

Annual Report 2011

Empired Limited and its Controlled Entities
Annual Financial Report For the Year Ended 30 June 2011



Empired
INFORMATION SERVICES & TECHNOLOGY

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HIGHLIGHTS

- > Record revenue of \$39.71M up 42% from pcp of \$27.90M
- > Record EBITDA of \$1.28M up 132% from pcp of \$0.55M
- > Positive net operating cash flow of \$2.33M
- > A continued focus on expanding EBITDA margins
- > Record number of new clients secured during the period
- > Billable staff grew by over 24% during the period
- > Victorian region grew by 98% proving our regional growth strategy
- > Strongest run rate revenue going into July in the company's history
- > Strongest forward looking sales pipeline in the company's history
- > Strategic investment in rapid growth, high margin cloud computing services
- > Successful implementation of a fully integrated ERP business platform
- > Expecting Revenue and EBITDA growth during FY2012

CORPORATE DIRECTORY

DIRECTOR

Mel Ashton (Non - Executive Chairman)
Richard Bevan (Non - Executive Director)
Russel Baskerville (Managing Director & CEO)

REGISTERED OFFICE

Level 13, Septimus Roe Square
256 Adelaide Terrace
PERTH WA 6000

Telephone No: +618 9223 1234
Fax No: +618 9223 1230

COMPANY NUMBER

A.C.N: 090 503 843

COUNTRY OF INCORPORATION

Australia

COMPANY DOMICILE AND LEGAL FORM

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

COMPANY SECRETARY

Mark Waller

LEGAL ADVISERS

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

AUDITORS

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
WEST PERTH WA 6005

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000

ASX CODE

EPD

PRINCIPAL PLACE OF BUSINESS

PERTH

Level 13, Septimus Roe Square
256 Adelaide Terrace
PERTH WA 6000

Telephone No: +618 9223 1234
Fax No: +618 9223 1230

WEBSITE ADDRESS

www.empired.com

MELBOURNE

Level 8
31 Queen Street
MELBOURNE VIC 3000

Telephone No: +613 8610 0700
Fax No: +613 8610 0701

Dedication to **E**xcellence

Our **P**eople are the foundation of our success

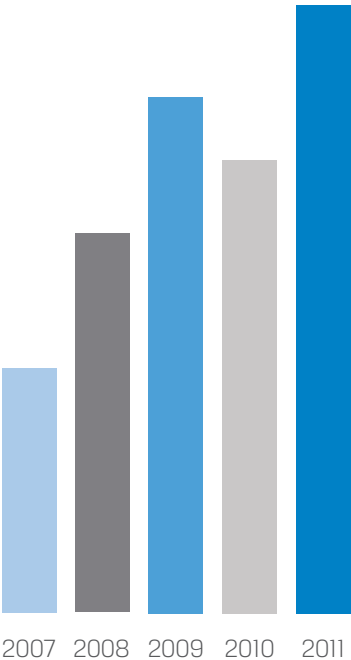
Integrity in all our dealings

Achievement through **C**ollaboration

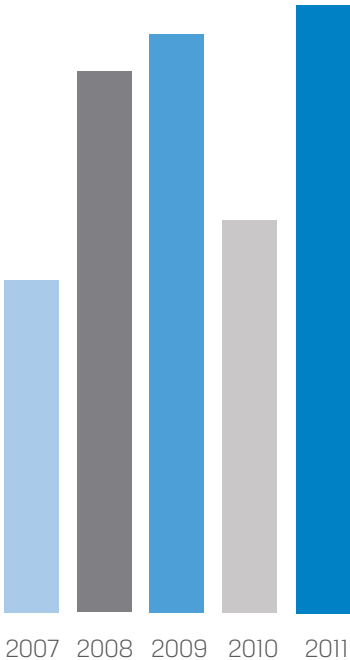


RESULTS

REVENUE
\$40M



EBITDA
\$1.28M



CHAIRMAN + CEO REVIEW

Dear Shareholder

We are very pleased to report that following a tough 2010 financial year, Empired's stated strategy of remaining steadfast in our vision and retaining our core staff and capability, combined with prudent financial management has resulted in both a sound financial result and strategically well positioned for the year ahead.

During the 2011 financial year Empired delivered significant improvements in financial performance. Revenue is up 42% from \$27.9M to \$39.7M, EBITDA increased over 132% from \$0.551M to \$1.281M delivering NPAT of \$0.202M with EPS of 0.43 cents. These results produced net positive operating cash flow of \$2.3M and increased Empired's net cash position to \$1.385M.

We remain confident in the opportunity to expand profit margins at a greater rate than revenue growth. Revenue growth of 42% translated into EBITDA growth of over 132% in the 2011 financial year.

Whilst further investment is still required to sustain continued organic growth we expect this trend to continue. Critically Empired has achieved this growth without the requirement to raise capital or the need to draw on excessive debt. This has ensured minimal shareholder dilution and rapid earnings per share growth.

We continue to experience a somewhat volatile economic environment and accordingly we consider it prudent to retain our cash reserves. To this end Empired will not declare a final dividend for the period however subject to Empired's continued strong performance, its funding requirements and an assessment of the broader economic environment, the board remains open to reinstating dividend payments in current or future periods.

A CLEAR FOCUS

Empired's board and management remain highly motivated, committed and focused on value creation for all of its stakeholders, through the sustained development and growth of a leading Australian IT services company.

Our stated objectives remain consistent. Whilst we will always continue to adapt and innovate in an exciting, fast paced and evolving IT marketplace our underlying business principles have not changed since inception.

Firstly we recognise our client's requirements and the value we can offer through a genuine diversity of services. A disciplined and focused approach is taken to developing a broad multifaceted service offering through the effective implementation and management of innovative and leading business and technology solutions.



CHAIRMAN + CEO REVIEW

WE STRIVE TO ENHANCE OUR DEPTH OF CAPABILITY THROUGH ATTRACTING, RETAINING AND TRAINING THE BEST TALENT IN OUR INDUSTRY.

We continue to ensure a well balanced and diversified client portfolio complemented by continuing to expand our reach and access to new markets through regional diversification.

And finally to increase the economic stability of our organisation through strong financial performance, a tangible growth profile and continuing to focus on the growth of contracted recurring income streams.

We remain confident that driving toward the above objectives ensures Empired not only remains relevant to its clients but leads its competition in an ever changing marketplace, continues to provide a workplace of choice and consistently enhances its attractiveness to the broader investment community. All this supports one clear focus on value creation for all of our stakeholders.

OUR PEOPLE, OUR WAY

Empired's human capital; its people, is by far its largest investment and accordingly, its greatest asset. Empired's success rests clearly with its ability to not only attract and retain, but to mobilise, motivate and maximise in an efficient and effective manner the application of its workforce to drive Empired toward its stated goals.

Empired is continually investing in improving the strategies, methods and tools used to maximise its investment in its people. Last year we told you about the implementation of an online workforce management system that had been implemented to improve employee engagement, drive improved efficiency and provide a tool for the planning and management of our staff's careers within Empired.

This year we have placed a large focus on culture and employee engagement. At the very heart of this is a very simple message: what we are today and where we want to be tomorrow. Clearly and consistently communicating this message, supported by clear and consistent education with each of our staff on precisely understanding how they contribute toward this goal has resulted in a great sense of employee belonging.

On the back of this achievement we have set out to provide a more formal framework for how we shape the behaviour of our workforce, the behaviour Empired will be known for and that which all our stakeholders will come to expect when dealing with Empired.

The result is Empired's EPIC values: **Excellence** in everything that we do, **People** are the foundation of our success, **Integrity** in all our dealings and achievement through **Collaboration**. This simple values framework is being engrained into our culture and into everything that we do.

We have inaugurated a committee "The values guardianship" from within the staff group, designed a communications program, a range of measures and tests, and a reward and recognition program to ensure our values are upheld and genuinely shape our culture.



From top to bottom - left column, then right:
Russell Baskerville Managing Director & CEO,
John Bardwell General Manager, Delivery Services,
Mark Waller Chief Financial Officer & Company
Secretary, **Duncan Hayes** General Manager, Sales
Brendon Jarvis General Manager, Enterprise Services,
Greg Leach Chief Technology Officer, Marketing &
Enablement

CHAIRMAN + CEO REVIEW

INVESTING IN OUR FUTURE

With any great pursuit comes many great challenges; Empired is no different. In the current year, outside of the day to day business imperatives and the overarching strategies discussed in the opening paragraphs, Empired has recognised a number of critical areas of strategic investment.

Firstly, the advent of cloud or utility computing is upon us and the adoption of these alternate IT service provision and technology consumption models is rapid. For those that are agile in their response and innovative in their approach to meeting client demands, this fundamental shift within the industry provides a great opportunity to differentiate, rapidly acquire market share and improve the value proposition to clients. This will lead to growth in contracted recurring revenues and the provision of new high margin services and solutions.

"During the 2011 financial year Empired delivered significant improvements in financial performance. Revenue is up 42% from \$27.9M to \$39.7M, EBITDA increased over 132% from \$0.551M to \$1.281M delivering NPAT of \$0.202M with EPS of 0.43 cents."

