville	17/11/2006	750,000	0.017	12,750	12,750	5.99
D. Taylor	17/11/2006	250,000	0.024	6,000	6,000	16.67

Directors Meetings

The number of Directors meetings and the number of meetings attended by each Director during the year are:

Name of Director	No. of Meetings Held while a Director	No. of Meetings Attended as a Director during the year ended 30 June 2007
Russell Baskerville	13	13
Mel Ashton	13	13
David Taylor	13	13

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	4,614,031	2,550,000
Mel Ashton	-	850,000
David Taylor	-	600,000

Signed in accordance with a resolution of directors.



Russell Baskerville
Managing Director
26th of October 2007

Empired Limited and its Controlled Entities

Annual Financial Report For the Year Ended 30 June 2007



Income Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT	
		2007 \$	2006 \$	2007 \$	2006 \$
Continuing Operations					
Revenue					
Rendering of services	4	7,080,596	4,470,118	7,080,596	4,470,118
Cost of Sales		(4,907,888)	(3,080,716)	(4,907,888)	(3,080,716)
Gross profit		2,172,708	1,389,402	2,172,708	1,389,402
Other Income	4	9,150	10,118	9,150	10,118
Legal expenses		(36,384)	(2,681)	(36,384)	(2,681)
Marketing expenses		(786)	(2,244)	(786)	(2,244)
Occupancy expenses		(61,569)	(61,194)	(61,569)	(61,194)
Employee expenses		(1,153,224)	(348,602)	(1,153,224)	(348,602)
Finance costs		(16,159)	(7,623)	(16,159)	(7,623)
Depreciation expenses		(76,849)	(50,249)	(74,872)	(44,733)
Other expenses		(436,736)	(219,332)	(438,709)	(224,847)
Profit before income tax		400,155	707,596	400,155	707,596
Income tax (expense) / benefit relating to ordinary activities	5	-	296,555	-	296,555
Profit/Loss after tax from continuing operations		400,155	1,004,151	400,155	1,004,151
Profit / (loss) from discontinued operations	6	(2,610,401)	(805,753)	(2,610,401)	(805,753)
Loss after tax attributable to members of the Company		(2,210,246)	198,399	(2,210,246)	198,399

Earnings per share (cents per share)		
Basic for profit for the year attributable to ordinary shareholders of the parent	(6.1)	0.6
Basic for profit from continuing operations attributable to ordinary equity holders of the parent	1.1	2.9
Diluted for profit for the year attributable to ordinary equity holders of the parent	(6.1)	0.5
Diluted for profit from continuing operations attributable to ordinary equity holders of the parent	1.0	2.7
Dividends per share (cents per share)	-	-

Balance Sheet

AS AT 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT	
		2007 \$	2006 \$	2007 \$	2006 \$
ASSETS					
Current Assets					
Trade and other receivables	9	1,355,037	1,025,578	1,355,037	1,025,578
Inventories	10	-	4,830	-	4,830
Prepayments	11	93,364	71,248	93,364	71,248
		1,448,401	1,101,656	1,448,401	
Assets classified as held for Sale	6	1,596,325	-	1,596,325	-
Total Current Assets		3,044,726	1,101,656	3,044,726	1,101,656
Non-Current Assets					
Other financial assets	24	-	-	372,369	374,345
Property, plant and equipment	12	325,108	256,680	304,390	233,985
Intangible assets & goodwill	13	1,866,958	3,985,576	-	2,118,619
Total Non-current assets		2,192,066	4,242,256	676,759	2,726,949
TOTAL ASSETS		5,236,792	5,343,912	3,721,485	3,828,605
LIABILITIES					
Current Liabilities					
Bank overdraft	8	412,591	1,964	412,591	1,964
Trade and other payables	15	844,047	567,036	844,047	567,036
Interest-bearing loans and borrowings	16	70,197	73,128	70,197	73,128
Income tax payable	17	-	36,338	-	36,338
Provisions	17	127,290	91,560	127,290	91,560
Unearned revenue	18	202,517	112,199	202,517	112,199
		1,656,643	882,225	1,656,643	882,225
Liabilities directly associated with assets classified as held for sale	6	974,834	-	974,834	-
Total Current Liabilities		2,631,477	882,225	2,631,477	882,225
Non-current Liabilities					
Interest-bearing loans and borrowings	16	67,478	23,799	419,129	375,450
Total Non-current Liabilities		67,478	23,799	419,129	375,450
TOTAL LIABILITIES		2,698,955	906,024	3,050,606	1,257,675
NET ASSETS		2,537,837	4,437,888	670,880	2,570,930
EQUITY					
Issued capital	19	5,936,265	5,659,623	5,936,265	5,659,623
Employee equity benefits reserve	19	56,602	23,049	56,602	23,049
Accumulated losses	19	(3,455,030)	(1,244,784)	(5,321,988)	(3,111,742)
TOTAL EQUITY		2,537,837	4,437,888	670,880	2,570,930

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		7,957,076	4,960,703	7,957,076	4,960,703
Payments to suppliers and employees		(8,372,590)	(4,976,165)	(8,372,590)	(4,966,220)
Borrowing costs		(24,860)	(11,727)	(24,860)	(11,727)
Income tax rebate		332,726	338,686	332,726	338,686
Income tax paid		(36,338)	(63,130)	(36,338)	(63,130)
Receipt of government grants		-	12,437	-	12,437
Interest received		10,385	3,129	10,385	3,129
Net cash flows from/(used in) operating activities	8(iii)	(133,601)	263,933	(133,601)	273,877
Cash flows from investing activities					
Purchase of property, plant and equipment		(275,831)	(159,201)	(275,831)	(159,201)
Purchase of other financial assets		-	(3,500)	-	(3,500)
Net cash flows from/(used in) investing activities		(275,831)	(162,701)	(275,831)	(162,701)
Cash flows from financing activities					
Proceeds from issue of shares		300,000	-	300,000	-
Payment of share issue and capital raising costs		(23,358)	-	(23,358)	-
Payment of finance lease liabilities		(49,998)	(50,974)	(49,998)	(50,974)
Proceeds from borrowings		172,160	59,447	172,160	59,447
Net cash flows from/(used in) financing activities		398,804	8,472	398,804	8,472
Net increase/(decrease) in cash and cash equivalents		(10,628)	109,704	(10,628)	109,704
Net foreign exchange differences		-	-	-	-
Cash and cash equivalents at beginning of period		(1,964)	(111,668)	(1,964)	(111,668)
Cash and cash equivalents at end of period	8	(12,592)	(1,964)	(12,592)	(1,964)

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the parent			Total equity
	Issued capital	Retained earnings	Employee Equity Benefits Reserve	
	\$	\$	\$	\$
CONSOLIDATED				
At 1 July 2005	5,659,623	(1,443,182)	370	4,216,810
Profit for the year	-	198,399	-	198,399
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
Share raising costs	(23,358)	-	-	(23,358)
Profit for the year	-	(2,210,246)	-	(2,210,246)
Issue of share capital	300,000	-	-	300,000
Exercise of options	-	-	-	-
Cost of share-based payments	-	-	33,553	33,553
At 30 June 2007	5,936,265	(3,455,030)	56,602	2,537,837

	Attributable to equity holders of the parent			Total equity
	Issued capital	Retained Earnings	Employee Equity Benefits Reserve	
	\$	\$	\$	\$
PARENT				
At 1 July 2001	5,659,623	(3,310,141)	370	2,349,852
Profit for the year	-	198,399	-	198,399
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
Share raising costs	(23,358)	-	-	(23,358)
Profit for the year	-	(2,210,246)	-	(2,210,246)
Issue of share capital	300,000	-	-	300,000
Exercise of options	-	-	-	-
Cost of share-based payments	-	-	33,553	33,553
At 30 June 2007	5,936,265	(5,321,988)	56,602	670,879

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

1 CORPORATE INFORMATION

The financial report of Empired Ltd for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 26 October 2007.

