



29 February 2008

# ASX Announcement

## FY2008 Half Year Results and Commentary

### Highlights

- **Record half year NPAT of \$661,764 up 126% on corresponding half year period**
- **Record half year Revenue of \$6.28M up 84% on corresponding half year period**
- **Full Year FY2008 earnings guidance of \$1.6M NPAT up 300% on FY2007**
- **Full Year FY2008 normalised earnings guidance of 3.1M EBITDA and \$2.5M NPAT**
- **Completed \$3 Million capital raising and subsequent listing on the ASX**
- **Completed the acquisition of Quadrant Group**
- **Completed acquisition of Commander WA ICT business in February 2008**
- **Confirming that second half year will be substantially larger than the first**

### Release

Australian listed IT Services Company Empired Limited (“Empired” or “the company”) today announced a record first half year net profit after tax of \$661,764 up 126% on the previous corresponding half year period. Revenue for the period was \$6.28 Million up 84% against the previous corresponding period.

Empired is also pleased to provide profit guidance for the full year with FY2008 EBITDA expected to be \$1.5 Million and NPAT of \$1.6 Million. Importantly, the normalised full year guidance is the sum of the full year operating performance of the businesses acquired by Empired plus Empired’s result prior to acquisitions. Normalised earnings guidance is \$3.1 Million EBITDA and \$2.5 Million NPAT.

Russell Baskerville, Empired’s Managing Director and CEO commented on the half year results saying “The organic growth achieved by the company for the six months to December 31 2007 had been very pleasing, proving the business model and growth strategy promoted to the market through Empired’s IPO in October. This growth has been underpinned through a number of new client engagements and the increased value of recurring revenue contracts”

During the period Empired also confirmed its commitment to acquisitive growth with the acquisition of Quadrant Group.

Commenting on acquisitive growth Mr Baskerville said “Empired has delivered on its plan to accelerate growth through acquisitions with the acquisition of Quadrant Group in November 2007 shortly after listing. Earnings contribution for the six months to December 2007 from this transaction has only been accounted for in the two months following settlement. The full six month period of contribution and the realisation of cross sell and expense synergies will ensure the second half earnings contribution will be substantially higher”

Empired remains focused on accelerating its growth strategy through acquisition with the recent acquisition of Commander’s WA ICT business in February 2008.

Mr Baskerville said “He expected this acquisition to add some \$15 Million in annualised revenue and further drive earnings in the second half year. Importantly both acquisitions have resulted in no shareholder dilution and will directly correlate to increased earnings per share”

Investment in Empired’s people program has delivered strong results with staff numbers increasing from approximately 90 employees in July to approximately 160 employees at the end of February 2008. This ever increasing talent pool directly translates into improved capability that will ensure Empired’s services remain in high demand and that Empired has the capacity to deliver against this.

Commenting on recent market conditions Mr Baskerville said “Whilst current world economic conditions are uncertain with a tightening of credit markets and continuing interest rate pressure Empired continues

to see strong domestic spending and demand in the IT Services sector and remains bullish on growth prospects”

“Empired’s business model is geared toward core business infrastructure that customers are required to operate and develop for the long term. Often this expenditure is a key component of our customers operating budgets as apposed to capital expenditure which is traditionally more volatile in tightening market conditions”

“This combined with a strong order book, a high level of recurring revenue, low debt levels and strong cash flow ensures that Empired is well placed to deliver record earnings for the 2008 financial year and continue strong sustainable earnings growth over the next few years”

In conclusion Mr Baskerville said “Empired is well poised to deliver strong growth over the coming years with a clear proven plan, an experienced and dedicated board and management team and an ever expanding workforce across Australia”

“I thank all our staff, customers and investors for your support and valuable contribution to such a successful first half year result. Our collective future is bright and I look forward to delivering continued growth, strong full year earnings and the creation of value across our entire organisation”

ENDS

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### **About Empired Limited**

Empired Ltd (ASX: EPD) is an ASX listed national IT Services Provider with a broad range of capabilities and experience ranging from business consulting to Infrastructure and Applications systems development and support.

Empired focuses on providing IT Outsourcing Services complemented by Project and Consulting engagements in its areas of specialisation.

They are a nimble, flexible company, driven to delivering innovative services in today’s ever changing business environments.