Empired is responding to this market opportunity rapidly and will be providing cloud computing services through its in-house engineered "FlexScale" service offering well before the end of this calendar year. FlexScale is built on world class industry recognised technologies supplied by Empired's key alliance partners.

FlexScale will enable a new approach to IT by offering organisations a flexible new range of options for how IT services are designed, delivered and managed. IT services will be packaged into consumable IT 'products'.

These products are offered through Cloud Computing in the form of online service catalogues, in much the same way as using a shopping cart. These services can then be delivered and managed using the technology that underpins FlexScale.

We expect to be ahead of many of our competitors and are confident that we will be recognised as a leader in the cloud space. We have recognised that to support



our growth ambitions we must forge new relationships. We have secured a number of new alliance partners that position Empired to take advantage of strategic and growing markets.

We have secured an exclusive Asia Pacific partnership with Coreworx, a leading provider of Information Management software for large capital intensive projects with a particular focus on the energy and resources sectors. It is clear with the current level of investment in major capital projects in Australia that demand for these types of solutions is set to escalate. Empired is well placed to take advantage of this burgeoning market.

In addition we have formed an exclusive partnership with Cloupia, a US-based provider of specialist cloud management software. With Empired's entry into the cloud market and adoption of cloud services escalating throughout Australia we expect this partnership to expand and differentiate Empired's service offering in this growing market.

We are also keenly aware of ensuring we move up the value chain with our clients and have a range of identified opportunities leveraging the adoption of specialist applications across a range of industries to differentiate ourselves both in traditional and cloud services.

Underpinning the introduction of new services and the delivery of growth in a predictable and profitable manner is our underlying business systems and processes. Empired has invested in upgrading to a seamless and integrated ERP solution to operate and run its day to day business operations. This has been a major achievement for Empired, replacing six separate and disparate systems with one integrated solution.

It is expected that this solution will provide a robust and scalable platform that will allow Empired to undertake substantial growth in an efficient and effective manner over the coming years.



CHAIRMAN + CEO REVIEW

THE YEAR AHEAD

The global economy remains volatile. We are very much in uncharted waters with a number of economic risks and challenges facing the traditional powerhouse economies of the US and Europe causing subdued performance and general market uncertainty.

At the same time we see the emerging economies of Asia producing unabated demand for raw materials and continuing to consistently experience GDP growth well above 7% per annum. By many counts Australia is in a sound economic position and is well placed to benefit from the growth profile of its major trading partners in the emerging Asian economies. Whilst uncertain this does provide optimism in our view of trading conditions within the Australian market for the year ahead.

More acutely the Australian IT sector has recovered well throughout the 2011 financial year with a growth rate of 1.8% from the prior year. With many large Australian corporations committing to significant IT investment during the coming year we are confident of positive trading conditions within the sector.

With the investments made during the previous financial year, providing new innovative services being brought to market combined with a highly motivated and talented workforce we are confident in Empired's ability to maximise the market opportunity, deliver on its growth ambitions and drive a solid result in our pursuit of enhancing stakeholder value.

We would like to take this opportunity to sincerely thank Empired's staff and partners for their outstanding contribution to Empired's growth and success in the 2011 financial year. We would also like to extend our appreciation to our highly valued clients for their trust and ongoing support.

Finally to our shareholders, many of whom have continued to support us for some years now, thank you for your patience, trust and continual support. We are excited by the prospects and opportunities that lie ahead and we do believe that the 2012 financial year holds great opportunities for value creation for all of our stakeholders.

"We recognise that our people are our biggest asset, and our Service Quality relies on our valued staff. Mutual respect within the team, and our collective view to strive and deliver the best outcomes for our customers, strengthens our unique value proposition as a turn-key IT services provider. "



DIRECTORS' REPORT

The directors present their report on the consolidated entity comprising Empired Limited ("the Company") and its controlled entities ("the Group") for the year ended 30 June 2011.

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	53	<p>Mel is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountants in Australia and has over 30 years corporate experience in a wide range of industries.</p> <p>Mel's other directorships include:</p> <p>National Board member of the Institute of Chartered Accountants in Australia. Chairman of Venture Minerals Limited (ASX: VMS) Chairman of Gryphon Minerals Ltd (ASX: GRY) Chairman of Resource Development Group Limited (ASX:RDG) Board member of Renaissance Minerals Limited (ASX:RNS) Board Member Barra Resources Limited (ASX:BAR) Board member of the Hawaiian Group of Companies Chairman of Cullen Wines (Australia) Pty Ltd</p>
Russell Baskerville Managing Director & CEO	33	<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 including strategy development and execution, IPO's, capital raisings, divestments, mergers and acquisitions.</p>

DIRECTORS

Name	Age	Experience and special responsibilities
Richard Bevan	44	<p>Mr Bevan joined the board as a non-executive director on 31 January 2008 with corporate and senior management experience including various directorship's and CEO/MD roles in ASX listed and private companies. Richard brings experience in the execution and integration of mergers, acquisitions and other major corporate transactions.</p> <p>Richard has been involved in a number of businesses in areas as diverse as healthcare, construction and engineering, resources and information services. Richard's roles within these businesses have included strategic operational management, implementing organic growth strategies, business integration and raising capital in both public and private markets.</p> <p>Richard is currently Managing Director of Cassini Resources Ltd and Chairman of Cool Clear Water Group Ltd.</p> <p>Previously Richard was the Managing Director and Chief Executive Officer of LifeCare Health Limited where he led the company through a successful initial public offer and ASX listing and implemented a growth strategy that involved the acquisition and integration of a number of businesses nationally.</p> <p>Richard is a Member of the Australian Institute of Company Directors.</p>

COMPANY SECRETARY

Name	Age	Experience and special responsibilities
Mark Waller CFO & Company Secretary	32	<p>Mark has responsibility for ensuring the necessary operational and financial processes and infrastructure are in place to support the strategic direction and continued growth of Empired. Mark holds a degree in business from Curtin University majoring in Accounting and Business Law and is a Certified Practicing Accountant.</p> <p>Mark has worked in the Professional Services sector for over ten years and also brings experience from directorships with IT companies involved in early stage development and commercialization to eventual sale to working for Ernst & Young.</p>

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year is the continued operation of its IT infrastructure services business resulting in the provision of services covering software systems, consulting and infrastructure design and deployment.

There were no significant changes in the nature of the activities carried out during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs during the year.

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 or in future financial years.

ENVIRONMENTAL REGULATION

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

DIVIDENDS

The Company has not declared a final dividend for the year ended 30 June 2011.

OPERATING RESULTS FOR THE YEAR

The net profit after tax from continuing operations for the year for the consolidated entity is \$201,872 (2010: \$47,341).

LIKELY DEVELOPMENTS

Except as detailed in the Chairman and Managing Director's Review on pages 6 to 12, likely developments, future prospects and business strategies of the operations of the consolidated entity and the expected results of those operations have not been included in this report, as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the consolidated entity.

SHARE OPTIONS

SHARE OPTIONS GRANTED TO DIRECTORS AND OFFICERS

Share options were granted to Directors under the Executive Share Option Plan. Information relating to this grant is at note 13 to the financial statements.

UNISSUED SHARES

At the date of this report, there were 11,806,748 unissued ordinary shares under options. Refer to note 13 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

366,666 share options were exercised during the financial year.

SHARE ISSUES DURING THE YEAR

No shares were issued during the year.

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 attached at page 82.

NON-AUDIT SERVICES

The directors received the Lead Auditor's Independence declaration which is set out on page 82. There were no non-audit services provided by the entity's auditor, Grant Thornton Audit Pty Ltd (2010: nil). The directors in accordance with the advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the

services did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with AAPES 110:Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Company has during and since the end of the financial year, in respect of any person who has, is or has been an officer of the company or a related body corporate, paid a premium in respect of Directors and Officers Liability insurance which indemnifies Directors, Officers and the Company of any claims made against the Directors, Officers of the Company and the Company, subject to conditions contained in the insurance policy. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the contract.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

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', dependent upon meeting pre-determined performance benchmarks;

- Establish appropriate, demanding performance hurdles for variable executive remuneration.

REMUNERATION COMMITTEE

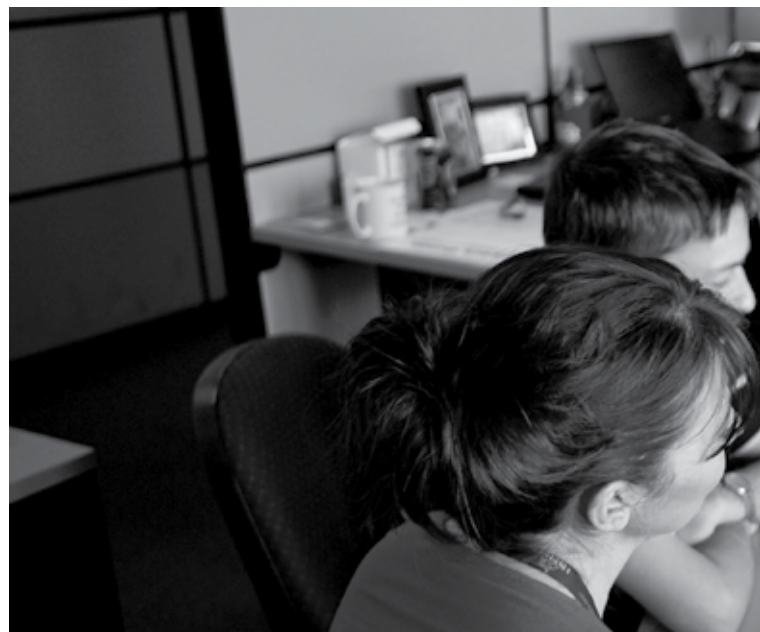
Due to the structure of the Board, a separate remuneration committee is not considered to add any efficiencies to the process of determining the levels of remuneration for the Directors and key executives.

