INFORMATION SERVICES & TECHNOLOGY

Annual Report
2012

Empired Limited and its Controlled Entities
Annual Financial Report for the Year Ended 30th June 2012

ABN 81 090 503 843

CORPORATE DIRECTORY

DIRECTOR

Mel Ashton (Non-Executive Chairman)
Richard Bevan (Non-Executive Director)
John Bardwell (Non-Executive Director)
Russell 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

ACN: 090 503 843

COUNTRY OF INCORPORATION

Australia

COUNTRY DOMICILE AND LEGAL FORM

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

COMPANY SECRETARY

Mark Waller

LEGAL ADVISERS

Jackson MacDonald
140 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

MELBOURNE

Level 8, 31 Queen Street
MELBOURNE VIC 3000
Telephone No: +613 8610 0700
Fax No: +613 8610 0701

WEBSITE ADDRESS:

www.empired.com

HIGHLIGHTS

- *RECORD REVENUE OF $44.7M UP 12% FROM PCP OF $39.7M*
- *RECORD EBITDA OF $2.61M UP 103% FROM PCP OF $1.28M*
- *RECORD NPAT OF $1.3M UP 531% FROM PCP OF $0.2M*
- *RECORD EARNINGS PER SHARE OF 2.2C DILUTED UP 530% FROM PCP OF 0.35C*
- *CONTINUED EXPANSION IN EBITDA, EBIT AND NPAT MARGINS*
- *SUCCESSFUL INTRODUCTION OF EMPIRED'S CLOUD SERVICES OFFERING "FLEXSCALE"*
- *MATURE DOMAIN EXPERTISE IN THE ENERGY AND NATURAL RESOURCES SECTOR*
- *RECORD RUN RATE REVENUE INTO FY13*
- *WELL POSITIONED TO DRIVE REVENUE, EARNINGS AND EARNINGS PER SHARE GROWTH IN FY13*

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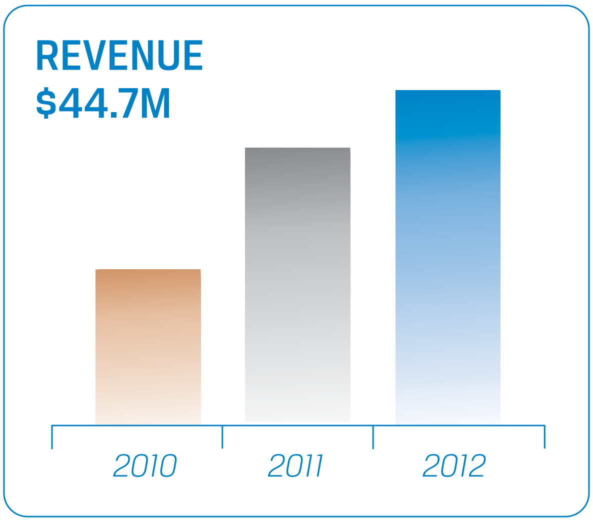
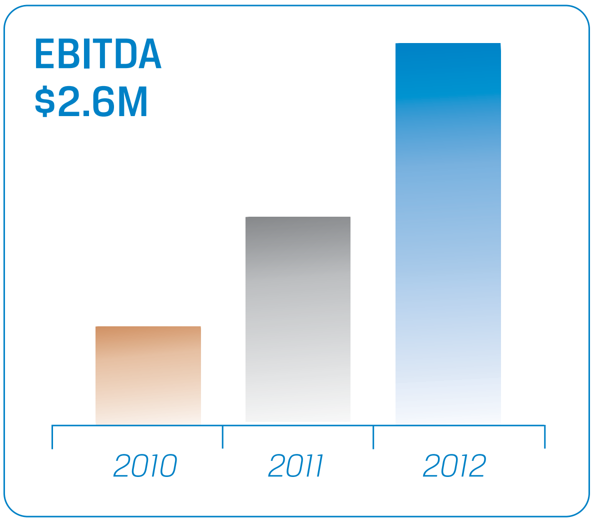
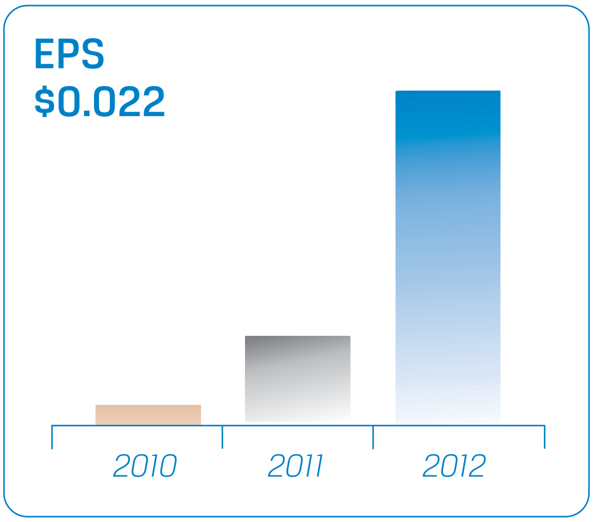
- APPLICATION DESIGN & IMPLEMENTATION
- BUSINESS INTELLIGENCE
- STORAGE & DATA MANAGEMENT
- TECHNOLOGY PROVISIONING

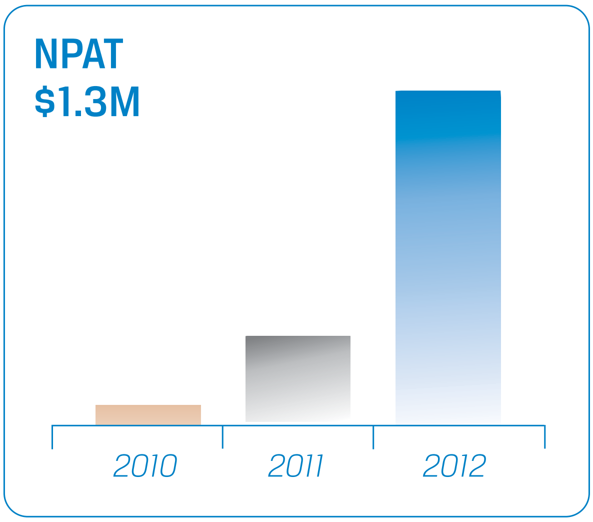
Empired
INFORMATION SERVICES & TECHNOLOGY

RESULTS


REVENUE
$44.7M
2010
2011
2012


EBITDA
$2.6M
2010
2011
2012


EPS
$0.022
2010
2011
2012


NPAT
$1.3M
2010
2011
2012

CHAIRMAN & CEO REVIEW

Dear Shareholder

On behalf of your Board of Directors, we are delighted to report that Empired has continued to build upon the strong FY11 performance with the FY12 delivering record results in all our key financial measures. Further, through clear focus and prudent strategic investments, we have continued to position our company to take advantage of the many opportunities that lie ahead and we are confident of Empired's continued growth and success in FY13.