Website: [www.empired.com](http://www.empired.com)



## Appendix 4D

Interim Financial Report 31 December 2007

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results		Change from 31 Dec 2006	31 Dec 2007 \$
Total revenue	↑	84%	6,280,569
Profit after tax from continuing operations	↑	126%	661,764

Net tangible asset backing per ordinary share	31 Dec 2007	31 Dec 2006
Net tangible asset backing per ordinary share	3c	0c

Dividends	-	-
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**Empired Limited**  
**And Its Controlled Entity**

**Financial Report**  
**For the Half-Year Ended 31 December 2007**

ABN 81 090 503 843

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## CORPORATE DIRECTORY

### Directors

Mel Ashton (Chairman)  
David Taylor (Non – Executive Director)  
Richard Bevan (Non – Executive Director)  
Russell Baskerville (Managing Director & CEO)

### Company Secretary

Mark Waller  
Jeremy King

### Registered Office

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

### Legal Advisers

McKenzie Moncrieff Lawyers  
Level 5, 37 St Georges Tce  
PERTH WA 6000

### Company Number

A.C.N: 090 503 843

### Auditors

Grant Thornton (WA) Partnership  
Level 1,  
10 Kings Park Road  
WEST PERTH WA 6005

### Country of Incorporation

Australia

### Company Domicile and Legal Form

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

### Principal Place of Business

#### Perth

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

#### Melbourne

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

### Web Site Address

[www.empired.com](http://www.empired.com)

## DIRECTORS' REPORT

The directors present their report together with the consolidated half year financial report of Empired Limited ("the Company") and its controlled entity, for the half-year ended 31 December 2007.

### Directors Names

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

Mel Ashton  
David Taylor  
Richard Bevan (Commenced 31 January 2008)  
Russell Baskerville

### Review of Results & Operations

Revenue in the business for the half-year was \$6.28M (2006: \$3.41M) representing an increase of 84% on the same period in the preceding year. This was largely driven by current customer account growth and new business.

Consolidated net profit after tax for the half-year was \$661,764.

### 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.

### Options

During the course of the half year share options were granted to Directors under the Executive Share Option Plan. Information relating to this grant is at note 7 to the financial statements.

### Auditor's independence declaration to the directors of Empired Limited

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

### 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

Signed in accordance with a resolution of directors.



Russell Baskerville  
Managing Director  
28<sup>th</sup> of February 2008

# Condensed Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	<i>Notes</i>	<i>Consolidated 6 months to 31 December 2007 \$</i>	<i>Consolidated 6 months to 31 December 2006 \$</i>
<b>Continuing Operations</b>			
<b>Revenue</b>			
Rendering of services		6,280,569	3,409,414
Cost of Sales		<u>(4,591,796)</u>	<u>(2,310,365)</u>
<b>Gross profit</b>		1,688,773	1,099,049
Other Income		201,100	7,190
Legal expenses		(2,875)	(35,138)
Marketing expenses		(2,917)	(295)
Occupancy expenses		(58,918)	(29,710)
Employee expenses		(748,683)	(526,734)
Depreciation expenses		(64,104)	(29,104)
Other expenses		<u>(631,408)</u>	<u>(191,940)</u>
<b>Profit before income tax</b>		380,968	293,318
Income tax (expense) / benefit relating to ordinary activities	4	280,796	-
<b>Profit after tax from continuing operations</b>		<u>661,764</u>	<u>293,318</u>
Profit/(loss) from discontinued operations	3	-	(1,904,112)
<b>Profit / (loss) after tax attributable to members of the Company</b>		<u>661,764</u>	<u>(1,610,794)</u>

The accompanying notes form part of this financial report.

Earnings per share (cents per share)

Basic for profit for the half year attributable to ordinary shareholders of the parent	1.6	(4.7)
Basic for profit from continuing operations attributable to ordinary equity holders of the parent	1.6	0.9
Diluted for profit for the half year attributable to ordinary equity holders of the parent	1.4	(4.7)
Diluted for profit from continuing operations attributable to ordinary equity holders of the parent	1.4	0.8
Dividends per share (cents per share)	-	-