The Board considers that it is more appropriate that it set aside time at Board meetings to address matters 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.

"Empired's board and management remain highly motivated, committed and focused on value creation for all of its stakeholders, through the sustained development and growth of a leading Australian IT services company."



A. 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 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 26th of November 2009 when shareholders approved an aggregated remuneration of \$300,000 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 (as defined in AASB 124 Related Party Disclosures) for the period ended 30 June 2011 is detailed in Table 1 of this report.

B. EXECUTIVE 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;



DIRECTORS' REPORT

- 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 below details the fixed and variable components (%) of the executives of the company.

FIXED REMUNERATION

Objective

Fixed remuneration is reviewed annually by the board. 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 Board 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 Board. Payments made are delivered as a cash bonus in the following financial year. For the 2011 financial year 100% of the STI cash bonus has been paid to executives in the 2012 financial year (2011: nil).



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.

Table 2 below provides details of options granted and the value of options granted, exercised and lapsed during the year. 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 \$0.30. For further details of the terms and conditions including the service and performance criteria that must be met refer to note 13.

QUALITY STATEMENT:

Empired is committed to providing business benefits to our customers, fulfilling employment opportunities for our staff, rewarding returns on investment for our shareholders and trusted relationships with our associates.

DIRECTORS' REPORT

C. SERVICE AGREEMENTS

Russell Baskerville - Managing Director

TERMS OF AGREEMENT – commenced 1 July 2005, until terminated by either party.

SALARY – base \$240,000 per annum with an additional STI cash bonus capped at 50% of base fees based on achievement Company's target against budget.

TERMINATION – three months written notice or three months remuneration in lieu.

Mel Ashton - Chairman

TERMS OF AGREEMENT – appointed 21 December 2005, until terminated by either party.

FEE – fixed \$75,000 per annum.

TABLE 1: Directors' and Executives' remuneration for the year ended 30 June 2011 and 30 June 2010

		SHORT TERM BENEFITS		POST EMPLOYMENT	LONG TERM BENEFITS (LTI)	TOTAL	% PERFORMANCE RELATED
		Salary + Fees	Cash STI	Superannuation	Equity Options		
NON-EXECUTIVE DIRECTORS							
M. Ashton	2011	75,000	-	-	-	75,000	-
Chairman	2010	75,000	-	-	28,000	103,200	-
R. Bevan	2011	45,872	-	4,128	-	50,000	-
Non-executive Director	2010	45,872	-	4,128	11,750	61,750	-
EXECUTIVE DIRECTORS							
R. Baskerville	2011	240,000	*120,000	-	-	360,000	33.33%
Chief Executive	2010	240,000	-	-	119,850	359,850	-
KEY MANAGEMENT							
M. Waller	2011	233,151	*50,000	20,984	33,750	337,885	14.79%
Company Secretary + Chief Financial Officer	2010	193,487	-	17,414	-	210,901	-

* Payable at 30 June 2011, paid in 2012 financial year.

Richard Bevan - Non Executive Director

TERMS OF AGREEMENT – appointed 31 January 2008, until terminated by either party.

FEE – fixed \$50,000 per annum.

Mark Waller - Company Secretary and Chief Financial Officer

TERMS OF AGREEMENT – commenced 18 April 2005, until terminated by either party.

SALARY – base \$229,358 per annum with an additional STI cash bonus capped at \$50,000.

TERMINATION – one month's written notice or one month's remuneration in lieu.

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 DURING YEAR	% REMUNERATION CONSISTING OF OPTIONS FOR THE YEAR
2011						
Non-Executive						
M. Ashton	-	-	-	-	-	-
R. Bevan	-	-	-	-	-	-
Executive						
R. Baskerville	-	-	-	-	-	-
Key Management						
M. Waller	13/01/2011	750,000	0.045	33,750	33,750	9.9%
2010						
Non-Executive						
M. Ashton	26/11/2010	600,000	0.047	28,200	28,200	27.32%
R. Bevan	26/11/2010	250,000	0.047	11,750	11,750	19.02%
Executive						
R. Baskerville	26/11/2010	2,250,000	0.047	119,850	119,850	33.29%
Key Management						
M. Waller	-	-	-	-	-	-



"Empired's human capital is by far its largest investment and accordingly, its greatest asset."

DIRECTORS' REPORT

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 2011
Russell Baskerville	7	7
Mel Ashton	7	6
Richard Bevan	7	7

DIRECTORS' AND KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

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:

	ORDINARY SHARES	OPTIONS
Director		
Russell Baskerville	9,013,233	2,850,000
Mel Ashton	175,000	1,000,000
Richard Bevan	-	500,000
Key Management		
Mark Waller	1,950,724	1,464,038

Signed in accordance with a resolution of directors.



Russell Baskerville
Managing Director

31st of August 2011

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's "Principals of Good Corporate Governance and Best Practice Recommendations", unless otherwise stated. The Company has followed each of the Recommendations where the Board has considered the practices appropriate, taking into account factors such as size of the Company and Board, the resources available, and the activities of the Company. The corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Company and appropriate practices.

The Company includes information about its corporate governance practices on the Company's website at www.empired.com including the Board charter, the group's code of conduct and other policies and procedures relating to the Board and its responsibilities.

PRINCIPLE 1 – Lay solid foundations for management and oversight.

Recommendation 1.1 – Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board has the responsibility for charting the direction, strategies and financial objectives for the Company and monitoring the compliance with regulatory requirements and ethical standards of those policies. In performing their responsibilities the Board are guided by the objective of protecting the rights and interest of shareholders.

The roles and responsibilities of the Board are set out in the Board charter and this is available on the Company website. The Board regularly reviews the charter to ensure that it is appropriate to meet the needs of the Company and the Board and to comply with developing best practice standards.

Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives.

During the reporting year an evaluation of the Board and key executives was carried out on an informal basis. As the activities of the Company develop, it will establish more formal evaluation procedures, including quantitative measures of performance.

PRINCIPLE 2 – Structure of the Board to add value.

Recommendation 2.1 – A majority of the Board should be independent directors.

The Board comprises of three directors who are appointed to ensure that the Company is run in the best interest of the shareholders. Other than Russell Baskerville all directors are independent non-executives. The names, skills, experience and expertise of the directors of the Company in office at the date of this report are located in the Directors' report on pages 14 to 15.

A director is only to be regarded as independent if the director is independent of management and free of any business or other relationship what could materially interfere with or could reasonably be perceived to materially interfere with the exercise of the Director's unfettered and independent judgement.



In considering whether a Director is independent the Board considers:

- the criteria for assessing the independence of a Director in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice recommendations";
- any information, facts or circumstances that the Board considers relevant; and
- any materiality thresholds, standards or guidelines that the Board may adopt from time to time.

Recommendation 2.2 – The chair should be an independent director.

During 2011 the chairman of the Board of Directors was Mr Mel Ashton. Mr Ashton meets the independence criteria.

Recommendation 2.3 – The roles of chair and chief executive officer should not be exercised by the same individual. The role of chairperson of the Board and the Managing Director (CEO role) are not exercised by the same person.

Mr Baskerville is Managing Director and Mr Ashton is Chairman of the Board.

Recommendation 2.4 – The Board should establish a nomination committee.

Currently no formal committee to the Board have been established. The Board considers that given its size and that only one member of the Board holds an executive position in the Company, no efficiencies or other benefits would be gained by establishing separate committees.

The Board intends to reconsider the requirement for and benefits of a separate committee as the Company's operations grow and evolve.

Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

There is currently no formal process in place to evaluate the performance of the Board, its committees and individual directors. A review of the performance of the Board and

CORPORATE GOVERNANCE STATEMENT

its directors is undertaken by each director with respect to each other and the performance of the Board itself. The Board will reconsider the requirement for appropriate measures of performance as the company's operations grow and evolve.

PRINCIPLE 3 – Promote ethical and responsible decision making.

Recommendation 3.1 – Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity,
- the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders, and
- the responsibility and accountability of individuals for reporting and investigation reports of unethical practices.

All directors, managers and employees are expected to act with integrity and objectivity in their dealings with people that they come in contact with during their association with Empired Ltd. Such conduct is considered integral to the primary objective of working to enhance the Company's reputation and shareholder value. The code of conduct adopted is available on the Company's website www.empired.com.

Recommendation 3.2 – Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Directors and employees are prohibited from trading in Empired Limited shares, if the director or employee is in possession of inside or price sensitive information or would be trading for a short term gain. Directors and employees are encouraged to follow a long-term policy with respect to their investments in Empired.



Directors and employees are also aware of their obligations to ensure that they do not communicate price sensitive information to any other person who is likely to buy or sell Empired Limited shares or communicate that information to another party.