The financial results for the year ended 30 June 2012 were pleasing with a clear focus on improving our profitability. With Revenue growth of 12% to $44.7M Empired achieved EBITDA growth of 103% to $2.61M. This translated into a substantial 531% increase to Net Profit After Tax of $1.3M and the important measure of earnings per share growing by 530% to 2.2 cents per share (fully diluted).

During the year we also took the opportunity to strengthen our balance sheet through a capital raising in April 2012. This has increased our Net Assets to over $11M and ensured that Empired is well funded to take advantage of both organic and acquisitive growth opportunities with confidence and in a timely manner.

In delivering the FY12 result, Empired continues to build on its reputation of delivering Revenue, Earnings and EPS growth. Importantly our earnings margins are expanding as we continue to build scale and we expect FY13 to be no different.

The IT industry is going through considerable change in how IT services and products are consumed. Much of this relates to the advent of cloud computing and cloud services. Your Board is confident that Empired will not only adapt but has embraced these changes to capitalise on the many opportunities it presents.

Sharp, Disciplined, Focused

The company's target market continues to provide signs of improvement, however is surrounded by uncertainty, therefore prudent and cautious decisions are required. These must ensure the careful balance of risk and opportunity to deliver our shareholders exciting growth prospects without compromising our core values.

A complex economic environment together with an IT Industry that is undergoing a number of fundamental shifts presents both risk and opportunity. We are confident that our management team have considered the many scenarios and presented them with clarity, allowing sharp, informed and clear thought in making key business decisions that will guide Empired toward achieving its goals.

Surrounded by constant change a consistent and disciplined approach to execution is paramount. Whilst distractions are many, we seek to ensure that these do not cloud or impede a purposeful, thorough execution of agreed objectives. This disciplined approach combined with an awareness of external factors and market trends allows us to ensure efficient, effective delivery of our objectives whilst prudently addressing changing market dynamics that may influence our organisation.

We remain steadfast and confident in continuing to strive toward our core strategic objective of value creation for our stakeholders through the sustained development and growth of a leading Australian IT services company.

Over the previous year we have made progress against our strategic goals and delivered a pleasing financial result. We are confident that we have not exposed our business to un-necessary risk and are well placed to take advantage of the opportunities currently before us. These achievements have been possible through the sharp, disciplined and unwavering focus from the Empired team.

CHAIRMAN & CEO REVIEW

The Next Big Step

To build a high quality, well managed and substantial company you must secure and retain the best talent, this starts at the top. Strong leadership, strong management, exceptional execution and a strong culture allows us to attract and retain the best.

During the year Empired secured a number of leadership and management staff. Starting at the top Rob McCready has joined Empired as our Chief Operating Officer. Following his appointment Empired has attracted the high calibre talent including a range of senior management, business development and technical leadership staff.
Our leadership, management and technical teams have been pivotal in our strategic and business planning, re-positioning Empired's service offerings in a dynamic and changing market, securing major new name clients and setting new standards in our management, execution and quality. In the end we have no doubt that these initiatives will improve the breadth, depth and quality of services we provide our clients, continue to build upon our strong financial performance and ultimately lead to consistent and sustainable value creation for our shareholders.

In guiding Empired through its next phase of growth we recognise that it needs the best systems and processes to deliver exceptional performance at all levels. We have continued to invest in our lead to cash process and the ERP system that enables this. We have undertaken significant process and system enhancements in our Managed Services business, ensuring the highest quality of service combined with flexible, reliable delivery to our clients. We have also recently commenced an ISO9000 and ISO20000 quality assurance program and we will strive toward certification.

During the ongoing process of implementing these organisational improvements we continued to deliver a range of innovative and outstanding services to many major blue chip clients and secured a number of multi-million dollar contracts. In testament to the quality of business that is being created at Empired we are very proud to have secured an extension to our Main Roads WA contract worth $7 Million per annum in Managed Services. This firmly demonstrates Empired's ability to deliver large Managed Services contracts with the highest level of service to its clients and effectively compete against large multinational competition.

Investing In The Future

THE ERA OF CLOUD COMPUTING IS UPON US, IT IS ACCEPTED IN ALMOST ALL MAJOR AUSTRALIAN ORGANISATIONS IN DIFFERING FORMS AND IN AUSTRALIA IDC FORECAST CLOUD COMPUTING TO GROW FROM A $470 MILLION MARKET IN Fy10 TO A $2 BILLION MARKET IN FY15 A CAGR OF 34%.

Empired has invested in this trend early, now boasting a fully functional, secure, redundant and robust cloud service. We call it FlexScale.

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.

Following a number of small clients commencing use of this service early in the year, we are very proud to now boast that a global mining company is using our cloud service to host and manage their core financial systems in the Asia Pacific Region. This is our first multi-year, multi-million dollar cloud services contract on FlexScale.

Many new managed services engagements, now require some form of cloud computing service. Empired is well placed to take advantage of this opportunity and we are excited by the growth prospects it provides.

We have also recognised that in order to accelerate our growth in contracted recurring income we need to broaden the portfolio of Managed Services we provide to include Application services. Following the close of the financial year Empired announced the acquisition of Conducive Pty Ltd, a specialist consulting and application services firm employing 55 staff and forecasting revenue of $9.5 million in FY13.


Rob McCready
Chief Operating Officer

CHAIRMAN & CEO REVIEW

The Conducive business, plus Empired's existing applications business will employ approximately 75 staff and provide application services to a range of large marquee clients. This depth of capability and capacity, backed by Empired's mature Managed Services processes will allow Empired to now target a range of application Managed Services contracts that it could not previously contest for or deliver.

In addition to broadening our service offering this acquisition has also significantly enhanced our domain expertise in the Energy and Natural Resources sector. In this industry Conducive provide a range of specialist services including geological data management and modelling, a broad range of mining systems integration and consulting and development of mine scheduling and planning systems.
These investments ensure that Empired expands its breadth of capability, enhancing our attractiveness to major clients and continues to offer a growth engine that allows us to not only adapt, but to thrive in a changing market place.

Entering an Exciting Year

Our foundations are taking shape we have a broad high quality portfolio of services, an enviable stable of contracted marquee clients and the business systems and processes that will underpin a controlled, scalable and profitable business as Empired enters its next phase of growth.

This growth will be accelerated by a number of pivotal investments Empired has made in Cloud Computing, Application Managed Services and domain expertise in the Energy and Natural Resources sector.

These facets combined with a strong and committed leadership and management team provides comfort that your company is well positioned to deliver improved strategic, operational and financial performance in FY13.

This all adds up to an exciting year ahead!

We would like to take this opportunity to sincerely thank our staff who we constantly rely on to do whatever it takes to ensure our services are of the highest standard, our partners for their ongoing support, importantly our clients for trusting their business in us and our loyal shareholders who believe in Empired.

Russell Baskerville
Managing Director & CEO

Mark Waller
Chief Financial Officer &
Company Secretary

Brian Bloomer
General Manager, Victoria

Greg Leach
Chief Technology Officer

Rob McCready
Chief Operating Officer

Brett Gresele
General Manager, Infrastructure Services

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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 2012.