# Condensed Balance Sheet

AS AT 31<sup>ST</sup> DECEMBER 2007

	Notes	Consolidated 31 December 2007 \$	Consolidated 30 June 2007 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		879,861	-
Trade and other receivables		2,212,467	1,014,578
Inventories		162,322	340,459
Prepayments		63,385	93,364
		<u>3,318,035</u>	<u>1,448,401</u>
Assets classified as held for sale	3	-	1,596,325
<b>Total Current Assets</b>		<u>3,318,035</u>	<u>3,044,726</u>
<b>Non-Current Assets</b>			
Property, plant and equipment		376,205	325,108
Intangible assets & goodwill		3,619,938	1,866,958
Deferred tax asset	4	328,302	-
<b>Total Non-current assets</b>		<u>4,324,445</u>	<u>2,192,066</u>
<b>TOTAL ASSETS</b>		<u>7,642,480</u>	<u>5,236,792</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Bank overdraft		-	412,591
Trade and other payables		1,773,696	844,047
Interest-bearing loans and borrowings		115,183	70,197
Provisions		207,093	127,290
Unearned revenue		243,384	202,517
Current tax provision	4	47,506	-
		<u>2,386,862</u>	<u>1,656,643</u>
Liabilities directly associated with assets classified as held for sale	3	-	974,834
<b>Total Current Liabilities</b>		<u>2,386,862</u>	<u>2,631,477</u>
<b>Non-current Liabilities</b>			
Trade and other payables		3,500	-
Interest-bearing loans and borrowings		127,208	67,478
<b>Total Non-current Liabilities</b>		<u>130,708</u>	<u>67,478</u>
<b>TOTAL LIABILITIES</b>		<u>2,517,570</u>	<u>2,698,955</u>
<b>NET ASSETS</b>		<u>5,124,910</u>	<u>2,537,837</u>
<b>EQUITY</b>			
Issued capital	6	2,655,867	5,936,265
Option reserve	7	75,660	56,602
Accumulated losses		2,393,383	(3,455,030)
<b>TOTAL EQUITY</b>		<u>5,124,910</u>	<u>2,537,837</u>

The accompanying notes form part of this financial report.

## Condensed Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	<i>Consolidated 6 months to 31 December 2007</i> \$	<i>Consolidated 6 months to 31 December 2006</i> \$
<b>Cash flows from operating activities</b>			
Receipts from customers		5,488,491	3,801,123
Payments to suppliers and employees		(5,494,724)	(3,808,098)
Borrowing costs		(13,631)	(10,352)
Interest received		21,100	7,371
<b>Net cash flows from/(used in) operating activities</b>		<u>1,236</u>	<u>(9,956)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(115,201)	(101,772)
Proceeds from loan to BRS		400,000	
Purchase of intangible assets		(1,136,142)	-
<b>Net cash flows from/(used in) investing activities</b>		<u>(851,343)</u>	<u>(101,772)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		3,002,333	-
Payment of capital raising costs		(494,400)	
Repayment of short term loans		(417,527)	(27,596)
Payment of finance lease liabilities		(51,136)	(28,855)
Proceeds from borrowings		103,290	100,087
<b>Net cash flows from/(used in) financing activities</b>		<u>2,142,560</u>	<u>43,636</u>
Net increase/(decrease) in cash and cash equivalents		1,292,453	(68,092)
Cash and cash equivalents at beginning of period		(412,592)	(1,964)
<b>Cash and cash equivalents at end of period</b>		<u>879,861</u>	<u>(70,056)</u>

The accompanying notes form part of this financial report.

## Condensed Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	Issued capital \$	Retained Earnings / (Accumulated losses) \$	Option reserve \$	Total equity \$
<b>CONSOLIDATED</b>					
<b>At 1 July 2006</b>		5,659,623	(1,244,783)	23,049	4,437,889
Loss for the period		-	(1,610,794)	-	(1,610,794)
Total income and expense for the period recognised directly in equity		-	(1,610,794)	-	(1,610,794)
Issue of share capital		-	-	-	-
Exercise of options		-	-	-	-
Cost of share-based payments		-	-	27,081	27,081
<b>At 31 December 2006</b>		<b>5,659,623</b>	<b>(2,855,577)</b>	<b>50,130</b>	<b>2,854,176</b>
<b>At 1 July 2007</b>		5,936,265	(3,455,030)	56,602	2,537,837
Return of capital re: discontinued operation	3	(5,788,331)	5,186,649	(19,809)	(621,491)
Profit for the period		-	661,764	-	661,764
Issue of share capital		3,000,000	-	-	3,000,000
Cost of capital raising		(494,400)	-	-	(494,400)
Exercise of options		2,333	-	(2,333)	-
Expiry of options		-	-	(4,400)	(4,400)
Cost of share-based payments		-	-	45,600	45,600
<b>At 31 December 2007</b>		<b>2,655,867</b>	<b>2,393,383</b>	<b>75,660</b>	<b>5,124,910</b>

The accompanying notes form part of this financial report.