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 2001 and applicable Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for 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 Standard ('AIFRS'). The financial report also complies with international financial standards ('IFRS').

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Urgent Issues Group that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2006. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Group.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007. These are outlined in the table below.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Statement of compliance (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 Financial Instruments: Disclosures.	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 Group and Treasury Share Transactions.	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments so will have no impact	1 July 2007
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 Service Concession Arrangements.	1 January 2008	As the Group currently has no service concession arrangements or public-private-partnerships (PPP), it is expected that this Interpretation will have no impact on its financial report.	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 Operating Segments	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the new standard may have an impact on the segment disclosures included in the Group's financial report.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Statement of compliance (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	The standard is a result of the AASB decision that, in principle, all accounting policy options currently existing in IFRS should be included in the Australian equivalents to IFRS and the additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.	1 July 2007	As the Group does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4 this standard will have no impact on the amounts included in the Group's financial statements. Changes to disclosure requirements will have no direct impact on the amounts included in the Group's financial statements. However the new standard may have an impact on the disclosures included in the Group's financial report.	1 July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) Borrowing Costs.	1 January 2009	As the Group does not currently construct or produce any qualifying assets which are financed by borrowings the revised standard will have no impact.	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standard issued as a consequence of AASB 2007-4.	1 July 2007	Refer to AASB 2007-4 above.	1 July 2007
AASB 7	Financial Instruments: Disclosures	New standard replacing disclosure requirements of AASB 132.	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	Operating Segments	This new standard will replace AASB 114 Segment Reporting and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Statement of compliance (cont'd)

<i>Reference</i>	<i>Title</i>	<i>Summary</i>	<i>Application date of standard*</i>	<i>Impact on Group financial report</i>	<i>Application date for Group*</i>
AASB 101 (revised October 2006)	Presentation of Financial Statements.	The revised standard includes some text from IAS 1 that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.	1 January 2007	AASB 101 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the revised standard may result in changes to the disclosures included in the Group's financial report.	1 July 2007
AASB 123 (revised June 2007)	Borrowing Costs	AASB 123 previously permitted entities to choose between expensing all borrowing costs and capitalizing those that were attributable to the acquisition, construction or production of a qualifying asset. The revised version of AASB 23 requires borrowing costs to be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Statement of compliance (cont'd)

<i>Reference</i>	<i>Title</i>	<i>Summary</i>	<i>Application date of standard*</i>	<i>Impact on Group financial report</i>	<i>Application date for Group*</i>
AASB Interpretation 134	Interim Financial Reporting and Impairment	Addresses an inconsistency between AASB 134 Interim Financial Reporting and the impairment requirements relating to goodwill in AASB 136 Impairment of Assets and equity instruments classified as available for sale in AASB 139 Financial Instruments: Recognition and Measurement	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 that interim reporting is not expected to have any impact on the Group's financial report.	1 July 2007
AASB Interpretation 2	Group and Treasury Share Transactions	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.	1 March 2007	Refer to AASB 2007-1 above.	1 July 2007
AASB Interpretation 129	Service Concession Arrangements	Clarifies how operators recognize the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Refer to AASB 2007-2 above.	1 July 2008
AASB Interpretation 129 (revised June 2007)	Service Concession Arrangements: Disclosures	The revised interpretation was issued as a result of the issue of Interpretation 12 and requires specific disclosures about service concession arrangements entered into by an entity, whether as a concession provider or a concession operator.	1 January 2008	Refer to AASB 2007-2 above.	1 July 2008
IFRIC Interpretation 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Statement of compliance (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
IFRIC Interpretation 14	IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does not have a defined benefit pension plan and as such this interpretation will not have an impact on the Group's financial report.	1 July 2008

(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) 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:

Buildings & Improvements	DV	7.5 – 20 yrs
Leasehold Improvements	DV	5 – 20 yrs
Furniture & Fittings	DV	3 – 20 yrs
Computer Hardware	DV	3 – 5 yrs
Computer Software	SL	1 – 2.5 yrs

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment (cont'd)

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 use 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.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(f) 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.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) 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.

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.

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

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

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.

(h) 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Investments

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

The fair value is based on the net assets of the investment at balance date.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Provisions (cont'd)

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.

(o) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employee's services up to reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(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 Empired Executive 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 14.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Share-based payment transactions (cont'd)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 7).

(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:

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 brought 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.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Other taxes (cont'd)

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) Significant accounting judgements, estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 23.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

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. There is only one geographical segment.

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

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 2007 and 2006.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

3 SEGMENT INFORMATION (cont'd)

2007 Business Segment Information

<i>Business Segments</i>	<i>Continuing Operations</i>	<i>Discontinued Operations</i>	<i>Eliminations 2007</i>	<i>Total Operations</i>
	<i>Services 2007</i>	<i>Software 2007</i>		<i>Consolidated 2007</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Revenue				
Segment revenue				
External revenue	7,080,596	911,991	-	7,992,587
Total segment revenue	7,080,596	911,991	-	7,992,587
Unallocated revenue				10,385
Total consolidated revenue				8,002,972
Results				
Segment result	400,155	(2,610,401)	-	(2,210,246)
Unallocated expenses	-	-	-	-
Consolidated entity profit(loss) from ordinary activities before income tax revenue				(2,210,246)
Income tax (expense) revenue				-
Consolidated entity profit/(loss) from ordinary activities after income tax revenue				(2,210,246)
Assets				
Segment assets	3,640,467	1,596,325	-	5,236,792
Unallocated assets	-	-	-	-
Total assets				5,236,792
Liabilities				
Segment liabilities	1,724,121	974,834	-	2,698,955
Unallocated liabilities	-	-	-	-
Total liabilities				2,698,955
Other Segment Information				
Acquisition of segment plant & equipment	200,400	72,791	-	273,191
Depreciation	76,849	41,380	-	118,229
Amortisation	-	505,122	-	505,122
Impairment	-	1,168,446	-	1,168,446

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

3 SEGMENT INFORMATION (cont'd)

2006 Business Segment Information

	<i>Continuing Operations</i>	<i>Discontinued Operations</i>		<i>Total Operations</i>
<i>Business Segments</i>	<i>Services</i>	<i>Software</i>	<i>Eliminations</i>	<i>Consolidated 2006 \$</i>
Revenue				
Segment revenue				
External revenue	4,470,118	506,441	-	4,976,559
Total segment revenue	4,470,118	506,441	-	4,976,559
Unallocated revenue	-	-	-	15,566
Total consolidated revenue				4,992,125
Results				
Segment result	707,596	(805,753)	-	(98,157)
Unallocated expenses	-	-	-	-
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	2,621,813	2,722,099	-	5,343,912
Unallocated assets	-	-	-	-
Total assets				5,343,912
Liabilities				
Segment liabilities	597,298	308,727	-	906,025
Unallocated liabilities	-	-	-	-
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		539,914	-	539,914