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	54	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. Mel's other directorships include: 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
Russell Baskerville Managing Director & CEO	34	Mr Baskerville is an experienced business professional and has worked in the IT industry for in excess of 15 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. Mr Baskerville has been the Managing Director of Empired for seven years and has successfully listed the company on ASX and made a number of successful acquisitions. Mr Baskerville was previously a Non Executive Director of BigRedSky Limited successfully developing and commercialising a SaaS delivered eRecruitment tool prior to the company being acquired by Thomson Reuters.

DIRECTORS

Name	Age	Experience and special responsibilities
Richard Bevan Non Executive Director	46	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. 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. Richard is currently Managing Director of Cassini Resources Ltd (ASX:CZI) and Chairman of Cool Clear Water Group Ltd. He is also Chairman of Intework Incorporated, a leading community-based provider of services for Western Australians with disabilities. Richard is a Member of the Australian Institute of Company Directors.
John Bardwell Non Executive Director (Appointed 26th September 2011)	52	Mr Bardwell has had a long career in the financial services and IT sectors through a variety of senior leadership positions. Previous executive experience includes Head of IT Services at Bankwest, Managed Services Director at Unisys West and more recently as the General Manager of Delivery Services at Empired Ltd prior to his appointment to the Board as a non-executive Director. Through his own consulting practice, Mr Bardwell also provides management consulting expertise to a broad range of organisations in the financial services, IT and utilities sectors. Mr Bardwell is also a Director of CommunityWest, a provider of professional services to the aged healthcare sector across Western Australia. Mr Bardwell holds a Bachelor of Business and a Graduate Diploma in Applied Finance and Investment. He is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia.

DIRECTORS' REPORT

COMPANY SECRETARY

Name	Age	Experience and special responsibilities
Mark Waller CFO & Company Secretary	33	Mr Waller 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. Mr Waller holds a degree in business from Curtin University majoring in Accounting and Business Law and is a Certified Practicing Accountant. Mr Waller has worked in the Professional Services sector for fifteen 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. Mr Waller was previously a Non Executive Director of BigRedSky Limited successfully developing and commercialising a SaaS delivered eRecruitment tool prior to the company being acquired by Thomson Reuters.

Principal Activities

The principal activity of the consolidated entity during the year is the continued operation of its IT 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

On the 21st of August 2012, the Company entered into a Share Purchase Agreement ("Agreement") to acquire 100% of the shares in Conducive Pty Ltd ("Conducive"). The Agreement was subject to a small number of conditions precedent. At the date of this financial report, these conditions have been substantially satisfied. Formal completion of the transaction is expected to be around the 4th of September 2012. For more information in relation to this transaction please see Note 24.

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 2012.

Operating Results for the Year

The net profit after tax from continuing operations for the year for the consolidated entity is 2012: $ 1,273,344 (2011: $ 201,872).

Likely Developments

Except as detailed in the Chairman and Managing Director's Review on pages 6 to 9, 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 7,053,696 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

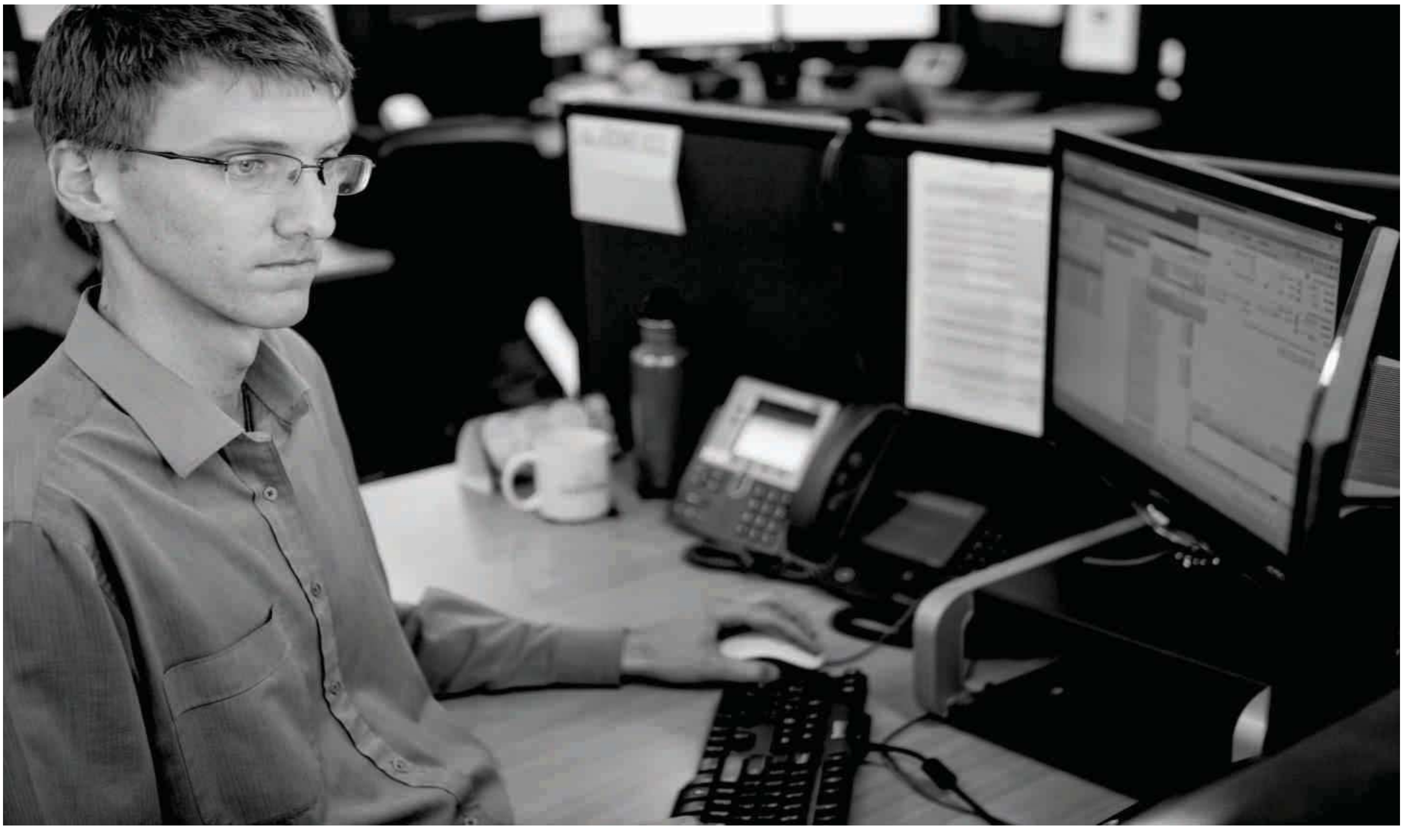
Issued and fully paid:

5,000,000 ordinary shares of $0.30 each on 4th April, 2012 $ 1.5M

7,000,000 ordinary shares of $0.30 each on 8th May 2012 $ 2.1M

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 95.