## Condensed Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

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### 1 BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Empired Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting date.

### 2 SEGMENT INFORMATION

The Group's primary reporting format is business segments.

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

The company operates in the software contract service industry within Australia. The company operated in the following 2 segments until 23 July 2007 when the software segment was discontinued:

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.

The company now only operates the services segment within Australia

#### Segment accounting policies

Segment accounting policies are the same as the company's accounting policies described in note 2. No intersegment sales or transfers have occurred.

#### Business segments

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the half year ended 31 December 2007 and 31 December 2006.

## Condensed Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

### 2 SEGMENT INFORMATION (continued)

#### Business Segment

Business Segments	Services 31 December 2007 \$	Software 31 December 2007 \$	Eliminations 31 December 2007 \$	Consolidated 31 December 2007 \$
<b>Revenue</b>				
Segment revenue				
External revenue	6,280,569	-	-	6,280,569
Inter segment revenue	-	-	-	-
Total segment revenue	<u>6,280,569</u>	<u>-</u>	<u>-</u>	<u>6,280,569</u>
Unallocated revenue				<u>201,100</u>
Total consolidated revenue				<u>6,481,669</u>
<b>Results</b>				
Segment result	<u>380,968</u>	<u>-</u>	<u>-</u>	<u>380,968</u>
Unallocated expenses				<u>-</u>
Consolidated entity profit before income tax revenue				<u>380,968</u>
Income tax benefit				<u>280,796</u>
Consolidated entity profit after income tax revenue				<u>661,764</u>

## Condensed Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

### 2 SEGMENT INFORMATION (continued)

#### Business Segment

Business Segments	Services 31 December 2006 \$	Software 31 December 2006 \$	Eliminations 31 December 2006 \$	Consolidated 31 December 2006 \$
<b>Revenue</b>				
Segment revenue				
External revenue	3,409,413	321,233	-	3,730,646
Inter segment revenue	-	-	-	-
Total segment revenue	<u>3,409,413</u>	<u>321,233</u>		<u>3,730,646</u>
Unallocated revenue				<u>7,371</u>
Total consolidated revenue				<u>3,738,017</u>
<b>Results</b>				
Segment result	<u>293,318</u>	<u>(1,904,112)</u>	-	(1,610,794)
Unallocated expenses				<u>-</u>
Consolidated entity (loss) before income tax revenue				(1,610,794)
Income tax expense				-
Consolidated entity (loss) after income tax expense				<u>(1,610,794)</u>

## Condensed Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

#### 3 DISCONTINUED OPERATIONS

The Board of Directors decided to dispose of the BigRedSky talent management software business. A sale agreement was entered into on the 1<sup>st</sup> 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 23<sup>rd</sup> 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:

	31 December 2007 \$	31 December 2006 \$
Revenue	-	321,413
Amortisation	-	(310,192)
Impairment	-	(1,168,446)
Other expenses	-	(746,887)
Loss Before Tax from discontinued operations	-	(1,904,112)
Income tax (expense) / benefit relating to discontinued operations	-	-
Loss for the year from discontinued operations	-	(1,904,112)

The major classes of assets and liabilities of BigRedSky as at the date of demerger are as follows:

<b>Assets</b>	
Cash	400,000
Intangibles	834,846
Property, plant and equipment	89,174
Inventories	5,200
Prepayments	16,425
Trade and other receivables	250,680
Assets classified as held for sale	<u>1,596,325</u>
<b>Liabilities</b>	
Trade creditors	(51,030)
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	<u>(974,834)</u>
Net Assets attributable to discontinued operations	<u><u>621,491</u></u>

## Condensed Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

#### 3 DISCONTINUED OPERATIONS (continued)

The consideration receivable at the date of demerger is as follows:

	\$
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	-

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.