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

4 REVENUES

	CONSOLIDATED		PARENT	
	2007 \$	2006 \$	2007 \$	2006 \$
Sales Revenue				
Services	7,080,596	4,470,118	7,080,596	4,470,118
	<u>7,080,596</u>	<u>4,470,118</u>	<u>7,080,596</u>	<u>4,470,118</u>
Other Revenue				
Interest	2,295	2,034	2,295	2,034
Government grants	-	8,084	-	8,084
Other	6,855	-	6,855	-
	<u>9,150</u>	<u>10,118</u>	<u>9,150</u>	<u>10,118</u>
	<u>7,089,746</u>	<u>4,480,236</u>	<u>7,089,746</u>	<u>4,480,236</u>

5 INCOME TAX

Major components of income tax expense for the years ended 30 June 2007 and 2006 are:

Income Statement

<i>Current income</i>				
Current income tax charge	-	36,338	-	36,338
Research & Development Rebate Receivable	-	(332,893)	-	(332,893)
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	-	-	-	-
Income tax expense reported in income statement	-	(296,555)	-	(296,555)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

5 INCOME TAX (cont'd)

	CONSOLIDATED		PARENT	
	2007 \$	2006 \$	2007 \$	2006 \$
Prima facie tax on operating profit calculated at 30%	(663,074)	(29,447)	(663,074)	(29,447)
	(663,074)	(29,447)	(663,074)	(29,447)
Add tax effect of:				
Non-deductible expenses	2,099	13,731	2,099	13,731
Amortisation of trademark	356	356	356	356
Development expenditure	-	61,750	-	61,750
Entertainment	3,848	4,409	3,848	4,409
Timing differences not brought to account	513,186	40,046	513,186	40,046
Prior year tax losses utilised	-	(54,507)	-	(54,507)
Addition to prior year losses	172,819	-	172,819	-
Research and Development offset	-	(332,893)	-	(332,893)
	-	(296,555)	-	(296,555)
Income tax expense / (revenue)	-	(296,555)	-	(296,555)
Deferred tax assets and liabilities as a result of temporary differences				
Deferred Tax Assets	58,824	283,466	58,824	273,231
Deferred Tax Liabilities	(47,351)	(59,992)	(47,351)	(59,992)
Current tax receivable	-	296,556	-	296,556
Income tax losses				
Deferred tax asset arising from tax losses of the parent company has not been recognised at reporting date. This is as a result of the consolidated entity not being able to satisfy the carried forward losses rules as a result of the demerge of the BigRedSky business.				
Revenue losses	-	260,876	-	260,876
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.

The head entity is responsible for tax liabilities of the group. Intra group transactions are ignored for tax purposes and there is a single return lodged on behalf of the group.

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.

There was a tax funding agreement formalised at 30 June 2003. Under this tax funding agreement Empired Limited is responsible for the tax liabilities of the group.

No tax amounts have been recognised as part of the consolidated group.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

6 DISCONTINUED OPERATIONS

Post balance sheet date the Board of Directors decided to dispose of the BigRedSky talent management software business. A sale agreement was entered into on the 1st of July 2007.

The disposal of BigRedSky to BigRedSky Limited and the subsequent return of capital to shareholders in the form of shares in BigRedSky Limited was executed on the 23rd of July 2007. As at 30 June 2007 the assets and liabilities associated with the business are classified as assets and liabilities held for sale.

The results of the Discontinued operations are presented below:

	2007 \$
Revenue	913,227
Amortisation	(505,122)
Impairment	(1,168,446)
Other expenses	(1,850,060)
Loss Before Tax from discontinued operations	(2,610,401)
Income tax (expense) / benefit relating to discontinued operations	-
Loss for the year from discontinued operations	(2,610,401)

The major classes of assets and liabilities of BigRedSky are as follows:

	2007 \$
Assets	
Cash	400,000
Intangibles	834,846
Property, plant and equipment	89,174
Inventories	5,200
Prepayments	16,425
Trade and other receivables	250,681
Assets classified as held for sale	1,596,326
Liabilities	
Trade creditors	(51,031)
Other payables	(134,285)
Interest bearing liabilities	(74,133)
Provisions	(64,511)
Other	(650,875)
Liabilities Directly associated with assets classified as held for sale	(974,835)
Net Assets attributable to discontinued operations	621,491

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

6 DISCONTINUED OPERATIONS (cont'd)

The net cash flows of BigRedSky are as follows:

	2007 \$
Operating activities	357,931
Investing activities	-
Financing activities	42,756
Net cash inflow / (outflow)	400,687

Consideration receivable	2007 \$
Present Value of deferred sales proceeds	621,491
Total disposal consideration	621,491
Less net assets disposed of	621,491
Loss in disposal before income tax	-
Income tax expense	-
Loss on disposal after income tax	-
<p>The Proceeds on the sale were equal to the book value of the related net assets. As such no impairment expense was recognised on the reclassification of these operations as held for sale.</p>	

Earnings per share (cents per share)	2007	2006
Basic from discontinued operations	-7.2	-2.4
Diluted from discontinued operations	-7.2	-2.4

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

7 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following represents the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2007	2006
	\$	\$
Net profit attributable to ordinary equity holders of the parent from continuing operations	400,155	1,004,151
Profit / (loss) attributable to ordinary equity holders of the parent from discontinued operations	(2,610,401)	(805,753)
Net profit attributable to ordinary equity holders of the parent	(2,210,246)	198,399

	2007	2006
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	36,210	34,210
Effect of dilution:		
Share options	4,561	2,313
Weighted average number of ordinary shares adjusted for the effect of dilution	40,771	36,523

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

8 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 balance sheet as follows:

	<i>Consolidated</i>		<i>Parent</i>	
	<i>2007</i> <i>(\$)</i>	<i>2006</i> <i>(\$)</i>	<i>2007</i> <i>(\$)</i>	<i>2006</i> <i>(\$)</i>
Cash assets	250	152	250	152
Bank accounts	383,258	(2,116)	383,258	(2,116)
Invoice debtor facility	(396,100)	-	(396,100)	-
	<u>(12,592)</u>	<u>(1,964)</u>	<u>(12,592)</u>	<u>(1,964)</u>
Overdraft in continuing operations	(412,592)	(1,964)	(412,592)	(1,964)
Bank accounts in discontinuing operations	400,000	-	400,000	-
	<u>(12,592)</u>	<u>(1,964)</u>	<u>(12,592)</u>	<u>(1,964)</u>

(ii) Financing facilities available

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

Bank Overdraft	-	247,884	-	247,884
Invoice Discounting Facility	453,900	-	453,900	-

The Invoice Discounting Facility has a total limit of \$850,000.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