The Company's practices are documented in the securities trading policy, details of which are available on the Company's website.

PRINCIPLE 4 – Safeguard integrity of financial reporting.

Recommendation 4.1 – The Board should establish an audit committee.

During the year the Board established an Audit Committee. The role of the Audit Committee is to ensure independent oversight of the accounting functions and internal controls of Empired and ensure the objectivity of Empired's financial statements.

Recommendation 4.2 – The audit committee should be structured so that it:

- consists only of non executive directors,
- consists of a majority of independent directors,
- is chaired by an independent chair, who is not chair of the Board, and
- has at least three members.

The Audit Committee consists of the full Board of directors including Russell Baskerville who is an executive director. The Chair of the Audit Committee is also the Chair of the Board. The Committee consists of three members.

Recommendation 4.3 – The audit committee should have a formal charter.

An audit committee charter has been established setting out the role and responsibilities, composition structure, membership requirements and the manner in which the committee is to operate. This charter is available on the Company website.

"We are confident that the steps we have taken and the ongoing commitment to our people will ensure a highly motivated, loyal and talented workforce for the future."



CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5 – Make timely and balanced disclosure.

Recommendation 5.1 – Companies should establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at senior management level for that compliance and disclose of those policies or a summary of those policies.

The responsibility for the overall communication has been appointed to the Managing Director and Company Secretary.

Empired Ltd is committed to:

- ensuring that shareholders and the market are provided with timely and balanced information about its activities;
- complying with the general and continuous disclosure principals contained in ASX Listing Rules and the Corporations Act 2001; and
- ensuring that all market participants have equal opportunities to receive externally available information issued by Empired.

The company's continuous disclosure policy is available on the Company website.

PRINCIPLE 6 – Respect the rights of shareholders.

Recommendation 6.1 – Companies should design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose their policy or a summary of that policy.

The Board strongly believes in the importance of effective communication with shareholders to ensure their access to timely and relevant information.

The Company's website is regularly updated and provides details of recent announcements to the ASX, annual reports, and other significant information on the Company. Procedures are in place to review all information and to ensure all relevant information is immediately released to the market.

Shareholders are encouraged to attend the annual general meeting, providing them with an opportunity to question the Board and senior executives.

Empired has in place a written communications with shareholders policy which is available on the company website.

PRINCIPLE 7 – Recognise and manage risk.

Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises there is no effective internal control system that will prevent all errors and irregularities.

The Company's risk management program is available on the Company's website.

The effectiveness of the risk management program is reviewed annually and updated accordingly.



Recommendation 7.2 – The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed to the effectiveness of the Company's management of its material business risks.

A risk may be initiated by any employee to a member of the Empired management team. Senior management are responsible for reviewing risks that have been escalated to them from an operational level. These risks are reviewed monthly by the Board.

The Board also reviews recommendations made by the external auditors, and where appropriate ensures that the Company puts in place controls and systems to manage these risks identified.

Recommendation 7.3 – The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management, and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. This recommendation was complied with for 2011.

PRINCIPLE 8 – Remunerate fairly and responsibly.

Recommendation 8.1 – The Board should establish a 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 of the Directors and key executives. The Board considers that it is more appropriate that it set aside time at Board meetings to address such matter that would normally fall to the remuneration committee.

Recommendation 8.2 – Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Detailed information regarding the remuneration paid to directors and senior executives is set out in the remuneration report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 30 June 2011

	NOTES	2011	2010
		\$	\$
REVENUE	3	39,712,614	27,903,654
Cost of Sales		(29,770,691)	(20,642,678)
GROSS PROFIT		9,941,923	7,260,976
Other Income	3	6,852	17,046
Legal expenses		(7,528)	(73,696)
Marketing expenses		(143,271)	(177,291)
Occupancy expenses		(945,212)	(716,596)
Finance costs		(217,232)	(109,158)
Employee benefits		(5,929,724)	(4,048,437)
Depreciation expenses		(496,320)	(331,071)
Other expenses	4	(1,800,697)	(1,710,703)
PROFIT BEFORE INCOME TAX		408,791	111,070
Income tax expense relating to ordinary activities	5	(206,919)	(63,729)
PROFIT FOR THE PERIOD		201,872	47,341
Other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		201,872	47,341

	NOTES	2011	2010
Earnings per share (cents per share)			
Basic earnings per share	6	0.4358	0.1
Diluted earnings per share	6	0.3494	0.08
Dividends per share (cents per share)	27	-	0.75

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	NOTES	2011	2010
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7(i)	1,385,530	250,576
Trade and other receivables	8	5,959,023	4,316,395
Work in progress	9	919,262	625,999
Other current assets	10	263,082	181,977
Total Current Assets		8,526,897	5,374,947
Non-Current Assets			
Property, plant and equipment	11	1,576,729	974,704
Intangible assets	12	3,978,449	3,948,764
Deferred tax asset	5	437,852	435,136
Total Non-Current assets		5,993,030	5,358,604
TOTAL ASSETS		14,519,927	10,733,551
LIABILITIES			
Current Liabilities			
Trade and other payables	14	6,000,308	3,198,696
Financial liabilities	15	256,474	246,533
Provisions	16	845,963	755,138
Unearned revenue	17	508,314	325,997
Total Current Liabilities		7,611,059	4,526,364
Non-Current Liabilities			
Financial liabilities	15	143,028	104,067
Provisions	16	108,680	-
Deferred tax liability	5	336,355	191,146
Total Non-Current Liabilities		588,063	295,213
TOTAL LIABILITIES		8,199,122	4,821,577
NET ASSETS		6,320,805	5,911,974
EQUITY			
Issued capital	18	2,849,315	2,775,982
Employee equity benefits reserve		356,527	222,901
Retained profits		3,114,963	2,913,091
TOTAL EQUITY		6,320,805	5,911,974

This Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2011

	NOTES	2011	2010
		\$	\$
Cash flows from operating activities			
Receipts from customers		38,235,115	29,160,687
Payments to suppliers and employees		(35,629,867)	(28,243,472)
Borrowing costs		(217,232)	(109,158)
Income tax paid		(61,915)	(134,911)
Interest received		6,852	17,046
NET CASH FLOWS FROM OPERATING ACTIVITIES	7(III)	2,332,953	690,192
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,216,091)	(397,361)
Purchase of other assets		(29,686)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1,245,777)	(397,361)
Cash flows from financing activities			
Dividends paid		-	(346,668)
Proceeds from issue of shares		73,333	-
Repayment of borrowings		(156,742)	(141,812)
Repayment of finance lease liabilities		(231,745)	(234,458)
Proceeds from borrowings		362,932	335,260
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		47,778	(387,678)
Net increase/(decrease) in cash and cash equivalents		1,134,954	(94,847)
Cash and cash equivalents at beginning of period		250,576	345,423
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7(I)	1,385,530	250,576

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2011

	ISSUED CAPITAL	RETAINED EARNINGS	EMPLOYEE EQUITY BENEFITS RESERVE	TOTAL EQUITY
	\$	\$	\$	\$
BALANCE AT 1 JULY 2009	2,775,982	3,212,418	141,618	6,130,018
Total comprehensive income for the period	-	47,341	-	47,341
Cost of share-based payments	-	-	81,283	81,283
Dividends paid to equity holders	-	(346,668)	-	(346,668)
BALANCE AT 30 JUNE 2010	2,775,982	2,913,091	222,901	5,911,974
Total comprehensive income for the period	-	201,872	-	201,872
Exercise of options	73,333	-	-	73,333
Cost of share-based payments	-	-	133,626	133,626
BALANCE AT 30 JUNE 2011	2,849,315	3,114,963	356,527	6,320,805

This Statement of Changes in Equity should be read in conjunction with accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2011

1. CORPORATE INFORMATION

The financial report of Empired Ltd for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 29 August 2011.

Empired Limited is a company limited by shares incorporated in Australia. The financial report includes the consolidated financial statements and notes of Empired Limited and controlled entities.

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, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis, and is based on historical costs modified where applicable, by measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

(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').

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 ended 30 June 2011. These are outlined in the table opposite.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2009-12	Amendments to Australian Accounting Standards arising from AASB 124 [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This revision amends the disclosure requirements for government related entities and the definition of a related party.	1 January 2011	The amendments will not have any impact on the Group's financial statements.	1 July 2011
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	Introduces new requirements for the classification and measurement of financial assets. AASB uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, and removes the impairment requirement for financial assets held at fair value.	1 January 2013	The amendments will not have any significant impact on the Group's financial statements.	1 July 2013
AASB 2010-6	Amendments to Australian Accounting Standards - Disclosures on Transfer of Financial Assets [AASB 1 & AASB 7]	This standard adds and amends disclosure requirements about transfers of financial assets involved and the risks associated with them.	1 July 2011	The Group does not expect any significant impact.	1 July 2011
AASB 2010-8	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets	Provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 Investment Property.	1 January 2012	The Group does not expect any significant impact.	1 July 2012

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD*	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2010-2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Reduced disclosure requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial reports.	1 July 2013	There will no impact on the Groups financial statements.	1 July 2013
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman convergence Project	This standard makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.	1 July 2011	The Group does not expect any significant impact.	1 July 2011
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman convergence Project – Reduced Disclosure Requirements	Amendments to establish requirements disclosure requirements in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project.	1 July 2013	The Group does not expect any significant impact.	1 July 2013
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Projects	AASB 2010-4 makes various amendments to a number of standards and interpretations [AASB 1, 7, 101, 134] in line with the annual improvements projects.	1 January 2011	The Group does not expect any significant impact.	1 July 2011
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure	This standard makes amendments to Australian Accounting Standard AASB 124 Related Party Disclosure	1 July 2013	The Group does not expect any significant impact.	1 July 2013



"We strive to enhance
our depth of capability
through attracting,
retaining and training
the best talent in our
industry."