Non-Audit Services

The directors received the Lead Auditor's Independence declaration which is set out on page 95. There were no non-audit services provided by the entity's auditor, Grant Thornton Audit Pty Ltd (2011: 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.

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.

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 2012 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;
- 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 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.

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 2012 financial year 72% of the STI cash bonus has been paid to executives (2011: 100%).

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.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C. Service Agreements

Russell Baskerville – Managing Director

Terms of Agreement – commenced 1 July 2005, until terminated by either party.
Salary – base $360,000 per annum with an additional STI cash bonus capped at $140,000 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.

Richard Bevan – Non Executive Director

Terms of Agreement – appointed 31 January 2008, until terminated by either party.
Fee – fixed $50,000 per annum.

Table 1: Directors' and executives' remuneration for the year ended 30 June 2012 & 30 June 2011

		SHORT TERM BENEFITS		POST EMPLOYMENT	LONGTERM BENEFITS (LTI)	TOTAL	% PERFORMANCE RELATED
		SALARY & FEES	CASH STI	SUPERANNUATION	EQUITY OPTIONS		
NON-EXECUTIVE DIRECTORS							
M. Ashton Chairman	2012	75,000	–	–	–	75,000	–
	2011	75,000	–	–	–	75,000	–
R. Bevan Non-Executive Director	2012	45,872	–	4,128	–	50,000	–
	2011	45,872	–	4,128	–	50,000	–
^J. Bardwell Non-Executive Director	2012	131,393	–	–	–	131,393	–
	2011	201,155	50,000	–	22,500	273,655	18.27
EXECUTIVE DIRECTORS							
R. Baskerville Chief Executive	2012	360,000	*60,000	–	–	420,000	14.29%
	2011	240,000	120,000	–	–	360,000	33.33%
KEY MANAGEMENT							
M. Waller Company Secretary and Chief Financial Officer	2012	219,625	*69,800	19,766	–	309,191	22.57%
	2011	233,151	50,000	20,984	33,750	337,885	14,79%
R. McCready Chief Operating Officer	2012	182,433	*90,000	16,419	48,000	336,852	26.72%
	2011	–	–	–	–	–	–

* Payable at 30th June 2012, paid in 2013 financial year.

^ John Bardwell was appointed to the board on the 26th Setpember 2011. Prior to his appointment hew was a senior manager at Empired.

John Bardwell – Non Executive Director

Terms of Agreement – appointed 26 September 2011, 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 $255,000 per annum with an additional STI cash bonus capped at $120,000.
Termination – one month's written notice or one month's remuneration in lieu.

Rob McCready –Chief Operating Officer

Terms of Agreement – commenced 3 October 2011, until terminated by either party.
Salary – base $274,000 per annum with an additional STI cash bonus capped at $120,000.
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 THE YEAR	% REMUNERATION CONSISTING OF OPTIONS FOR THE YEAR
2012						
NON-EXECUTIVE DIRECTORS						
M. Ashton	–	–	–	–	–	–
R. Bevan	–	–	–	–	–	–
J. Bardwell	–	–	–	–	–	–
EXECUTIVE DIRECTORS						
R. Baskerville	–	–	–	–	–	–
KEY MANAGEMENT						
M. Waller	–	–	–	–	–	–
R. McCready	21/02/2012	750,000	$0.064	48,000	48,000	14.25%
2011						
NON-EXECUTIVE DIRECTORS						
M. Ashton	–	–	–	–	–	–
R. Bevan	–	–	–	–	–	–
J. Bardwell	13/01/2011	500,000	$0.045	22,500	22,500	17.82%
EXECUTIVE DIRECTORS						
R. Baskerville	–	–	–	–	–	–
KEY MANAGEMENT						
M. Waller	13/01/2012	750,000	$0.045	33,750	33,750	9.99%

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	NUMBER OF MEETINGS HELD WHILE A DIRECTOR	NUMBER OF MEETINGS ATTENDED AS A DIRECTOR DURING THE YEAR ENDED 30 JUNE 2012
Russell Baskerville	6	5
Mel Ashton	6	5
Richard Bevan	6	6
John Bardwell	6	6

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	2,550,000
Mel Ashton	341,666	600,000
Richard Bevan	-	250,000
John Bardwell	4,099,904	500,000
KEY MANAGEMENT		
Mark Waller	1,702,070	1,150,000
Rob McCready	200,000	750,000

D. Voting and comments made at the company's 2011 Annual General Meeting

Empired Limited received 100% of “yes” votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM on its remuneration report

Signed in accordance with a resolution of directors.

Russell Baskerville
Managing Director
29th August 2012

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 -16.

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 Proactive 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 2012 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 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

CORPORATE GOVERNANCE STATEMENT

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.

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 2012.

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 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.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2012

	NOTES	2012 $	2011 $
Revenue	3	44,661,238	39,712,614
Cost of Sales		(33,215,998)	(29,770,691)
Gross profit		11,445,240	9,941,923
Other Income	3	46,620	6,852
Legal expenses		(28,375)	(7,528)
Marketing expenses		(57,706)	(143,271)
Occupancy expenses		(1,160,772)	(945,212)
Finance costs		(257,229)	(217,232)
Employee benefits		(5,785,185)	(5,929,724)
Depreciation expenses		(633,292)	(496,320)
Other expenses	4	(1,851,577)	(1,800,697)
Profit before income tax		1,717,724	408,791
Income tax expense relating to ordinary activities	5	(444,380)	(206,919)
Profit for the period		1,273,344	201,872
Other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		1,273,344	201,872

Earnings per share (cents per share)	NOTES	2012	2011
Basic earnings per share	6	2.5876	0.4358
Diluted earnings per share	6	2.2019	0.3494

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	NOTES	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	7(i)	1,393,716	1,385,530
Trade and other receivables	8	9,765,075	5,959,023
Work in progress	9	1,419,211	919,262
Other current assets	10	270,675	263,082
Total Current Assets		12,848,677	8,526,897
Non-Current Assets			
Property, plant and equipment	11	4,088,348	1,576,729
Intangible assets	12	4,170,958	3,978,449
Deferred tax asset	5	470,968	437,852
Total Non-Current assets		8,730,274	5,993,030
TOTAL ASSETS		21,578,951	14,519,927
LIABILITIES			
Current Liabilities			
Trade and other payables	14	7,094,317	6,000,308
Financial liabilities	15	511,416	256,474
Provisions	16	1,054,363	845,963
Unearned revenue	17	502,533	508,314
Total Current Liabilities		9,162,629	7,611,059
Non-Current Liabilities			
Financial liabilities	15	554,095	143,028
Provisions	16	95,346	108,680
Deferred tax liability	5	514,928	336,355
Total Non-Current Liabilities		1,164,369	588,063
TOTAL LIABILITIES		10,326,998	8,199,122
NET ASSETS		11,251,953	6,320,805
EQUITY			
Issued capital	18	6,456,310	2,849,315
Employee equity benefits reserve		407,336	356,527
Retained profits		4,388,307	3,114,963
TOTAL EQUITY		11,251,953	6,320,805