8 CASH AND CASH EQUIVALENTS (cont'd)

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

Operating profit(loss) after income tax	(2,210,246)	198,399	(2,210,246)	198,399
Depreciation	118,229	77,306	116,253	71,790
Amortisation	505,122	539,914	505,122	539,914
Write down(up) of investment in subsidiary	-	-	1,976	23,081
Impairment of deferred expenditure	1,168,446	-	1,168,446	-
Option Plan Expense	33,554	22,679	33,554	22,679
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	(508,860)	193,333	(508,860)	193,333
(Increase)/decrease in other receivables	336,226	19,531	336,226	2,293
(Increase)/decrease in other assets	(224,859)	(10,090)	(224,859)	(146)
(Increase)/decrease in prepayments	(22,116)	8,708	(22,116)	8,708
(Increase)/decrease in unbilled income	(156,825)	97,242	(156,825)	97,242
(increase)/decrease in deferred R & D	441,205	(831,000)	441,205	(831,000)
Increase/(decrease) in trade creditors	62,256	64,994	62,256	64,994
Increase/(decrease) in audit fees	(3,500)	2,500	(3,500)	2,500
Increase/(decrease) in other creditors	86,199	108,257	86,199	108,257
Increase/(decrease) in unexpired interest	8,516	(3,550)	8,516	(3,550)
Increase/(decrease) in accrued liabilities	143,342	(23,832)	143,342	(23,832)
Increase/(decrease) in unearned income	90,318	(209,651)	90,318	(209,651)
Increase/(decrease) in income tax	(36,338)	(26,792)	(36,338)	(26,792)
Increase/(decrease) in provision for employee entitlements	35,730	33,221	35,730	33,221
Net cash used in operating activities	(133,601)	263,934	(133,601)	273,878

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

9 TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2007 \$	2006 \$	2007 \$	2006 \$
Trade receivables	1,195,857	686,997	1,195,857	686,997
Provision for doubtful debts	-	-	-	-
	1,195,857	686,997	1,195,857	686,997
Term Deposit Receivable	-	3,500	-	3,500
Unbilled Income	159,013	2,187	159,013	2,187
Research & Development Rebate Receivable	-	332,893	-	332,893
Withholding tax receivable	167	-	167	-
	1,355,037	1,025,578	1,355,037	1,025,578

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

10 INVENTORIES

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

11 OTHER ASSETS

Current				
Prepayments	93,364	71,248	93,364	71,248
Total current other assets	93,364	71,248	93,364	71,248

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

12 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2007 (\$)	2006 (\$)	2007 (\$)	2006 (\$)
Plant and Equipment				
At cost	728,399	639,692	728,399	533,919
Accumulated depreciation	(403,290)	(383,012)	(403,291)	(299,934)
Net carrying amount of plant and equipment	325,108	256,680	325,108	233,985
Assets are held as security for hire purchase contracts.				
Plant and Equipment				
Movements during the year:				
Opening balance 1 July 2006	256,680	177,550	256,680	149,012
Additions	275,831	159,201	275,831	159,201
Disposals	-	(2,768)	-	(2,438)
Assets included in discontinued operations held for sale (note 6)	(89,174)	-	(89,174)	-
Depreciation expense relating to assets included in discontinued operations held for sale (note 6)	(41,380)	-	(41,380)	-
Depreciation expense	(76,849)	(77,303)	(76,849)	(71,790)
Closing balance 30 June 2007	325,108	256,680	325,108	233,985

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

13 INTANGIBLE ASSETS & GOODWILL

Year ended 30 June 2007	CONSOLIDATED			PARENT	
	Development costs ¹ \$	Patents and licenses \$	Goodwill ² \$	Total \$	Total \$
At 1 July 2006,					
net of accumulated amortisation	2,116,276	2,342	1,866,958	3,985,576	2,118,618
Additions	389,795	-	-	389,795	389,795
Impairment	(1,168,447)	-	-	(1,168,447)	(1,168,447)
Amortisation	(503,934)	(1,188)	-	(505,122)	(505,122)
At 30 June 2006,					
Intangible assets included in discontinued operations held for sale (note 6)	(833,690)	(1,154)	-	(834,844)	(834,844)
net of accumulated amortisation	-	-	1,866,958	1,866,958	-
At 1 July 2006					
Cost (gross carrying amount)	3,855,037	13,389	1,866,958	5,735,384	3,037,427
Accumulated amortisation and impairment	(1,738,761)	(11,047)	-	(1,749,808)	(1,209,896)
Net carrying amount	2,116,276	2,342	1,866,958	3,985,576	1,827,531
At 30 June 2007					
Cost (gross carrying amount)	4,244,832	13,389	1,866,958	6,125,179	4,258,221
Accumulated amortisation and impairment	(3,411,142)	(12,235)	-	(3,423,377)	(3,423,377)
Intangible assets included in discontinued operations held for sale (note 6)	(833,690)	(1,154)	-	(834,844)	(834,844)
	-	-	1,866,958	1,866,958	-

¹ Internally generated

² Purchased as part of business combinations

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

13 INTANGIBLE ASSETS & GOODWILL (cont'd)

Year ended 30 June 2006	CONSOLIDATED			PARENT	
	Development costs ¹ \$	Patents and licenses \$	Goodwill ² \$	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)
	2,116,276	2,342	1,866,958	3,985,576	2,118,619

¹ Internally generated

² Purchased as part of business combinations

Development costs have been 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. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

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. In view of the small cost to acquire this asset, it was decided to amortise over six years.

Prior to the classification of BigRedSky as a discontinued operation, the recoverable amount was determined as value in use using a discounted rate of 12.75%. The impairment loss of \$1,168,446 represents the write down of that intangible asset based on a discounted cash flow valuation and testing for obsolescence in the cash-generating unit. The impairment loss has been recognised in the income statement in the line item 'Loss for the year from discontinued operations'.

Goodwill has been tested for impairment, this is detailed at note 23.

No impairment loss was charged for continuing operations in the 2007 financial year (note 23).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

14 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 to assist in motivating and retaining employees.

Options issued under the ESOP will vest on the sooner of one of the following conditions being satisfied:

- (i) on the second anniversary, one third of the grant of options;
- (ii) on the third anniversary, two thirds of the grant of options;
- (iii) on the fourth anniversary, all of the grant of options; or
- (iv) 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, options will be settled in ordinary shares of Empired Limited on the basis of one share for each option exercised.

On the 22nd of February 2007, 414,389 options were granted with a fair value as follows:

Options	Fair value per option	Exercise price per option
138,136	\$0.015	\$0.30
138,132	\$0.011	\$0.35
138,121	\$0.009	\$0.40
<u>414,389</u>		

The options were granted over ordinary shares and are exercisable upon meeting vesting conditions outlined above and until their expiry on 22 February 2012.

The fair value of the options are estimated at the date of grant using a binomial model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2007.