The net cash flows of BigRedSky are as follows:

	31 December 2007	30 June 2007
	\$	\$
Operating activities	-	357,931
Investing activities	-	-
Financing activities	-	42,756
Net cash inflow / (outflow)	-	400,687



## Condensed Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

### 4 INCOME TAX EXPENSE

	CONSOLIDATED 31 December 2007	CONSOLIDATED 31 December 2006
Deferred Tax Assets		
Relating to carried forward losses	303,533	-
Relating to timing differences	24,769	-
	<u>328,302</u>	
Tax Payable		
Income Tax Payable	(47,506)	-
	<u>280,796</u>	<u>-</u>
Income tax benefit / (expense)		

During the period the income tax accounting policy was adjusted due to the discontinuing of operations. In the past the BRS software operations incurred continual losses, therefore the Company did not recognise these tax losses as no future profits were expected. Upon discontinuing the BRS software operations the Company are expecting future profits and have therefore recognised the tax losses as an income tax benefit and deferred tax asset. Empired Limited were able to recognise the tax losses through complying with the Same Business Test during the loss period.

### 5 PROPERTY, PLANT & EQUIPMENT

#### Acquisitions and Disposals

During the half-year ended 31 December 2007, the Company acquired assets with a cost of \$115,201. There were no disposals during the half-year ended 31 December 2007 outside of the demerging of the business of BigRedSky.

### 6 CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 December 2007	30 June 2007
Ordinary Shares (i)	2,655,867	5,936,265
	<u>2,655,867</u>	<u>5,936,265</u>

#### (i) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends

#### Movement in ordinary shares on issue

	Thousands	\$
As at 1 July 2006	34,210,648	5,659,623
Capital raising	2,000,000	300,000
Issue costs	-	(23,358)
As at 30 June 2007	<u>36,210,648</u>	<u>5,936,265</u>
Return of capital in discontinued operation	-	(5,788,331)
Capital raising	10,000,000	3,000,000
Issue costs	-	(494,400)
Conversion of options	11,666	2,333
At 31 December 2007	<u>46,222,314</u>	<u>2,655,867</u>

## Condensed Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

#### 7 RESERVES

	CONSOLIDATED	
	31 December 2007	30 June 2007
Option reserve (i)	75,660	56,602
	<u>75,660</u>	<u>56,602</u>
<i>(i) Options</i>		
<i>Movement in options on issue</i>	<i>Number</i>	<i>\$</i>
As at 1 July 2006	2,308,753	23,049
Share based payment	2,264,389	33,554
As at 30 June 2007	<u>4,573,142</u>	<u>56,602</u>
Return of capital in discontinued operation	-	(19,809)
Options expired	(135,000)	(4,400)
Options issued to purchase Quadrant Group business	300,000	16,800
Employee options	3,600,000	28,800
Conversion of options to shares	(11,666)	(2,333)
At 31 December 2007	<u>8,326,476</u>	<u>75,660</u>

On 23 July 2007, 3,600,000 share options were granted to Directors under the Executive Share Option Plan as documented in the 30 June 2007 financial report and on 1 November 2007, Empired Limited issued 300,000 share options to acquire the assets and liabilities of the Quadrant Group.

The fair value of the options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

The Following tables list the inputs to the model for the half-year ended 31 December 2007.

Option Pricing Model Assumptions		
	Executive Share Options	Quadrant acquisition Options
Option Valuation	Input	Input
Assessed share price (Net asset backing per share)	\$0.15	\$0.28
Exercise price	\$0.40	\$0.40
Risk Free Rate (Australian 10 year Bond Rate)	6.08%	6.30%
Volatility of share price	40.0%	40.0%
Time (years) to expiry	3 years	3 years
Expected dividends on the shares during the exercise period	Nil	Nil

The estimated fair value of each executive share option at grant date is \$0.008 and each share based payment option for acquisition of Quadrant at grant date is \$0.056.

## Condensed Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

#### 8 BUSINESS COMBINATION

##### Current Period

On 1 November 2007 Empired Limited acquired all of the assets and liabilities in Quadrant Group business, a Western Australian IT consulting services provider, for cash consideration of \$1,719,838 plus 300,000 options at a fair value of \$0.056 per option (refer note 7).

The acquired business contributed revenues of \$522,603 and net profit of \$87,451 to the Group for the period from 1 November 2007 to 31 December 2007.