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 2012

	NOTES	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		40,845,904	38,235,115
Payments to suppliers and employees		(41,677,654)	(35,629,867)
Borrowing costs		(206,821)	(217,232)
Income tax paid		(57,275)	(61,915)
Interest received		44,470	6,852
Net cash flows from operating activities	7(iii)	(1,051,376)	2,332,953
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,033,101)	(1,216,091)
Purchase of other assets		(253,298)	(29,686)
Net cash flows (used in) investing activities		(3,286,399)	(1,245,777)
Cash flows from financing activities			
Dividends paid			-
Proceeds from issue of shares		3,606,994	73,333
Repayment of borrowings		(164,866)	(156,742)
Repayment of finance lease liabilities		(287,949)	(231,745)
Proceeds from borrowings		1,191,782	362,932
Net cash flows from financing activities		4,345,961	47,778
Net increase in cash and cash equivalents		8,186	1,134,954
Cash and cash equivalents at beginning of period		1,385,530	250,576
Cash and cash equivalents at end of period	7(i)	1,393,716	1,385,530

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 2012

	Issued Capital $	Retained Earnings $	Employee Equity Benefit Reserves $	Total Equity
Balance at 1 July 2010	2,775,982	2,913,091	222,901	5,911,974
Total comprehensive income for the period	-	201,872	-	201,872
Cost of share-based payments	-	-	133,626	133,626
Exercise of options	73,333	-	-	73,333
Balance at 30 June 2011	2,849,315	3,114,963	356,527	6,320,805
Total comprehensive income for the period	-	1,273,344	-	1,273,344
Exercise of options	152,887	-	-	152,887
Cost of share-based payments	-	-	50,809	50,809
Shares Issued during the year	3,600,000	-	-	3,600,000
Transaction cost	(145,892)	-	-	(145,892)
Balance at 30 June 2012	6,456,310	4,388,307	407,336	11,251,953

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

1 CORPORATE INFORMATION

The financial report of Empired Ltd for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 27 August 2012.

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 2012. These are outlined in the table below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 9 Financial Instruments (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement (in part)	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair	31 December 2015 Note that the IASB deferred the mandatory effective date from annual periods beginning on or after 1 January 2013 to annual periods beginning on or after 1 January 2015. This was announced by the IASB in December 2011, but has not yet been released by the AASB.	AASB 9 amends the classification and measurement of financial assets. The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only. Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.	AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	Depending on assets held, there may be movement of assets between fair value and amortised cost categories, and ceasing of impairment testing on available-for-sale financial assets. If the entity holds any financial liabilities at fair value, the portion of the fair value gain or loss attributable to 'own credit risk' will be incorporated in OCI, rather than profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
		value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and • The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and AASB 2010-10. See TA Alerts 2009-22 and 2010-49 for further information.				

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 10 Consolidated Financial Statements	AASB 127 AASB Int 112	AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 *Consolidated and Separate Financial Statements* and AASB Interpretation 112 *Consolidation – Special Purpose Entities.* The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control. This is likely to lead to more entities being consolidated into the group. Refer to TA Alert 2011-05 for further details.	31 December 2013	It introduces a revised definition of control which will apply to all investees to determine the scope of consolidation. Traditional control assessments based on majority ownership of voting rights will rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential voting rights and substantive rights.	AASB 11 AASB 12 AASB 127 (August 2011) AASB 128 (August 2011) AASB 131 AASB 2011-7	Entities most likely to be impacted are those that: - have significant, but not a majority equity interests in other entities; - hold potential voting rights over investments, such as options or convertible debt.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 12 Disclosure of Interests in Other Entities	AASB 127 AASB 128 AASB 131	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures introduced by AASB 12 include disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. Refer to TA Alert 2011-05 for further details.	31 December 2013	AASB 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.	AASB 10 AASB 11 AASB 127 (August 2011) AASB 128 (August 2011) AASB 2011-7	There are some additional disclosures centred on significant judgements and assumptions made around determining control, joint control and significant influence.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 13 Fair Value Measurement	None	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Refer to TA Alert 2011-06 for further details.	31 December 2013	AASB 13 has been issued to: ▪ establish a single source of guidance for all fair value measurements; ▪ clarify the definition of fair value and related guidance; and ▪ enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).	AASB 2011-8	For financial assets, AASB 13's guidance is broadly consistent with existing practice. It will however also apply to the measurement of fair value for non-financial assets and will make a significant change to existing guidance in the applicable standards.
AASB 127 Separate Financial Statements	AASB 127 (Consolidated and Separate Financial Statements)	As a result of the issuance of AASB 10, AASB 127 has been restructured and reissued to only deal with separate financial statements. Refer to TA Alert 2011-05 for further details.	31 December 2013	AASB 127 (August 2011) will now solely address separate financial statements, the requirements for which are substantially unchanged from the previous version of the Standard.	AASB 10 AASB 11 AASB 12 AASB 128 (August 2011) AASB 2011-7	Unlikely to have an impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 1053 Application of Tiers of Australian Accounting Standards	None	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: a) Tier 1: Australian Accounting Standards; and b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: a) for-profit entities in the private sector that have public accountability; and b) the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: a) for-profit private sector entities that do not have public accountability; b) all not-for-profit private sector entities; and c) public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2. Refer to TA Alert 2010-24 for further information	30 June 2014	This depends on the classification of the entity. For Tier 1 entities and entities that prepare special purpose financial statements, there will be no impact on the financial statements as the reduced disclosures will not apply. Tier 2 entities that prepare general purpose financial statements will be able to apply the reduced disclosures.	AASB 2010-02	Refer to AASB 2010-02

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	None	This Standard gives effect to AASB 1053 and specifies the disclosures in various accounting standards and interpretations that are not required for Tier 2 entities that apply the Reduced Disclosure Requirements. Refer to TA Alert 2010-24 for further information	30 June 2014	AASB 2010-2 sets out the relevant disclosures that will not be required to be made if a Tier 2 entity applies the Reduced Disclosure Requirements.	AASB 1053	Reduced note disclosures in the following main areas (as a consequqence of AASB 2010-2): AASB 7 Financial Instruments; Disclosures AASB 2 Share-based Payment AASB 1054 Australian Additional Disclosures AASB 107 Statement of Cash Flows AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (mainly accounting standards issued but not yet effective) AASB 136 Impairment of Assets AASB 3 Business Combinations AASB 128 Investments in Associates