	2007
Dividend yield (%)	-
Expected volatility (%)	40%
Risk-free interest rate (%)	5.80%
Expected life of option (years)	5 years
Option exercise price (\$)	\$0.30, \$0.35, \$0.40
Share price at grant date (\$) (Net Asset Backing)	\$0.11

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 2007, no options were exercised over ordinary shares.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

14 EMPLOYEE BENEFITS (cont'd)

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

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Outstanding at the beginning of the year	277,550	\$0.35	-	
Granted during the year	414,389	\$0.35	308,070	\$0.35
Forfeited during the year	(15,463)	\$0.35	(30,520)	\$0.35
Exercised during the year	-		-	
Expired during the year	-		-	
Outstanding at the end of the year	676,476	\$0.35	277,550	\$0.35
Exercisable at the end of the year	-	-	-	-

The outstanding balance as at 30 June 2007 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;
- 398,926 options over ordinary shares with an average exercise price of \$0.35 each, exercisable upon meeting the above conditions and until 22 February 2012

The weighted average contractual life for the share options outstanding as at 30 June 2007 is 4 years (2006: 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	2007 No.	2006 No.
31-Jul-2010	\$0.30	94,364	94,364
31-Jul-2010	\$0.35	91,593	91,593
31-Jul-2010	\$0.40	91,593	91,593
22-Feb-2012	\$0.30	132,981	-
22-Feb-2012	\$0.35	132,977	-
22-Feb-2012	\$0.40	132,968	-
Total		676,476	277,550

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

14 EMPLOYEE BENEFITS (cont'd)

(b) Empired executive share option plan

The Group has an executive share option plan (ESOP) for the granting of non-transferable options to certain directors and senior executives to assist in motivating and retaining executives.

Options issued under the ESOP will vest on the sooner of one of the following conditions being satisfied:

- (i) on the second anniversary of the grant of the options;
- (ii) 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:

- (a) any vested options that are unexercised on the fifth anniversary of their grant date will expire;
- (b) upon exercise, options will be settled in ordinary shares of Empired Limited; and
- (c) options are issued to executives subject to successful ASX listing which has occurred post balance date.

On 28 July 2006, 600,000 options were granted with a fair value as follows:

Options	Fair value per option	Exercise price per option
200,000	\$0.037	\$0.20
200,000	\$0.028	\$0.25
200,000	\$0.022	\$0.30
<u>600,000</u>		

The options were granted over ordinary shares and are exercisable upon meeting vesting conditions outlined above and until their expiry on 28 July 2011.

On 17 November 2006, 500,000 options were granted with a fair value as follows:

Options	Fair value per option	Exercise price per option
166,666	\$0.031	\$0.20
166,666	\$0.023	\$0.25
166,668	\$0.018	\$0.30
<u>500,000</u>		

The options were granted over ordinary shares exercisable upon meeting vesting conditions outlined above and until their expiry on 17 November 2011.

On 17 November 2006, 750,000 options were granted with a fair value as follows:

Options	Fair value per option	Exercise price per option
750,000	\$0.017	\$0.25
<u>750,000</u>		

The options were granted over ordinary shares and are exercisable upon meeting the vesting conditions outlined above and until their expiry on 17 November 2010.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

14 EMPLOYEE BENEFITS (cont'd)

(b) Empired executive share option plan (cont'd)

The fair value of the options are estimated at the date of grant using a 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.

	28 July 2007 (600,000)	17 November 2007 (500,000)	17 November 2007 (750,000)
Dividend yield (%)	-	-	-
Expected volatility (%)	40%	40%	40%
Risk-free interest rate (%)	5.9%	5.74%	5.74%
Expected life of option (years)	5 years	5 years	4 years
Option exercise price (\$)	\$0.20, \$0.25, \$0.30	\$0.20, \$0.25, \$0.30	\$0.25
Share price at grant date (\$) (Net Asset Backing)	\$0.13	\$0.12	\$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 2007, 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.

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Outstanding at the beginning of the year	2,035,000	\$0.25	235,000	\$0.25
Granted during the year	1,850,000	\$0.25	1,800,000	\$0.25
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	\$0.25
Outstanding at the end of the year	3,885,000	\$0.25	2,035,000	\$0.25
Exercisable at the end of the year	235,000	\$0.25	235,000	\$0.25

As at 30 June 2007 there were 3,885,000 options over ordinary shares with an average exercise price of \$0.25 each, exercisable upon meeting the conditions outlined above and until their expiry dates as set out in the table below.

The weighted average contractual life for the share options outstanding as at 30 June 2007 is 3.58 years (2006: between 1 and 5 years).

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

Expiry Date	Exercise price	2007 No.	2006 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	700,000
23 March 2011	\$0.25	1,100,000	1,100,000
28 July 2011	\$0.25	600,000	-
17 November 2010	\$0.25	750,000	-
17 November 2011	\$0.25	500,000	-
Total		3,885,000	2,035,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

15 TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2007 \$	2006 \$	2007 \$	2006 \$
Trade payables	290,297	228,041	290,297	228,041
Audit fees payable	13,000	16,500	13,000	16,500
Superannuation payable	90,349	58,977	90,349	58,977
GST payable	98,955	78,280	98,955	78,280
PAYG payable	91,965	65,664	91,965	65,664
Accrued liabilities	226,694	94,639	226,694	94,639
Credit cards payable	32,787	24,936	32,787	24,936
	<u>844,047</u>	<u>567,036</u>	<u>844,047</u>	<u>567,036</u>
Included in the above are aggregate amounts payable to the following related parties:				
Owing to directors and director related entities	24,709	127,700	24,709	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 27.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

16 INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	CONSOLIDATED		PARENT	
		2007 \$	2006 \$	2007 \$	2006 \$
Current					
Obligations under finance leases and hire purchase contracts (note 21)		46,423	34,272	46,423	34,272
Obligations under premium funding contracts		23,774	38,856	23,774	38,856
		70,197	73,128	70,197	73,128
Non-current					
Obligations under finance leases and hire purchase contracts (note 21)		67,478	20,299	67,478	20,299
Loan from Employee		-	3,500	-	3,500
Loan from Subsidiary		-	-	351,651	351,651
		67,478	23,799	419,129	375,450

Hire Purchase Contracts

Hire purchase contract maturity ranges from June 2008 to June 2010.

	CONSOLIDATED		PARENT	
	2007 \$	2006 \$	2007 \$	2006 \$
Finance facilities available				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities:				
- Bank overdraft	-	250,000	-	250,000
- Invoice discounting facility	850,000	-	850,000	-
Facilities used at reporting date				
- Bank overdraft	-	(2,116)	-	(2,116)
- Invoice discounting facility	(396,099)	-	(396,099)	-
Facilities unused at reporting date				
- Bank overdraft	-	247,884	-	247,884
- Invoice discounting facility	453,901	-	453,901	-

Bank overdrafts

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

Invoice discounting facility

The invoice discounting facility is secured by the debtors ledger and a floating charge over assets of the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

17 PROVISIONS

	CONSOLIDATED		PARENT	
	2007 \$	2006 \$	2007 \$	2006 \$
Current				
Employee entitlements	127,290	91,560	127,290	91,560
Tax payable	-	36,338	-	36,338
	<u>127,290</u>	<u>127,898</u>	<u>127,290</u>	<u>127,898</u>

18 UNEARNED REVENUE

	CONSOLIDATED		PARENT	
	2007 \$	2006 \$	2007 \$	2006 \$
Current				
Unearned Revenue	202,517	112,199	202,517	112,199
	<u>202,517</u>	<u>112,199</u>	<u>202,517</u>	<u>112,199</u>