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

BUSINESS COMBINATIONS

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under

common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interests is greater than cost, the surplus is immediately recognised in profit or loss.

(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 diminishing value, except computer software which is 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

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.

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 (CONTINUED)

For The Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 statement of comprehensive income through the 'amortisation expenses' line item.

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

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

Research and Development Costs

Research costs are expensed as incurred.

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

Software

Costs incurred in developing software are capitalised where future financial benefits can be reasonably be assured. These costs include employee costs incurred on development along with appropriate portion of relevant overheads.

Amortisation is calculated on a straight-line basis depending on the useful life of the asset. 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 statement of comprehensive income when the asset is derecognised.

(h) Impairment of non-financial 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.

(i) Operating Segments

The Group adopted AASB 8 'Operating Segments' with effect from 1 July 2009.

The Group has more than one reportable operating segment identified by and used by the Chief Executive Officer (chief operating decision maker) in assessing the performance and determining the allocation of resources. The Group however has aggregated the segment in accordance with the aggregation criteria of AASB 8. During the year the Group had reliance on one customer whose revenues represent 13.8% of the revenue of the Group.

(j) Financial Instruments

Reconciliation and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company

commits itself to either the purchase or sale of the asset (ie trading date accounting is adopted).

Financial instruments are initially measure at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. less any reduction for impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial Instruments (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented

risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost,

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.) If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets are included in non-current assets, except those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

IMPAIRMENT

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(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 impairment provision is recognised when there is

objective evidence that the Group will not be able to collect the receivable. Bad debts are written off when identified.

(l) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position 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 statement of cash flows, 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 statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions (continued)

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.

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 benefits

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

Liabilities for wages and salaries, including non-monetary benefits, and annual 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 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 three plans in place to provide these benefits:

- (i) The Empired Employee Share Option Plan (ESOP2), which provides to all employees excluding directors,
- (ii) The Executive Share Option Plan (ESOP1), which provides benefits to directors and senior executives.
- (iii) The Sales Executive Share Option Plan (ESOP3), which provides benefits to senior sales 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 Black Scholes model further details are given in note 13.

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 reporting 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. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

(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 statement of comprehensive income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Foreign currency transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction.

Foreign Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

(t) Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 reporting date.

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

(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 statement of financial position.

Cash flows are included in the statement of cash flows 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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Significant accounting judgements, estimates and assumptions (continued)

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policies.

i. 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 22.

ii. Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

3. REVENUES

	2011	2010
	\$	\$
Sales Revenue		
Services	39,712,614	27,903,654
	39,712,614	27,903,654
Sales Revenue		
Interest	6,852	6,462
Foreign Exchange gain	-	10,584
	6,852	17,046
	39,719,466	27,920,700

4. EXPENSES

Profit before income tax includes the following specific expenses:

	2011	2010
	\$	\$
Operating Lease Rentals		
Minimum lease payments	10,332	9,279
	10,332	9,279
Superannuation expenses	304,426	276,535
Share based payments	133,625	81,282
Other Expenses		
Insurance	127,672	120,880
Travel	231,792	213,429
Administration	780,284	892,918
Other	650,617	465,197
	1,790,365	1,692,424

5. INCOME TAX

a) Income tax expense

	2011	2010
	\$	\$
The major components of income tax expense are:	62,128	40,892
Current income tax payable		
Deferred income tax relating to origination and reversal of temporary differences	142,493	23,332
Adjustments	2,298	(495)
Income tax expense reported in statement of comprehensive income	206,919	63,729

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

5. INCOME TAX (CONTINUED)

b) Numerical Reconciliation between aggregate tax expense recognised in the comprehensive income statement and tax expense calculated per the statutory income tax rate

	2011	2010
	\$	\$
Prima facie tax on operating profit calculated at 30% (2010: 30%)	122,637	33,321
	122,637	33,321
Add tax effect of:		
Non-deductible expenses	39,585	12,342
Other non-deductible expenses	41,572	16,495
Other	(14,845)	1,571
Under provision of tax prior years	17,970	-
Aggregate income tax expense	206,919	63,729

Disclosure for tax effect of capital raising costs via the equity accounts has changed since release of the 31 December 2010 financials. This change has resulted in an increase of deferred tax assets of \$84,081, and an increase in income tax of the same value.

(c) Recognised deferred tax assets and liabilities

Deferred income tax balances at 30 June relate to the following:

	2011	2010
	\$	\$
(i) Deferred tax liabilities		
Prepaid expenses	(10,762)	(3,346)
Fixed assets	(49,599)	-
Work in progress	(275,994)	(187,800)
Gross deferred tax liabilities	336,355	(191,146)
(ii) Deferred tax assets		
Provisions:	406,453	314,802
Provision for doubtful debts	-	12,248
Equity raising costs	29,544	59,083
Borrowing costs	1,855	3,116
Tax losses	-	45,887
Gross deferred tax assets	437,852	435,136

(d) 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.

6. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

6. EARNINGS PER SHARE (CONTINUED)

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

	2011	2010
	\$	\$
Net profit attributable to ordinary equity holders of the parent	201,872	47,341
	2011 Thousands	2010 Thousands
Weighted average number of ordinary shares for basic earnings per share	46,322	46,222
Effect of dilution: Share options	11,456	10,823
Weighted average number of ordinary shares adjusted for the effect of dilution	57,778	57,045

7. CASH AND CASH EQUIVALENTS

(i) Reconciliation of Cash

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

	2011	2010
	\$	\$
Cash at bank and in hand	887,102	12,356
Term deposit	498,428	238,220
	1,385,530	250,576

(ii) Financing facilities available

At reporting date the following facilities were available:

Bank overdraft facility	3,000,000	2,070,717
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The loan facility availability is based on 50% of the Company's debtor book at the end of month, and has an upper limit of \$3,000,000.

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

	2011	2010
	\$	\$
Operating profit after income tax	201,812	47,341
Depreciation	496,320	331,071
Option Plan Expense	133,625	81,282
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) / decrease in receivables	(1,642,628)	1,505,034
Decrease in other assets		28,103
(Increase) / decrease in prepayments	(81,104)	(36,041)
Increase / (decrease) in creditors	923,688	(1,507,998)
Increase / (decrease) in other creditors	1,036,879	923,390
Increase / (decrease) in accrued liabilities	813,085	(514,632)
Increase / (decrease) in unearned income	182,318	(239,358)
Decrease in income tax payable	-	(81,526)
Increase in provision for employee entitlements	268,958	153,526
Net cash from operating activities	2,332,953	690,192

(iv) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance lease	217,645	104,999
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

8. TRADE AND OTHER RECEIVABLES (CURRENT)

	2011	2010
	\$	\$
Trade receivables	5,955,523	4,336,535
Provision for impairment	-	(40,828)
	5,955,523	4,295,707
Term deposit	3,500	3,500
Other receivables	-	17,188
	5,959,023	4,316,395

Trade receivables are non-interest bearing and are generally on 30-day terms. (For further details on credit risk, refer to note 19). A provision for impairment is recognised when there is objective evidence that an individual trade is impaired. These amounts have been included in the other expenses item. There are no balances within trade and other receivables that contain assets that are impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

Movement in the provision for impairment of receivables during the year was as follows:

	2011	2010
	\$	\$
Balance at 1 July	-	-
Impairment loss provided for	-	40,828
Balance at 30 June	-	40,828

9. WORK IN PROGRESS

Work in progress at cost	919,262	625,999
	919,262	625,999

10. OTHER ASSETS

Current		
Prepayments	263,082	181,977
Total current other assets	263,082	181,977

11. PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	\$	\$
Buildings and Improvements		
At cost	-	19,752
Accumulated Depreciation	-	(13,731)
Total Buildings and Improvements	-	6,021
Plant and Equipment		
At cost	1,758,066	1,382,147
Accumulated depreciation	(674,183)	(795,050)
	1,083,883	587,097
Leased Plant and Equipment		
At cost	533,102	579,021
Accumulated depreciation	(258,509)	(278,053)
	274,593	300,968
Leasehold improvements		
At cost	247,315	131,812
Accumulated depreciation	(29,062)	(51,194)
Total Leasehold Improvements	218,253	80,618
Total Plant & Equipment	1,576,729	968,683
Total Property, Plant & Equipment	1,576,729	974,704

Leased assets are held as security for hire purchase contracts.