Details of net assets acquired and goodwill are as follows:

	\$
Purchase consideration	
Cash paid	1,719,838
Option costs relating to acquisition	16,800
Direct costs relating to acquisition	12,326
Total purchase consideration	<u>1,748,964</u>
Fair value of net identifiable assets acquired (refer below)	<u>4,016</u>
Goodwill	<u>1,752,980</u>

The goodwill is attributable to Quadrant Group business's strong position and profitability in providing IT consulting services and synergies expected to arise after the company's acquisition. Numerous uncompleted contracts were acquired, however after review of their financial effect it was considered that customer related intangibles were not material and have not been separately recognised.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$	Fair value \$
Property, plant and equipment	22,684	22,684
Work in Progress	2,094	2,094
Deferred tax asset	8,538	8,538
Unearned revenue	(8,872)	(8,872)
Annual leave	(28,460)	(28,460)
Net identifiable assets acquired	<u>(4,016)</u>	<u>(4,016)</u>

#### 9 CONTINGENT LIABILITIES

There are no contingent assets or liabilities at 31 December 2007.

## Condensed Notes to the Financial Statements (continued)

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

#### 10 SUBSEQUENT EVENTS

Since the end of the half year the Company has acquired Commander Australia Limited's WA ICT Business on the 13<sup>th</sup> of February 2008. Consideration of \$30,000 was paid for plant & Equipment, Goodwill, and obligations in relation to fulfilling customer contracts.

	\$
Purchase consideration	
Cash paid	30,000
Total purchase consideration	<u>30,000</u>
Fair value of net identifiable assets acquired (refer below)	<u>122,929</u>
Goodwill	<u>152,929</u>

The goodwill is attributable to Commander Australia Limited's WA ICT Business' strong position and profitability in providing IT consulting services and synergies expected to arise after the company's acquisition. Numerous uncompleted contracts were acquired, however after review of their financial effect it was considered that customer related intangibles were not material and have not been separately recognised.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$	Fair value \$
Property, plant and equipment	80,000	80,000
Customer contract obligations (Unearned Income)	(202,929)	(202,929)
Net identifiable assets acquired	<u>(122,929)</u>	<u>(122,929)</u>

#### 11 RELATED PARTY TRANSACTIONS

There were no related party transactions for the half year to 31 December 2007.

#### 12 CHANGES IN ACCOUNTING POLICY

Since 1 July 2007 the group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the group.

- AASB 7 – Financial Instruments: Disclosures
- AASB 2005 -10 - Amendments to Australian Accounting Standards (AASB 132,101,114,117,133,139,14,1023 and 1038)
- AASB 2007 - 4 – Amendments to Australian Accounting Standards Arising from ED 151 and Other Amendments
- AASB 2007 – 5 – Amends AASB 102 Inventories
- Interpretation 8 – Scope of AASB 2
- Interpretation 9 – Reassessment of Embedded Derivatives
- Interpretation 10 – Interim Financial Reporting and Impairment
- Interpretation 11 – Share based payments


## 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 consolidated entity are in accordance with the *Corporations Act 2001* including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of performance for the half year ended on that date; and
  - (ii) complying with the disclosure requirements of Accounting Standard AASB134 Interim Financial Reporting with the exception of comparative figures; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'R. Baskerville', written over a light grey rectangular background.

Russell Baskerville  
Managing Director  
28<sup>th</sup> of February 2008

## AUDITOR'S INDEPENDENCE DECLARATION

### TO THE DIRECTORS OF EMPIRED LIMITED

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Empired Limited for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) No contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton (WA) Partnership*

### GRANT THORNTON (WA) PARTNERSHIP



**J W Vibert**  
**Partner**  
Perth, WA

Date: 28<sup>th</sup> February 2008

**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF EMPIRED LIMITED  
AND CONTROLLED ENTITIES****Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Empired Limited (the Company) and the entities it controlled (the consolidated entity), which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, and other selected explanatory notes. The consolidated entity comprises both the Empired Limited (the Company) and the entities it controlled during that half-year.

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

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

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Empired Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### **Independence**

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

### **Conclusion**

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

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

*Grant Thornton (WA) Partnership*

### **GRANT THORNTON (WA) PARTNERSHIP**



**J W Vibert**

**Partner**

Perth, WA

Date: 28<sup>th</sup> February 2008