19 ISSUED CAPITAL AND RESERVES

	CONSOLIDATED			PARENT		
	2007 \$	2006 \$	2007 \$	2006 \$		
Ordinary Shares						
Issued and fully paid	5,936,265	5,659,623	5,936,265	5,659,623		
Issued and fully paid	<u>5,936,265</u>	<u>5,659,623</u>	<u>5,936,265</u>	<u>5,659,623</u>		
	No.	Price (\$)	Value (\$)	No.	Price (\$)	Value (\$)
Movement in ordinary shares on the issue						
At 1 July 2005	34,210,648		5,659,623	34,210,648		5,659,623
At 1 July 2006	34,210,648		5,659,623	34,210,648		5,659,623
Capital raising	2,000,000	0.15	300,000	2,000,000	0.15	300,000
Issue costs			(23,358)			(23,358)
At 30 June 2007	<u>36,210,648</u>		<u>5,936,265</u>	<u>36,210,648</u>		<u>5,936,265</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

19 ISSUED CAPITAL AND RESERVES (cont'd)

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 14)

Other Reserves

	CONSOLIDATED		PARENT	
	Employee equity benefits reserve \$	Total \$	Employee equity benefits reserve \$	Total \$
At 1 July 2005	370	370	370	370
Share based payment	22,679	22,679	22,679	22,679
At 30 June 2006	23,049	23,049	23,049	23,049
Share based payment	33,554	33,554	33,554	33,554
As at 30 June 2007	56,603	56,603	56,603	56,603

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 14 for further details of these plans.

Retained Earnings	CONSOLIDATED \$	PARENT \$
At 1 July 2005	(1,443,182)	(2,913,343)
Profit for the year	198,399	198,399
At 30 June 2006	(1,244,784)	(3,111,742)
Loss for the year	(2,210,246)	(2,210,246)
At 30 JUNE 2007	(3,455,030)	(5,321,988)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

20 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.

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 2007, 100% 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.

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.

Liquidity risk

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

21 FINANCIAL INSTRUMENTS

The fair values of the financial assets and financial liabilities approximate the carrying amounts.

Interest Rate Risk

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

2007	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
	2007 \$	2007 \$	2007 \$	2007 \$	2007 \$	2007
i) Financial Assets						
Receivables – trade	-	-	-	1,195,857	1,195,857	-
Receivables – other	-	-	-	159,180	159,180	-
Total financial assets	-	-	-	1,355,037	1,355,037	-
ii) Financial liabilities						
Invoice discounting facility	-	396,099	-	16,492	412,591	9.99%
Accounts payables	-	-	-	290,297	290,297	-
Hire purchase	-	46,423	67,478	-	113,901	9.03%
Short term loans	-	23,744	-	-	23,744	7.83%
Total financial liabilities	-	466,266	67,478	306,789	840,533	

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
iii) Financial Assets						
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	1,039,317	1,042,817	
iv) 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	

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

22 COMMITMENTS AND CONTINGENCIES

No contingent assets or liabilities as at 30 June 2007.

Commitments for Expenditure

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
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	54,872	37,432	54,872	37,432
Later than one year but not later than five years	73,022	21,473	73,022	21,473
Less: unexpired charges	(13,994)	(4,329)	(13,994)	(4,329)
	<u>113,900</u>	<u>54,576</u>	<u>113,900</u>	<u>54,576</u>
Hire Purchase				
Current (refer note 16)	46,422	31,954	46,422	31,954
Non Current (refer note 16)	67,478	18,192	67,478	18,192
Total Hire Purchase	<u>113,900</u>	<u>50,146</u>	<u>113,900</u>	<u>50,147</u>
Loan Repayments				
The consolidated entity has borrowed the necessary funds from CGU to finance insurance. The terms of the loans are for 10 months each.				
Not later than one year	25,632	41,858	25,632	41,858
Later than one year but not later than five years	-	-	-	-
Less: unexpired charges	(1,858)	(3,002)	(1,858)	(3,002)
	<u>23,774</u>	<u>38,856</u>	<u>23,774</u>	<u>38,856</u>
Loan Repayments				
Current (refer note 16)	23,774	38,856	23,774	38,856
Non Current (refer note 16)	-	-	-	-
Total Loan Repayments	<u>23,774</u>	<u>38,856</u>	<u>23,774</u>	<u>38,856</u>

Office premises are leased under non-cancellable operating leases for periods of 12 months ending 30 June 2008. Their commitment can be seen below:

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	119,521	113,102	119,521	113,102
Later than one year but not later than five years	-	-	-	-
	<u>119,521</u>	<u>113,102</u>	<u>119,521</u>	<u>113,102</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

23 IMPAIRMENT TESTING OF 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% (2006: 12.75%) using a 12.7% growth rate (2006: 12.7%) that is the same as the 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	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
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 2007 and 30 June 2006

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.

24 RELATED PARTY DISCLOSURE

Other Financial Assets	Country of Incorporation	% Equity Interest		Investment (\$)	
		2007	2006	2007	2006
		%	%	\$	\$
Tusk Technologies Pty Ltd	Australia	100	100	372,367	374,345
BigRedSky Limited	Australia	100	-	2	-
				372,369	374,345

The balance of the Tusk Technologies Pty Ltd loan as at 30 June 2007 is \$351,651. This loan is unsecured does not bear interest and is not repayable in the next 12 months. The investment in Tusk Technologies Pty Ltd is measured at fair value at the 30th of June 2007. The revaluation downwards is recorded in the income statement. Other than this related party loan there are no other related party transactions requiring disclosure.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

25 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:

A special resolution put before shareholders on the 23rd of July 2007, was passed to enable the company to demerge the BigRedSky business to focus on its core competency of IT infrastructure services. The effect of the demerger was to reduce the net assets of the consolidated group by \$621,491 with a resultant return of capital to shareholders. The company has raised \$3,000,000 (net of \$2,650,000 after costs) and floated on the ASX. Listing date was the 19th of October 2007.

26 AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	\$	\$	\$	\$
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	32,340	16,500	32,340	16,500
• other services in relation to the entity and any other entity in the consolidated entity				
* tax compliance	22,293	21,200	22,293	21,200
* assurance related	-	-	-	-
* special audits required by regulators	7,470	-	7,470	-
	62,103	37,700	62,103	37,700
Amounts received or due and receivable by auditors other than Ernst & Young Australia for:				
• other non-audit services	4,000	-	4,000	-
• an audit or review of the financial report of subsidiary entities	-	690	-	690
	66,103	38,390	66,103	38,390

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

27 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Directors and Executives

(i) Directors

Mr. M Ashton	Chairman (non-executive)
Mr. R Baskerville	Managing Director
Mr. D Taylor	Director (non-executive)

(ii) Executives

Mr. Craig Ferrier	Company Secretary
Mr. Mark Waller	Chief Financial Officer
Mr. Greg Leach	General Manager-Service Delivery
Mr. Brendon Jarvis	General Manager-Strategy

(b) Remuneration of Directors and Executives

(i) Remuneration Policy

The Remuneration Committee of the Board of Directors of Empired Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and senior executives' emoluments to the company's financial and operational performance. All directors and senior executives have the opportunity to qualify for participation in the Employee Share Option Plan.