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	AASB Int 121	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate AASB Interpretation 121 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112. Refer to TA Alert 2010-60 for further details.	31 December 2012	The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140 *Investment Property*. Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.	None	Unlikely to have significant impact in Australia, although could have some effect for properties acquired between 20 September 1985 and 19 September 1999. May impact entities with overseas subsidiaries when the capital gains tax rate is lower than the company tax rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]; and AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to [AASB 1049];	None	These Standards make amendments to AASB 1049 so as to clarify the definition of the ABS GFS Manual, facilitate the orderly adoption of changes to the ABS GFS Manual and related disclosures.	30 June 2013	These Standards make amendments to AASB 1049 in relation to the Whole of Government and General Government Financial Reporting so as to clarify the definition of the ABS GFS Manual, and to facilitate the orderly adoption of changes to the ABS GFS Manual and related disclosures.	None	Unlikely to have significant impact, unless the entity is a Government entity.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	None	The Standard deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. See TA Alert 2011-13 for further information.	30 June 2014	The Standard makes amendments to remove the individual key management personnel disclosure requirements, as these are considered to be more in the nature of corporate governance and are generally covered in the Corporations Act and disclosed within the Directors and/or Remuneration Report.	AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124	Unlikely to have an impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	None	This Standard makes consequential amendments to various Australian Accounting Standards arising from the issuance of AASB 10, AASB 11, AASB 12, AASB 127 (August 2011) and AASB 128 (August 2011).	31 December 2013	This Standard gives effect to many consequential changes arising from the issuance of the new Standards. For example, references to AASB 127 *Consolidated and Separate Financial Statements* are amended to AASB 10 *Consolidated Financial Statements* or AASB 127 *Separate Financial Statements*, and references to AASB 131 *Interests in Joint Ventures* are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).	AASB 10 AASB 11 AASB 12 AASB 127 (August 2011) AASB 128 (August 2011)	Refer to the likely impact of AASB 10, AASB 11, AASB 12, AASB 127 (August 2011) and AASB 128 (August 2011).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	None	Amendments to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments, e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses). Name changes of statements in AASB 101 as follows: • One statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' • Two statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. Refer TA Alert 2011-07 for further details.	30 June 2013	The main change will be the separation and classification of components within other comprehensive income between reclassification adjustments to profit or loss and those that will not be reclassified.	AASB 101	Impact on separating components in other comprehensive income between reclassification and non-reclassification adjustments. Name changes to statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 119 Employee Benefits	AASB 119	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. Consequential amendments were also made to other standards via AASB 2011-10. Refer to TA Alert 2011-08 for further details.	31 December 2013	The main change for accounting for defined benefit plans is: (1) the removal of the option to defer the full recognition of gains and losses under the corridor approach: and (2) the revised method of calculating the return on plan assets.	AASB 2011-10	Only impacts entities that have any defined benefit plans, and the removal of the deferral of gains and losses under the corridor approach.
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	None	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.	31 December 2013	AASB 2012-2 principally amends AASB 7 to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	None	Unlikely to have significant impact on entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

New/revised pronouncement	Superseeded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not adopted early)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	None	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	31 December 2014	AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	AASB 2012-2	Unlikely to have a significant impact as it addresses inconsistencies in practise.
Mandatory Effective Date of IFRS 9 and Transition Disclosures[1]	None	This Standard amends IFRS 9 to require application for annual periods beginning on or after 1 January 2015, rather than 1 January 2013. Early application of IFRS 9 is still permitted. IFRS 9 is also amended so that it does not require the restatement of comparative-period financial statements for the initial application of the classification and measurement requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9. Refer to TA Alert 2011-22 for further details.	31 December 2015	The amendments provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Additional transition disclosures will now be required to help understand the initial application of the Standard.	IFRS 10 IFRS 11 IFRS 13	None as the mandatory effective date has been deferred.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 – 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 used of the asset.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred except where incurred in relation to qualifying assets where borrowing costs are capitalised

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible Assets (continued)

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 segments in accordance with the aggregation criteria of AASB 8. During the year the Group had reliance on one customer whose revenues represent 15.7% of the revenue of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions

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

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

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').

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share-based payment transactions (continued)

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.

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 bought to account over the time it is earned. Unexpired revenue is recorded as unearned income.

Interest received

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

	2012 $	2011 $
Sales Revenue		
Sales	44,661,238	39,712,614
Other Revenue		
Interest	44,470	6,852
Foreign Exchange gain	2,150	-
	46,620	6,852
	44,707,858	39,719,466

4 EXPENSES

Profit before income tax includes the following specific expenses:

	2012 $	2011 $
Operating Lease Rentals		
Minimum lease payments	11,496	10,332
	11,496	10,332
Superannuation expenses	385,803	304,426
Share based payments	50,810	133,625
Other Expenses		
Insurance	156,594	127,672
Travel	352,669	231,792
Administration	842,567	780,284
Other	488,251	650,617
	1,840,081	1,790,365

5 INCOME TAX

(a) Income tax expense		
The major components of income tax expense are:		
Current income tax payable	245,410	62,128
Deferred income tax relating to origination and reversal of temporary differences	208,200	142,493
Adjustments	(9,230)	2,298
Income tax expense reported in statement of comprehensive income	444,380	206,919
(b) Amounts charged (credited) directly to equity		
Capital Raising transaction costs	(62,526)	-

5 INCOME TAX (continued)

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

	2012 *$*	*2011* *$*
Prima facie tax on operating profit calculated at 30% (2011: 30%)	515,318	122,637
	515,318	122,637
Add tax effect of:		
Non-deductible Expenses	375,031	39,585
Other non-deductible expenses	63,302	41,572
R&D 40% non-refundable offset	(500,041)	(14,845)
Over/Under provision of tax prior years	(9,230)	17,970
Aggregate income tax expense	444,380	206,919

(d) Recognised deferred tax assets and liabilities

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

	2012 *$*	*2011* *$*
(i) Deferred tax liabilities		
Prepaid expenses	(10,897)	(10,762)
Fixed assets	(78,268)	(49,599)
Work in progress	(425,763)	(275,994)
Gross deferred tax liabilities	(514,928)	(336,355)
(ii) Deferred tax assets		
Provisions	410,590	406,453
Equity raising costs	50,021	29,544
Borrowing costs	10,356	1,855
Gross deferred tax assets	470,967	437,852

5 INCOME TAX (continued)

(e) 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.

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

	2012 *$*	*2011* *$*
Net profit attributable to ordinary equity holders of the parent	1,273,344	201,872
	2012 *Thousands*	*2011* *Thousands*
Weighted average number of ordinary shares for basic earnings per share	49,210	46,322
Effect of dilution:		
Share options	8,620	11,456
Weighted average number of ordinary shares adjusted for the effect of dilution	57,830	57,778

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:

	2012 *$*	*2011* *$*
Cash at bank and in hand	860,113	887,102
Term deposit	533,603	498,428
	1,393,716	1,385,530

(ii) Financing facilities available

At reporting date the following facilities were available:

Bank overdraft facility	3,388,000	3,000,000

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 $4,000,000.