Property, Plant and Equipment		
Movements during the year:		
Opening balance 1 July	974,704	908,414
Additions	1,224,686	397,358
Disposals	(126,341)	-
Depreciation expense	(496,320)	(331,068)
Closing balance 30 June	1,576,729	974,704

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

12. INTANGIBLE ASSETS

	2011	2010
	\$	\$
Goodwill		
Cost	3,948,764	3,948,764
Accumulated impaired losses	-	-
Net carrying value	3,948,764	3,948,764
Software		
Cost	29,685	-
Accumulated impaired losses	-	-
Net carrying value	29,685	-
Total intangibles	3,978,449	3,948,764

Goodwill has been tested for impairment as detailed at note 22. No impairment provision was required.

	GOODWILL	SOFTWARE	TOTAL
YEAR END 30 JUNE 2010			
Balance at the beginning of the year	3,948,764	-	3,948,764
Additions	-	-	-
Disposals	-	-	-
Amortisation charge	-	-	-
Impairment losses	-	-	-
	3,948,764	-	3,948,764
YEAR END 30 JUNE 2011			
Balance at the beginning of the year	3,948,764	-	3,948,764
Additions	-	29,685	29,685
Disposals	-	-	-
Amortisation charge	-	-	-
Impairment losses	-	-	-
Closing value at 30 June 2011	3,948,764	29,685	3,978,449

During the financial year an internally generated software product was capitalised. Intangible assets, other than goodwill, have finite lives and are required to be amortised on an expected usage basis. Goodwill has an infinite life.

13. EMPLOYEE BENEFITS

(a) Empired employee share option plan

The Group has an employee share options plan (ESOP2) for the granting of non-transferable options to employees and senior executives to assist in motivating and retaining employees.

Options issued under the ESOP2 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 ESOP2 include:

- a) any vested options that are unexercised on the fifth anniversary of their grant date will expire; and
- b) upon exercise, options will be settled in ordinary shares of Empired Limited on the basis of one share for each option exercised.

No options were granted to employees during the financial year.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the ESOP2.

	2011	2011	2010	2010
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	1,583,963	\$0.287	1,403,474	\$0.313
Granted during the year	-	-	300,000	\$0.20
Forfeited during the year	(277,215)	-	(119,511)	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
	1,306,748	\$0.272	1,583,963	\$0.287
Exercisable at the end of the year	432,077	0.32	499,871	\$0.35

The weighted average contractual life for the share options outstanding as at 30 June 2011 is 0.75 years (2010: 1.13 years).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

13. EMPLOYEE BENEFITS (CONTINUED)

Share options issued under the ESOP2 and outstanding at the end of the year have the following exercise prices:

EXPIRY DATE	EXERCISE PRICE	2011 NO.	2010 NO.
31 July 2010	\$0.30	-	78,383
31 July 2010	\$0.35	-	76,081
31 July 2010	\$0.40	-	76,081
22 February 2012	\$0.30	85,805	89,779
22 February 2012	\$0.35	85,802	89,776
22 February 2012	\$0.40	85,799	89,771
1 August 2011	\$0.30	600,000	600,000
1 August 2011	\$0.25	74,671	92,046
1 August 2012	\$0.30	74,671	92,046
26 November 2012	\$0.20	300,000	300,000
Total		1,306,748	1,583,963

(b) Empired executive share option plan

The Group has an executive share option plan (ESOP1) 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 ESOP1 include:

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

During the financial year the below options were granted to executives:

Options	Fair value per option	Exercise price per option	Expiry date
1,500,000	\$0.045	\$0.30	12 January 2014

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

The fair value of the options are estimated at the date of grant using the Black Scholes model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2011.

13 JANUARY 2011 (1,500,000) OPTIONS	
Dividend yield (%)	0%
Expected volatility (%)	60%
Risk-free interest rate (%)	5.14%
Expected life of option (years)	3 years
Option exercise price (\$)	\$0.30
Share price at grant date (\$)	\$0.17

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.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the ESOP1.

	2011		2010	
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	9,700,000	\$0.30	8,000,000	\$0.32
Granted during the year	1,500,000	\$0.30	3,400,000	\$0.30
Forfeited during the year	(2,883,334)		(1,700,000)	\$0.40
Exercised during the year	(366,666)	\$0.20	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	7,950,000	\$0.31	9,700,000	\$0.30
Exercisable at the end of the year	3,050,000	\$0.33	3,050,000	\$0.26

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

13. EMPLOYEE BENEFITS (CONTINUED)

(b) Empired executive share option plan (continued)

As at 30 June 2011 there were 7,950,000 options over ordinary shares with an average exercise price of \$0.31 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 2011 is 1.209 years (2010: 1.425 years). Share options issued under the ESOP1 and outstanding at the end of the year have the following average exercise prices:

EXPIRY DATE	EXERCISE PRICE	2011 NO.	2010 NO.
28 November 2010	\$0.25	-	700,000
23 March 2011	\$0.25	-	1,100,000
28 July 2011	\$0.25	300,000	300,000
17 November 2010	\$0.25	-	750,000
17 November 2011	\$0.25	500,000	500,000
23 July 2010	\$0.40	-	700,000
1 December 2011	\$0.40	1,200,000	1,200,000
21 November 2011	\$0.30	1,050,000	1,050,000
26 November 2012	\$0.30	3,400,000	3,400,000
12 January 2014	\$0.30	1,500,000	-
Total		7,950,000	9,700,000

c) Empired purchaser share option plan

Empired Limited issued share options as part of the acquisition of the Quadrant Group. Details of the options granted can be found below.

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	300,000	\$0.366	300,000	\$0.366
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(200,000)	\$0.40	-	-
Outstanding at the end of the year	100,000	\$0.30	300,000	\$0.366
Exercisable at the end of the year	100,000	\$0.30	200,000	\$0.40

The weighted average contractual life for the share options outstanding as at 30 June 2011 is 0.34 years (2010: 0.70 years). The fair value of the options are estimated at the date of grant using a Black Scholes model.

d) Empired sales executive share option plan

During the financial year Empired issued share options under a sales executive plan (ESOP3). These options are performance options aligned with attaining agreed targets and vest on reaching these targets.

Options	Fair value per option	Exercise price per option	Expiry date
1,750,000	\$0.045	\$0.30	12 January 2014
350,000	\$0.057	\$0.30	12 January 2015
150,000	\$0.068	\$0.30	12 January 2016
200,000	\$0.045	\$0.30	24 May 2014
2,450,000			

The fair value of these options are at the date of grant using the Black Scholes model. The following table gives the assumptions made in determining the fair value of the options granted.

	12 JANUARY 2011	24 MAY 2011	12 JANUARY 2011	12 JANUARY 2011
	1,750,000	200,000	350,000	150,000
Dividend yield (%)	0%	0%	0%	0%
Expected volatility (%)	60%	60%	60%	60%
Risk-free interest rate (%)	5.14%	5.14%	5.14%	5.14%
Expected life of option (years)	3 years	3 years	4 years	5 years
Option exercise price (\$)	\$0.30	\$0.30	\$0.30	\$0.30
Share price at grant date (\$)	\$0.17	\$0.26	\$0.17	\$0.17

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

14. TRADE AND OTHER PAYABLES (CURRENT)

	2011	2010
	\$	\$
Trade payables	1,957,104	1,057,051
Superannuation payable	353,182	294,205
GST payable	1,416,896	743,426
PAYG payable	861,648	551,780
Accrued liabilities	1,277,608	528,193
Credit cards payable	42,433	18,808
Other	91,437	5,233
	6,000,308	3,198,696

Included in the above are aggregate amounts payable to the following related parties:

Owing to directors and director related entities	142,000	22,000
--	---------	--------

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

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.

15. FINANCIAL LIABILITIES

	2011	2010
	\$	\$
Current		
Obligations under finance leases and hire purchase contracts (note 21)	146,275	169,403
Obligations under premium funding contracts	110,199	77,130
	256,474	246,533
Non-current		
Obligations under finance leases and hire purchase contracts (note 21)	143,028	104,067
	143,028	104,067

Hire Purchase Contracts

Hire purchase contract maturity ranges from June 2011 to April 2014.

	2011	2010
	\$	\$
Finance facilities available		
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities:		
- Bank overdraft facility	3,000,000	2,070,717
Facilities used at reporting date		
- Bank overdraft facility	-	-
Facilities unused at reporting date	3,000,000	2,070,717

A bank overdraft facility was established in December 2008. The facility is reviewed on an annual basis with financial covenants of EBITDA and net tangible assets tested quarterly. The loan facility availability is based on 50% of the Company's debtor book at the end of month, and has an upper limit of \$3,000,000.

The Bank of Western Australia holds a fixed floating charge over company assets. Maximum prospective liability set out in the charge is ten million dollars.

16. PROVISIONS

	2011	2010
	\$	\$
Current		
Provision for Annual Leave	830,666	690,386
Provision for Long Service Leave	25,774	64,752
Provision for Income Tax	(10,477)	-
	845,963	755,138
Non-current		
Provision for Long Service Leave	108,680	-
	108,680	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

17. UNEARNED REVENUE

	2011	2010
	\$	\$
Current		
Unearned Revenue	508,314	325,997
	508,314	325,997

18. ISSUED CAPITAL AND RESERVES

	2011	2010
	\$	\$
Ordinary Shares		
Issued and fully paid	2,849,315	2,775,982
	NO.	VALUE (\$)
Movement in ordinary shares on the issue		
At 1 July 2009	46,222,314	2,775,982
	-	-
At 30 June 2010	46,222,314	2,775,982
Conversion of options	366,666	73,333
At 30 June 2011	46,588,980	2,849,315

Ordinary shares entitle the holder to participate in dividends, and carry one vote per share. These shares have no par value.