In addition, certain executives are entitled to bonuses payable upon the achievement of annual corporate profitability measures. On a quarterly basis, after consideration of performance against KPI's and an overall performance rating for the company the individual performance of each executive is rated.

For the 2006 financial year, 68% of the STI cash bonus was paid to executives during the 2006 financial year. For the 2007 financial year 73% of the STI cash bonus was paid to executives during the 2007 financial year. A cash bonus of \$72,915 was paid to Greg Leach on a quarterly basis during the year based on gross profit targets (2006: \$68,045).

It is the Remuneration Committee's policy that employment agreements shall be entered into with the Chief Executive Officer and all other executives. The current employment agreement is consistent for all executives. The agreement has a 30 day notice period. The amount payable if the executive's employment is terminated is calculated by reference to a formula based on the number of years' service.

The current employment agreement with the Chief Executive Officer has a three month notice period. The amount payable if the Chief Executive Officer is terminated prior to the end of the agreement is calculated by reference to a formula based on the number of years' service.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

27 DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(ii) Remuneration of Directors and Executives

Directors	Salary & Fees \$	Primary		Post Employment		Equity	Other	Total
		Cash Bonus \$	Non Monetary benefits \$	Superannuation \$	Retirement benefits \$	Options \$	\$	\$
30 June 2007								
R. Baskerville	200,000	-	-	-	-	12,750	-	212,750
M. Ashton	50,004	-	-	-	-	6,000	-	56,004
D. Taylor	5,004	-	-	25,000	-	6,000	-	36,004
Total Remuneration Directors:	255,008	-	-	25,000	-	24,750	-	304,758
30 June 2006								
R. Baskerville	165,000	-	-	-	-	30,800	-	195,800
M. Ashton	25,002	-	-	-	-	-	-	25,002
David Taylor	2,083	-	-	10,417	-	-	-	12,500
	-	-	-	-	-	-	-	-
Total Remuneration Directors:	192,085	-	-	10,417	-	30,800	-	233,302

Mel Ashton Appointed 21st of December 2005

David Taylor Appointed 21st of December 2005

Executives	Salary & Fees \$	Cash Bonus \$	Superannuation \$	Options \$	Total \$
30 June 2007					
M. Waller	117,487	-	10,574	747	128,808
G. Leach	150,000	72,915	-	875	223,790
B. Jarvis	141,079	-	12,697	8,700	162,476
C. Ferrier	25,519	-	-	-	25,519
Total Remuneration Executives:	434,085	72,915	23,271	10,322	540,594
30 June 2006					
M. Waller	98,248	-	8,842	5,700	112,790
G. Leach	150,000	68,045	-	9,500	227,545
B. Jarvis	8,600	-	774	-	9,374
C. Ferrier	21,632	-	-	-	21,632
Total Remuneration Executives:	278,479	68,045	9,616	15,200	371,341

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

27 DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(c) Remuneration options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits under the executive share option plan (ESOP) to certain directors and executives as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of \$0.20, \$0.25 and 0.30. For further details of the terms and conditions including the service and performance criteria that must be met refer to note 14.

30 June 2007	Granted		Terms & Conditions for each Grant		
	No.	Grant Date	Value per option at grant date (\$)	Exercise price per share (\$)	Expiry Date
Directors					
R. Baskerville	750,000	17/11/2006	0.017	0.25	17/11/2010
M. Ashton	250,000	17/11/2006	0.031, 0.023, 0.018	0.20, 0.25, 0.30	17/11/2011
D. Taylor	250,000	17/11/2006	0.031, 0.023, 0.018	0.20, 0.25, 0.30	17/11/2011
Executives					
M. Waller	64,038	22/02/2007	0.015,0.011,0.009	0.30,0.35,0.40	22/02/2012
G. Leach	75,000	22/02/2007	0.015,0.011,0.009	0.30,0.35,0.40	22/02/2012
B. Jarvis	300,000	28/07/2006	0.037,0.028,0.022	0.20,0.25,0.30	28/07/2011
Total	1,689,038				

30 June 2006	Granted		Terms & Conditions for each Grant		
	No.	Grant Date	Value per option at grant date (\$)	Exercise price per share (\$)	Expiry Date
Directors					
R. Baskerville	700,000	29/11/2005	0.025,0.019,0.014	0.20,0.25,0.30	29/11/2010
Executives					
M. Waller	300,000	23/03/2006	0.005,0.043,0.038	0.20,0.25,0.30	23/03/2011
M. Waller	50,000	01/08/2005	0.038,0.043,0.050	0.30,0.35,0.40	01/08/2010
G. Leach	500,000	23/03/2006	0.025,0.018,0.014	0.20,0.25,0.30	23/03/2011
G. Leach	75,000	01/08/2005	0.038,0.043,0.050	0.30,0.35,0.40	01/08/2010
Total	1,625,000				

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

27 DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(d) Option holdings of directors and executives

30 June 2007	Balance at beg of period 01-Jul-06	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30-Jun-07	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
R. Baskerville	700,000	750,000	-	-	1,450,000	1,450,000	-
M. Ashton	-	250,000	-	-	250,000	250,000	-
D. Taylor	-	250,000	-	-	250,000	250,000	-
Executives							
M. Waller	350,000	64,038	-	-	414,038	414,038	-
G. Leach	575,000	75,000	-	-	650,000	650,000	-
B. Jarvis	-	300,000	-	-	300,000	300,000	-
C. Ferrier	35,000	-	-	-	-	-	35,000
	-	-	-	-	-	-	-
Total	1,660,000	1,689,038	-	-	3,314,038	3,314,038	35,000

30 June 2006	Balance at beg of period 01-Jul-05	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30-Jun-06	Not Vested & Not Exercisable	Vested & Exercisable
Directors							
R. Baskerville	-	700,000	-	-	700,000	700,000	-
M. Ashton	-	-	-	-	-	-	-
D. Taylor	-	-	-	-	-	-	-
Executives							
M. Waller	-	350,000	-	-	350,000	350,000	-
G. Leach	-	575,000	-	-	575,000	575,000	-
B. Jarvis	-	-	-	-	-	-	-
C. Ferrier	35,000	-	-	-	-	-	35,000
	-	-	-	-	-	-	-
Total	35,000	1,625,000	-	-	1,625,000	1,625,000	35,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

27 DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd) (e) Shareholdings of Directors and Executives

Shares held in Empired Limited

30 June 2007	Balance 01-Jul-06		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30-June-07	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors										
Mr. R Baskerville	4,220,841	-	-	-	-	-	668,428	-	4,889,269	-
Mr. M Ashton	-	-	-	-	-	-	-	-	-	-
Mr. D Taylor	-	-	-	-	-	-	-	-	-	-
Total	4,220,841	-	-	-	-	-	668,428	-	4,889,269	-

30 June 2006	Balance 01-Jul-05		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30-June-06	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors										
Mr. R Baskerville	1,640,841	-	-	-	-	-	2,580,000	-	4,220,841	-
Mr. M Ashton	-	-	-	-	-	-	-	-	-	-
Mr. D Taylor	-	-	-	-	-	-	-	-	-	-
Total	1,640,841	-	-	-	-	-	2,580,000	-	4,220,841	-