7 CASH AND CASH EQUIVALENTS (continued)

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

	2012 *$*	*2011* *$*
Operating profit after income tax	1,273,344	201,812
Depreciation	633,292	496,320
Option Plan Expense	50,810	133,625
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase)/Decrease in receivables	(3,809,552)	(1,642,628)
Decrease in other assets		-
(Increase)/decrease in prepayments	(7,583)	(81,104)
Increase/(decrease) in creditors	1,483,195	923,688
Increase/(decrease) in other creditors	(757,482)	1,036,879
Increase/(decrease) in accrued liabilities	308,833	813,085
Increase/(decrease) in unearned income	(5,782)	182,318
Decrease in income tax payable	(236,396)	-
Increase in provision for employee entitlements	15,945	268,958
Net cash (used in) / from operating activities	(1,051,376)	2,332,953

(iv) Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance lease	1,012,967	217,645

8 TRADE AND OTHER RECEIVABLES (CURRENT)

	2012 $	*2011* $
Trade receivables	9,765,075	5,955,523
Provision for impairment	-	-
	9,765,075	5,955,523
Term deposit	-	3,500
	9,765,075	5,959,023

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.

9 WORK IN PROGRESS

Work in progress at cost	1,419,211	919,262
	1,419,211	919,262

10 OTHER ASSETS

Current		
Prepayments	270,675	263,082
Total current other assets	270,675	263,082

11 PROPERTY, PLANT AND EQUIPMENT

	2012 *$*	*2011* *$*
Plant and Equipment		
Plant and equipment		
At cost	5,115,762	1,758,066
Accumulated depreciation	(1,477,151)	(674,183)
	3,638,611	1,083,883
Leased plant and equipment		
At cost	650,918	533,102
Accumulated depreciation	(375,784)	(258,509)
	275,134	274,593
Leasehold improvements		
At cost	247,315	247,315
Accumulated depreciation	(72,712)	(29,062)
	174,603	218,253
Total Plant & Equipment	4,088,348	1,576,729
Total Property, Plant & Equipment	4,088,348	1,576,729

Leased assets are held as security for hire purchase contracts.

Property, Plant and Equipment		
Movements during the year:		
Opening balance 1 July	1,576,729	974,704
Additions	3,144,911	1,224,686
Disposals	-	(126,341)
Depreciation expense	(633,292)	(496,320)
Closing balance 30 June	4,088,348	1,576,729

12 INTANGIBLE ASSETS

	2012 $	2011 $
Goodwill		
Cost	3,948,764	3,948,764
Accumulated impaired losses	-	-
Net carrying value	3,948,764	3,948,764
Software		
Cost	286,484	29,685
Accumulated impaired losses	-	-
Amortisation charge	(64,290)	-
Net carrying value	222,194	29,685
Total intangibles	4,170,958	3,978,449

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

	Goodwill	Software	Total
Year end 30 June 2011			
Balance at the beginning of the year	3,948,764	-	3,948,764
Additions	-	29,685	29,685
Disposals	-	-	-
Impairment losses	-	-	-
Closing value at 30 June 2011	3,948,764	29,685	3,978,449

	Goodwill	Software	Total
Year end 30 June 2012			
Balance at the beginning of the year	3,948,764	29,685	3,978,449
Additions	-	256,799	256,799
Disposals	-	-	-
Amortisation charge	-	(64,290)	(64,290)
Impairment losses	-	-	-
Closing value at 30 June 2012	3,948,764	222,194	4,170,958

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 over their expected lives. 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.

13 EMPLOYEE BENEFITS (continued)

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

	2012 No.	*2012 WAEP*	*2011 No.*	*2011 WAEP*
Outstanding at the beginning of the year	1,306,748	$0.272	1,583,963	$0.287
Granted during the year	-		-	-
Forfeited during the year	-		(277,215)	-
Exercised during the year	(39,070)	$0.30	-	-
Expired during the year	(893,007)	$0.31	-	-
	374,671	$0.22	1,306,748	$0.272
Exercisable at the end of the year	374,671	$0.22	432,077	0.32

The weighted average contractual life for the share options outstanding as at 30 June 2012 is 0.34 years (2011: 0.75 years).

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

Expiry Date	*Exercise price*	*2012 No.*	*2011 No.*
22 February 2012	$0.30	-	85,805
22 February 2012	$0.35	-	85,802
22 February 2012	$0.40	-	85,799
1 August 2011	$0.30	-	600,000
1 August 2011	$0.25	-	74,671
1 August 2012	$0.30	74,671	74,671
26 November 2012	$0.20	300,000	300,000
Total		374,671	1,306,748

13 EMPLOYEE BENEFITS (continued)

(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 third 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
1,250,000	$0.064	$0.30	20 February 2015

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 2012.

	21 February 2012 (1,250,000) options
Dividend yield (%)	0%
Expected volatility (%)	40%
Risk-free interest rate (%)	4.10%
Expected life of option (years)	3 years
Option exercise price ($)	$0.40
Share price at grant date ($)	$0.30

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.

13 EMPLOYEE BENEFITS (continued)

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

	2012 No.	*2012 WAEP*	*2011 No.*	*2011 WAEP*
Outstanding at the beginning of the year	7,950,000	$0.31	9,700,000	$0.30
Granted during the year	1,250,000	$0.40	1,500,000	$0.30
Forfeited during the year	(500,000)	$0.40	(2,883,334)	$0.29
Exercised during the year	(589,999)	$0.239	(366,666)	$0.20
Expired during the year	(1,660,001)	$0.314	-	-
Outstanding at the end of the year	6,450,000	$0.324	7,950,000	$0.31
Exercisable at the end of the year	4,200,000	$0.319	3,050,000	$0.33

As at 30 June 2012 there were 6,450,000 options over ordinary shares with an average exercise price of $0.324 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 2012 is 0.87 years (2011: 1.209 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*	*2012 No.*	*2011 No.*
28 July 2011	$0.25	-	300,000
17 November 2011	$0.25	-	500,000
1 December 2014	$0.40	800,000	1,200,000
21 November 2011	$0.30	-	1,050,000
26 November 2012	$0.30	3,400,000	3,400,000
12 January 2014	$0.30	1,500,000	1,500,000
20 February 2015	$0.40	750,000	-
Total		6,450,000	7,950,000

13 EMPLOYEE BENEFITS (continued)

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.

	2012 No.	*2012 WAEP*	*2011 No.*	*2011 WAEP*
Outstanding at the beginning of the year	100,000	$0.30	300,000	$0.366
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(100,000)	$0.30	(200,000)	$0.40
Outstanding at the end of the year	-	-	100,000	$0.30
Exercisable at the end of the year	-	-	100,000	$0.30

There are no outstanding share options under this plan at 30 June 2012. The weighted average contractual life for the share options outstanding as at 30 June 2011 was 0.34 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

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the ESOP3.