Capital Management Adequacy

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern and to maintain a conservative capital structure to allow management to focus on the core business results, including returns to shareholders. There are no externally imposed capital requirements, except for the covenant on the bank overdraft referred to in note 15.

Options

The company has three share option schemes under which options to subscribe for the company's shares have been granted to certain executives and employees (refer note 13). In addition there are 100,000 options in relation to the acquisition of Quadrant Group. The employee equity benefits reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main purpose of the financial liabilities 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, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

- Interest rate risk

Exposure to market interest rates is limited to the Company's cash balances. Cash balances are disclosed at note 7.

Cash at bank accounts attract a variable interest rate of 4.15% (2010: 0%) based on the cash balance at year end. Cash on deposit attracts a variable interest rate of 6.30% (2010: 5.51%) at the end of the year.

At 30 June 2011, if interest rates had changed by +/- 1% from the year end rates above, after tax profits would have been \$7,848 (2010: \$146) lower/higher.

Finance leases and hire purchase agreements entered into are purchased at fixed interest rates.

The Company constantly monitors its interest rate exposure.

- Foreign currency risk

The Group's exposure to foreign currency risk is minimal. Trade debtor and trade creditor transactions may be entered into in foreign currency and fluctuations in these currencies may have a minor impact on the Company's financial results.

The exchange rates are closely monitored within the Company.

- Commodity price risk

The Group's exposure to price risk is minimal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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. Customers that fail to meet the Group's creditworthiness may transact with the group only on a prepayment basis.

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.

Exposure to credit risk

The Group's maximum exposure to credit risk at the report date was:

	2011	2010
	\$	\$
Loans and receivables (note 8)	5,955,523	4,295,707
	5,955,523	4,295,707

The aging of the Group's non-impaired trade receivables at reporting date was:

	2011	2010
	\$	\$
Not past due	5,088,186	3,367,242
Past due 0-30 days	124,351	196,480
Past due 31-60 days	446,551	282,013
Past due 60 days	296,435	449,972
	5,955,523	4,295,707

The group expects to be able to recover all outstanding debts that have not been provided for impairment.

Liquidity risk

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

The Group manages liquidity risk by forecasting and monitoring cash flows on a continuing basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

20. FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is considered to approximate their carrying values.

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

Interest Rate Risk

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

	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 BALANCE SHEET	WEIGHTED AVERAGE EFFECTIVE INTEREST
	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$	2011
i) Financial Assets						
Term deposit	-	3,500	-	-	3,500	3.35%
Term deposit	-	132,000	-	-	132,000	5.68%
Term deposit	-	366,428	-	-	366,428	5.73%
Cash	886,684	-	-	417	887,101	-
Loans and receivables	-	-	-	5,955,523	5,955,523	-
Total financial assets	886,684	501,928	-	5,955,940	7,344,552	
ii) Financial liabilities - at amortised cost						
Overdraft Facility	-	-	-	-	-	-
Accounts payable	-	-	-	1,957,112	1,957,112	-
Hire purchase	-	146,275	143,028	-	289,303	10.63%
Short term loans	-	110,199	-	-	110,199	7.25%
Total financial liabilities	-	256,474	143,028	1,957,112	2,356,614	

iii) The aging of the Group's trade payables at reporting date was:

	2011
	\$
Not past due	1,611,856
Past due 0-30 days	342,686
Past due 31-60 days	2,570
Past due 60 days	-
	1,957,112

	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 BALANCE SHEET	WEIGHTED AVERAGE EFFECTIVE INTEREST
	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$	2010
i) Financial Assets						
Term deposit	-	3,500	-	-	3,500	3.35%
Term deposit	-	106,220	-	-	106,220	4.31%
Term deposit	-	132,000	-	-	132,000	2.29%
Cash	4,877	-	-	7,479	12,356	0.00%
Loans and receivables	-	-	-	4,312,895	4,312,895	-
Total financial assets	4,877	241,720	-	4,320,374	4,566,971	
ii) Financial liabilities - at amortised cost						
Overdraft Facility	-	-	-	-	-	-
Accounts payable	-	-	-	1,057,051	1,057,051	-
Hire purchase	-	169,403	104,067	-	273,470	8.57%
Short term loans	-	77,130	-	-	77,130	6.80%
Total financial liabilities	-	246,533	104,067	1,057,051	1,407,651	

iii) The aging of the Group's trade payables at 30 June 2010:

	2010
	\$
Not past due	1,025,981
Past due 0-30 days	45,273
Past due 31-60 days	23
Past due 60 days	(14,001)
	1,057,276

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

21. COMMITMENTS AND CONTINGENCIES

No contingent assets or liabilities as at 30 June 2011.

Commitments for Expenditure

	2011	2010
	\$	\$
A. Hire Purchase		
The consolidated entity has various computer equipment on hire purchase arrangements. The lease is for a period of 35 months.		
Not later than one year	168,818	189,494
Later than one year but not later than five years	154,927	111,248
Less: unexpired charges	(34,442)	(27,272)
	289,303	273,470
Hire Purchase		
Current (refer note 15)	146,275	169,403
Non Current (refer note 15)	143,028	104,067
Total Hire Purchase	289,303	273,470
B. 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	118,425	82,375
Later than one year but not later than five years		
Less: unexpired charges	(8,226)	(5,245)
	110,199	77,130
Loan Repayments		
Current (refer note 15)	110,199	77,130
Non Current (refer note 15)	-	-
Total Loan Repayments	110,199	77,130

C. Operating Leases

Office premises are leased under non-cancellable operating leases for periods as follows:

LOCATION	STATE	TERMS
Level 13 256 Adelaide Terrace	PERTH	Expires on 31 October 2015.
Level 8, Queens Street	MELBOURNE	Expires 30 November 2012.

Their commitment can be seen below:

	2011	2010
	\$	\$
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	914,706	481,006
Later than one year but not later than five years	2,213,462	3,472,239
	3,128,168	3,953,245
The company has in place bank guarantees in relation to rental premises at 256 Adelaide Terrace, Perth and 31 Queens Street, Melbourne.		
256 Adelaide Terrace, Perth		
31 Queens Street, Melbourne	366,428	106,220
Maximum amount the bank may call	132,000	132,000
	498,428	238,220

22. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations (refer note 12) has been allocated to the cash generating units for impairment testing. The recoverable amount of each of the cash generating units has been determined based on a value in use calculation. Value in use is calculated based on the present value of cash flow projections covering a five-year period.

The discount rate applied to cash flow projections is 11.95% (2010: 11.70%) using a 2.1% growth rate (2010: 1.4%) that is the same as the average growth rate for the IT Infrastructure Services market sector.

Sensitivity analysis calculated on changes in assumptions did not indicate any impairment.

Carrying amount of goodwill

	2011	2010
	\$	\$
Carrying amount of goodwill	3,948,764	3,948,764

There is no impairment loss in the current or prior period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

23. INVESTMENT IN CONTROLLED ENTITY

OTHER FINANCIAL ASSETS	Country of Incorporation	% EQUITY INTEREST		INVESTMENT (\$)	
		2011 %	2010 %	2011 \$	2010 \$
Tusk Technologies Pty Ltd	Australia	100	100	361,950	363,427
				361,950	363,427

The balance of the Tusk Technologies Pty Ltd loan as at 30 June 2011 is \$351,529. 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 2011. The revaluation downwards is recorded in the statement of comprehensive income.

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

24. EVENTS AFTER THE 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:

300,000 options were exercised with an average exercise price of \$0.25 and shares issued on the 5 August 2011

25. AUDITORS' REMUNERATION

	2011	2010
	\$	\$
Amounts received or due and receivable by auditors or the parent entity:		
an audit or review of the financial report of the entity and any other entity in the consolidated entity	46,467	60,622
other services in relation to the entity and any other entity in the consolidated entity:	-	-
- tax compliance	-	-
- special audits required as part of bank covenants	-	-
	46,467	60,622

26. KEY MANAGEMENT PERSONNEL

(a) Directors

The following persons were directors of Empired Limited during the financial year:

M Ashton

R Bevan

R Baskerville

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group during the financial year:

M Waller Chief Financial Officer and Company Secretary

(c) Remuneration of Key Management Personnel

Information regarding key management personnel compensation for the year ended 30 June 2011 is provided in the remuneration section of the directors' report on pages 18 to 23.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) Option holdings of directors and executives

The movement during the reporting period in the number of options over ordinary shares in Empired Limited held, directly, indirectly or beneficially, by each of the key management person, including their related parties, is as follows:

30 JUNE 2011	BALANCE AT BEG OF PERIOD 01-JUL-10	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30-JUN-11	NOT VESTED & NOT EXERCISABLE	VESTED & EXERCISABLE
Directors							
R. Baskerville	4,300,000	-	-	(1,450,000)	2,850,000	2,550,000	300,000
M. Ashton	1,000,000	-	-	-	1,000,000	600,000	400,000
R. Bevan	500,000	-	-	-	500,000	250,000	250,000
Executives							
M. Waller	1,064,038	750,000	(100,000)	(250,000)	1,464,038	750,000	714,038
Total	6,864,038	750,000	(100,000)	(1,700,000)	5,814,038	4,150,000	1,664,038