All equity transactions with directors and other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

30 June 2007	Balance 01-Jul-06		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30-June-07	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Specified Executives										
M. Waller	810,001	-	-	-	-	-	673,810	-	1,483,811	-
G. Leach	2,987,558	-	-	-	-	-	563,476	-	3,551,034	-
B. Jarvis	-	-	-	-	-	-	200,000	-	200,000	-
Total	3,797,559	-	-	-	-	-	1,437,286	-	5,234,845	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

27 DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd) (e) Shareholdings of Directors and Executives

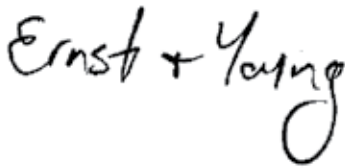
30 June 2006	Balance 01-Jul-05		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30-June-06	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Executives										
M. Waller	-	-	-	-	-	-	810,001	-	810,001	-
G. Leach	2,987,558	-	-	-	-	-	-	-	2,987,558	-
Total	2,987,558	-	-	-	-	-	810,001	-	3,797,559	-

28 DIVIDENDS

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

Auditor's Independence Declaration to the Directors of Empired Ltd.

In relation to our audit of the financial report of Empired Ltd for the financial year ended 30 June 2007, 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



P McIver
Partner
Perth
26 October 2007

Independent auditor's report to the members of Empired Limited

We have audited the accompanying financial report of Empired Limited which comprises the balance sheet as at 30th June 2007 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the consolidated and parent financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

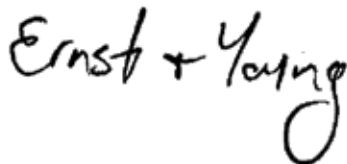
Independence

In conducting our audit we have met the independence requirements of 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.

Auditor's Opinion

In our opinion:

1. the financial report of Empired Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Empired Limited and the consolidated entity at 30th June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).



Ernst & Young



P McIver
Partner
Perth
26 October 2007

Directors' Declaration

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 2007 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.

This declaration is made after receiving the declarations required to be made by the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

On behalf of the Board



Russell Baskerville
26th of October 2007

Shareholding Analysis

In accordance with Listing Rule 4.10 of the Australia Stock Exchange Limited, the Directors provide the following shareholding information which was applicable as at 19th October 2007.

a. Distribution of Shareholding

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS	%
1 - 1,000	0	0.00
1,001 - 5,000	3	0.03
5,001 - 10,000	127	2.03
10001 - 100,000	223	17.99
100,001 - MAX	24	79.95
TOTAL	417	100.00

b. Substantial Shareholders

The following are registered by the Company as substantial shareholders, having declared a relevant interest in the number of voting shares shown adjacent as at the date of giving the notice.

SHAREHOLDERS	NUMBER	%
Mr Russell Baskerville	4,614,031	10
Mr Gregory Leach	3,551,034	7.7

c. Twenty Largest Shareholders

The names of the twenty largest shareholders are:

NAME	NUMBER OF SHARES HELD	%
Mr Russell Baskerville	4,614,031	9.98
Mr Gregory Leach	3,504,225	7.58
Uniplex Constructions Pty Ltd <Wesville Super fund A/C>	2,333,414	5.05
Thames Holdings Pty Ltd	2,109,582	4.57
Mr David Cawthorn	2,000,000	4.32
Daccsar Pty Ltd <The Price Family S/F A/C>	1,563,387	3.28
Ms Kym Garreffa	1,306,167	2.83
Measured Investments Limited	1,200,000	2.60
Mr John Bardwell	1,000,000	2.16
Mr Mark Patton	965,475	2.09
Topsfield Pty Ltd	895,000	1.94
Mr Anthony Farrell	802,500	1.74
Mr Gregory Bandy	800,000	1.72
Green Frog Nominees Pty Ltd <Nominee A/C>	750,000	1.62
Mr Mark Waller <ME Waller Family A/C>	666,667	1.44
Mr Kevin Flynn	650,000	1.41
GRD Limited	600,000	1.30
Trovex Pty Ltd	600,000	1.30
Jaffa Perth Pty Ltd	579,048	1.25
Mr Mark Waller	547,144	1.18
TOTAL	27,486,641	59.48

The twenty members holding the largest number of shares together held a total of 59.48% of issued capital.

Shareholding Analysis (cont'd)

d. Issued Capital

The fully paid issued capital of the company consisted of 46,210,648 shares held by 417 shareholders.

Each share entitles the holder to one vote.

e. On-Market Buy-Back

There is no current on-market buy-back.

f. Company Secretary

The Company Secretary is Mr Craig Ferrier.

g. Registered Office

The registered office of Empired Ltd is
469 Murray Street, Perth WA 6000

h. Other Offices

The other offices are:

HEAD OFFICE

469 Murray Street
Perth WA 6000
Telephone + 61 8 9321 9401

Melbourne

Level 3
470 Collins Street
Melbourne VIC 300
Telephone +61 3 8610 0700

OTHER INFORMATION FOR SHAREHOLDERS

In accordance with Listing Rule 4.10 of the Australian Stock Exchange Limited, the Directors provide the following information not elsewhere disclosed in this report.

SHAREHOLDER COMMUNICATIONS

The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to shareholders who elect to receive the document. A copy of the full annual report is available free of charge, upon request, from the Company. The Board ensures that the annual report includes relevant information about the operation of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act;
- The half-year report contains summarised financial information and a review of the operations of the Company during the period. The half-year financial report is prepared in accordance with the requirements of Accounting Standards and the Corporations Act, and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange; and
- The Company's internet website at www.empired.com is regularly updated and provides details of recent material announcements by the Company to the stock exchange, annual reports and general information on the Company and its business. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

INTERNET ACCESS TO INFORMATION

Empired maintains a comprehensive Investor Relations section on its website at www.empired.com/index.php?page=corpgovernance

You can also access comprehensive information about security holdings at the Computershare Investor Centre at www-au.computershare.com/investor/

By registering with Computershare's free Investor Centre service you can enjoy direct access to a range of

functions to manage your personal investment details. You can create and manage your own portfolio of investments, check your security holding details, display the current value of your holdings and amend your details online.

Changes to your shareholder details, such as a change of name or address, or notification of your tax file number or direct credit of dividend advice can be made by printing out the forms you need, filling them in and sending the changes back to the Computershare Investor Centre.

SHARE REGISTRY ENQUIRIES

Shareholders who wish to approach the Company on any matter related to their shareholding should contact the Computershare Investor Centre in Melbourne:

The Registrar
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Tce
Perth WA 6000
Telephone +61 8 9323 2000
Facsimile +61 8 9323 2033

Website www-au.computershare.com/investor

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of Empired Limited will be held in the:

The Melbourne Hotel
942 Hay Street, Perth WA 6000
at 9.30am on Wednesday, 28 November 2007.
Formal notice of the meeting is enclosed with this report.

STOCK EXCHANGE LISTING

Empired Limited shares are listed on the Australian Stock Exchange (ASX:EPD). The home exchange is Perth.

All shares are recorded on the principal share register of Empired Limited, held by Computershare Investor Services Pty Limited at the following street address:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Tce
Perth WA 6000



www.empired.com