30 JUNE 2010	BALANCE AT BEG OF PERIOD 01-JUL-09	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30-JUN-10	NOT VESTED & NOT EXERCISABLE	VESTED & EXERCISABLE
Directors							
R. Baskerville	2,850,000	2,550,000	-	(1,100,000)	4,300,000	2,850,000	1,450,000
M. Ashton	1,000,000	600,000	-	(600,000)	1,000,000	750,000	250,000
R. Bevan	250,000	250,000	-	-	500,000	500,000	-
Executives							
M. Waller	1,064,038	-	-	-	1,064,038	671,346	392,692
Total	5,164,038	3,400,000	-	(1,700,000)	6,864,038	4,771,346	2,092,692

(e) Shareholdings of Directors and Executives

Shares held in Empired Limited

30 JUNE 2011	BALANCE 01-JUL-10		GRANTED AS REMUNERATION		ON EXERCISE OF OPTIONS		NET CHANGE OTHER		BALANCE 30-JUNE-11	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors										
R. Baskerville	8,983,933	-	-	-	-	-	29,300	-	9,013,233	-
M. Ashton	175,000	-	-	-	-	-	-	-	175,000	-
R. Bevan	-	-	-	-	-	-	-	-	-	-
Total	9,158,933	-	-	-	-	-	29,300	-	9,188,233	-

30 JUNE 2010	BALANCE 01-JUL-09		GRANTED AS REMUNERATION		ON EXERCISE OF OPTIONS		NET CHANGE OTHER		BALANCE 30-JUNE-10	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Directors										
R. Baskerville	8,475,189	-	-	-	-	-	508,744	-	8,983,933	-
M. Ashton	150,000	-	-	-	-	-	25,000	-	175,000	-
R. Bevan	-	-	-	-	-	-	-	-	-	-
Total	8,625,189	-	-	-	-	-	533,744	-	9,158,933	-

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 2011	BALANCE 01-JUL-10		GRANTED AS REMUNERATION		ON EXERCISE OF OPTIONS		NET CHANGE OTHER		BALANCE 30-JUNE-11	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Specified Executives										
M. Waller	2,012,124	-	-	-	100,000	-	(161,400)	-	1,950,724	-
Total	2,012,124	-	-	-	100,000	-	(161,400)	-	1,950,724	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2011

26. KEY MANAGEMENT PERSONNEL (CONTINUED)

(e) Shareholdings of Directors and Executives (continued)

30 JUNE 2010	BALANCE 01-JUL-09		GRANTED AS REMUNERATION		ON EXERCISE OF OPTIONS		NET CHANGE OTHER		BALANCE 30-JUNE-10	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Specified Executives										
M. Waller	1,755,124	-	-	-	-	-	257,000	-	2,012,124	-
Total	1,755,124	-	-	-	-	-	257,000	-	2,012,124	-

27. DIVIDENDS

	2011	2010
	\$	\$
(a) Distributions Paid		
2010 final franked dividend of nil cents (2010: 0.50 cents)	-	231,112
Interim franked dividend of nil cents (2010: 0.25 cents)	-	115,556
	-	346,668
(b) Franking Credit Balance		
Balance of franking account at year end at 30% available to the shareholders of Empired Limited for subsequent financial years	75,028	126

The franked dividends paid during the year were franked at the tax rate of 30%.

28. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2011 the parent entity of the Group was Empired Limited.

	2011	2010
	\$	\$
Statement of financial position		
Current assets	8,526,897	5,374,947
Total assets	13,004,499	9,218,245
Current liabilities	7,611,058	4,526,364
Total liabilities	8,550,651	5,173,228
Issued capital	2,849,315	2,775,982
Employee equity reserve	356,527	222,901
Retained profits	1,248,006	1,046,134
Total equity	4,453,848	4,045,017
(b) Franking Credit Balance		
Balance of franking account at year end at 30% available to the shareholders of Empired Limited for subsequent financial years	75,028	126

	2011	2010
	\$	\$
Statement of comprehensive income		
Profit for year	201,872	47,341
Other comprehensive income	-	-
Total comprehensive income	201,872	47,341

Parent entity contingent liability disclosure has been referenced at note 21.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board



Russell Baskerville

Managing Director

31st of August 2011



"A disciplined and focused approach is taken to developing a broad multifaceted service offering through the effective implementation and management of innovative and leading business and technology solutions."

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin.wa@au.gt.com
W www.grantthornton.com.au

**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 audit of Empired Limited for the year ended 30 June 2011, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Director - Audit & Assurance

Perth, 31 August 2011

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Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin.wa@au.gt.com
W www.granthornton.com.au

Independent Auditor's Report To the Members of Empired Limited

Report on the financial report

We have audited the accompanying financial report of Empired Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the 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 which require us to 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. 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 complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Empired Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 12 to 16 of the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Empired Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

A handwritten signature in cursive script that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in cursive script that reads "J W Vibert".

J W Vibert
Director - Audit & Assurance

Perth, 31 August 2011



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 30th June 2011.

a. Distribution of Shareholding

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS	%
1 - 1,000	7	0.01
1,001 - 5,000	21	0.15
5,001 - 10,000	48	0.83
10001 - 100,000	150	11.00
100,001 - MAX	63	88.01
Total	289	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.

SHAREHOLDER	NUMBER	%
Baskerville Investments Pty Ltd	7,450,059	15.99
Mr John Bardwell	4,000,000	8.59
Mr Gregory Leach	3,504,225	7.52

SHAREHOLDING ANALYSIS

c. Twenty Largest Shareholders

The names of the twenty largest shareholders are:

NAME	NUMBER OF SHARES HELD	%
Baskerville Investments Pty Ltd (Baskerville Family Account)	7,450,059	15.99
Mr Gregory David Leach	3,504,225	7.52
Mr John Alexander Bardwell	3,000,000	6.44
Mr David John Cawthorn	2,000,000	4.29
Zero Nominees Pty Ltd	2,000,000	4.29
Rbc Dexia Investor Services Australia Nominees Pty Ltd	1,952,645	4.19
Uniplex Constructions Pty Ltd (Wesville Super Fund A/C)	1,902,414	4.08
Seventy Three Pty Ltd (King Super Fund No 3)	1,464,000	3.14
Ms Kym Garreffa	1,306,167	2.80
Cornela Pty Ltd (MacLiver Family Fund A/C)	1,103,764	2.37
Mr Richard Armstrong Caldwell (Loose Goose Family A/C)	1,001,470	2.15
Mr John Alexander Bardwell & Mrs Paola Bardwell (Bardwell Super Fund A/C)	1,000,000	2.15
Mr Mark Waller (ME Waller Family A/C)	898,267	1.93
Mr Kevin Peter Flynn	750,000	1.61
Locope Pty Ltd	650,000	1.40
Mr Mark Edward Waller	638,644	1.37
Mr Glenn Thomas Baskerville	572,759	1.23
Mr Craig Evan Coleman & Mrs Phyllis Coleman (Coleman A/F A/C)	500,000	1.07
Three Zebras Pty Ltd (Judd Family A/C)	500,000	1.07
Westrade Resources Pty Ltd (Sheppard Super Fund)	500,000	1.07
Total	32,694,414	70.18

The twenty members holding the largest number of shares together held a total of 70.18% of issued capital.

d. Issued Capital

i. Ordinary Shares

The fully paid issued capital of the company consisted of 46,588,980 shares held by 289 shareholders.

Each share entitles the holder to one vote.

The number of shareholdings held in less than marketable parcels is 7.

ii. (ii) Unquoted Equity

The options issued under the company share options plans consisted of 11,806,748 options.

Options do not have any voting rights.

e. On-Market Buy-Back

There is no current on-market buy-back.

f. Company Secretary

The Company Secretary is Mr Mark Waller

g. Registered Office

The registered office of Empired Ltd is:

Level 13, Septimus Roe Square
256 Adelaide Terrace
Perth WA 6000

h. Other Offices

The other offices are:

Level 8
31 Queens Street
Melbourne VIC 3000
Telephone + 61 3 8610 0700

OTHER INFORMATION FOR SHAREHOLDERS

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/Investors/

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 Terrace
Perth WA 6000
Telephone +61 8 9323 2000
Facsimile +61 8 9323 2033
Website www-au.computershare.com/investor

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of Empired Limited will be held in the:

The Melbourne Hotel
942 Hay Street, Perth WA 6000
at 11Am on Monday, 21 November 2011

Formal notice of the meeting will be circulated to shareholders separate to 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 Terrace
Perth WA 6000



PERTH

Level 13, Septimus Roe Square
256 Adelaide Terrace
PERTH WA 6000

Tel: +618 9223 1234
Fax No: +618 9223 1230

MELBOURNE

Level 8, 31 Queen Street
MELBOURNE VIC 3000

Tel: +613 8610 0700
Fax No: +613 8610 0701
www.empired.com



Empired
INFORMATION SERVICES & TECHNOLOGY