	2012 No.	*2012 WAEP*	*2011 No.*	*2011 WAEP*
Outstanding at the beginning of the year	2,450,000	$0.30	-	-
Granted during the year	-	-	2,450,000	$0.30
Forfeited during the year	(2,250,000)	$0.30	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	200,000	$0.30	2,450,000	$0.30
Exercisable at the end of the year	-	-	-	-

As at 30 June 2012 there were 200,000 options over ordinary shares with an average exercise price of $0.30 each, exercisable upon completing two years' service from issue date 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 2012 is 2.42 years (2011: 3.59 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*	*2012 No.*	*2011 No.*
1 December 2014	$0.30	200,000	1,750,000
24 May 2014	$0.30	-	200,000
1 December 2015	$0.40	-	350,000
1 December 2015	$0.30	-	150,000
Total		200,000	2,450,000

e) The total expense relating to ESOP in 2012 was $ 50,810 (2011: $ 133,625)

14 TRADE AND OTHER PAYABLES (CURRENT)

	2012 $	*2011 $*
Trade payables	3,440,298	1,957,104
Superannuation payable	387,569	353,182
GST payable	659,892	1,416,896
PAYG payable	856,357	861,648
Accrued liabilities	1,586,442	1,277,608
Credit cards payable	49,869	42,433
Other	113,890	91,437
	7,094,317	6,000,308
Included in the above are aggregate amounts payable to the following related parties:		
Owing to directors and director related entities	95,200	142,000

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

	2012 $	2011 $
Current		
Obligations under finance leases and hire purchase contracts (note 21)	377,990	146,275
Obligations under premium funding contracts	133,426	110,199
	511,416	256,474
Non-current		
Obligations under finance leases and hire purchase contracts (note 21)	554,095	143,028
	554,095	143,028

Hire Purchase Contracts

Hire purchase contract maturity ranges from January 2013 to March 2015.

	2012 $	2011 $
Finance facilities available		
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities:		
- Bank overdraft facility	3,388,000	3,000,000
Facilities used at reporting date		
- Bank overdraft facility	-	-
Facilities unused at reporting date	3,388,000	3,000,000

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 $ 4,000,000.

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

	2012	*2011*
	$	*$*
Current		
Provision for Annual Leave	802,723	830,666
Provision for Long Service Leave	82,996	25,774
Provision for Income Tax	168,644	(10,477)
	1,054,363	845,963

Non-current		
Provision for Long Service Leave	95,346	108,680
	95,346	108,680

17 UNEARNED REVENUE

	2012	*2011*
	$	*$*
Current		
Unearned Revenue	502,533	508,314
	502,533	508,314

18 ISSUED CAPITAL AND RESERVES

	2012	*2011*
	$	*$*
Ordinary Shares		
Issued and fully paid	6,456,310	2,849,315

	No.	*Value ($)*
Movement in ordinary shares on the issue		
At 1 July 2010	46,222,314	2,775,982
Conversion of options	366,666	73,333
At 30 June 2011	46,588,980	2,849,315
Issue of shares	12,000,000	3,454,108
Conversion of options	629,069	152,887
At 30 June 2012	59,218,049	6,456,310

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). 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 2.50% (2011: 4.15%) based on the cash balance at year end. Cash on deposit attracts a variable interest rate of 5.20% (2011: 6.30%) at the end of the year.

  At 30 June 2012, if interest rates had changed by +/- 1% from the year end rates above, after tax profits would have been $7,764 (2011: $7,848) 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.

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:

	2012	*2011*
	$	*$*
Loans and receivables (note 8)	9,765,075	5,955,523
	9,765,075	5,955,523

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

	2012	*2011*
	$	*$*
Not past due	7,522,217	5,088,186
Past due 0-30 days	478,660	124,351
Past due 31-60 days	439,283	446,551
Past due 60 days	1,324,915	296,435
	9,765,075	5,955,523

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

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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:

2012		**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 rate**
		2012	**2012**	**2012**	**2012**	**2012**	**2012**
i)	*Financial Assets*						
	Term deposit	-	-	-	-	-	-
	Term deposit	-	142,150	-	-	142,150	5.06%
	Term deposit	-	391,453	-	-	391,453	5.56%
	Cash	859,863	-	-	250	860,113	-
	Loans and receivables	-	-	-	9,765,075	9,765,075	-
	Total financial assets	859,863	533,603	-	9,765,325	11,158,791	
ii)	*Financial liabilities – at amortised cost*						
	Overdraft Facility	-	-	-	-	-	
	Accounts payable	-	-	-	3,440,298	3,440,298	
	Hire purchase	-	377,990	554,095	-	932,085	11.13%
	Short term loans	-	133,426	-	-	133,426	6.87%
	Total financial liabilities	-	511,416	554,095	3,440,298	4,505,809	

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

	2012
	$
Not past due	2,043,128
Past due 0-30 days	675,503
Past due 31-60 days	12,046
Past due 60 days	709,621
	3,440,298

20 FINANCIAL INSTRUMENTS (continued)

2011	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 rate
	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	

i) The aging of the Group's trade payables at 30 June 2011:

	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

21 COMMITMENTS AND CONTINGENCIES

No contingent assets or liabilities as at 30 June 2012.

Commitments for Expenditure

	2012 $	2011 $
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	449,918	168.818
Later than one year but not later than five years	598,848	154.927
Less: unexpired charges	(116,681)	(34,442)
	932,085	289,303
Hire Purchase		
Current (refer note 15)	377,990	146,275
Non Current (refer note 15)	554,095	143,028
Total Hire Purchase	932,085	289,303
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	142,668	118,425
Later than one year but not later than five years	-	-
Less: unexpired charges	(9,242)	(8,226)
	133,426	110,199
Loan Repayments		
Current (refer note 15)	133,426	110,199
Non Current (refer note 15)	-	-
Total Loan Repayments	133,426	110,199

21 COMMITMENTS AND CONTINGENCIES (continued)

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:

	2012 $	2011 $
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	739,950	914,706
Later than one year but not later than five years	1,473,511	2,213,462
	2,213,461	3,128,168
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	366,428	366,428
31 Queens Street, Melbourne	132,000	132,000
Maximum amount the bank may call	498,428	498,428

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 11.20% (2011: 11.95%) using a 5.4% growth rate (2011: 2.1%) 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

	2012	*2011*
	$	*$*
Carrying amount of goodwill	3,948,764	3,948,764

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

23 INVESTMENT IN CONTROLLED ENTITY

Other Financial Assets		*% Equity Interest*		*Investment ($)*	
	Country of Incorporation	*2012* *%*	*2011* *%*	*2012* *$*	*2011* *$*
Tusk Technologies Pty Ltd	Australia	100	100	360,714	361,950
				360,714	361,950

The balance of the Tusk Technologies Pty Ltd loan as at 30 June 2012 is $ 351,651. This loan is unsecured does not bear interest and is not repayable in the next 12 months. The investment in Tusk Technologies Pty Ltd is measured at fair value at the 30th of June 2012. 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

On the 21st of August 2012, the Company entered into a Share Purchase Agreement ("Agreement") to acquire 100% of the shares in Conducive Pty Ltd ("Conducive"). The Agreement was subject to a small number of conditions precedent. At the date of this financial report, these conditions have been substantially satisfied. Formal completion of the transaction is expected to be around 7th of September 2012.

The purchase price of $7.95 million will be satisfied through the issue of 5 million fully paid ordinary Empired shares plus $3.15 million in cash on Completion. Two milestone cash payments of $1.74 million and $1.91 million will be payable on 31 July 2013 and 31 July 2014 respectively, subject to performance criteria being met. The cash components of the purchase price will be funded through the Company's bank finance facility.

The two milestone cash payments due on 31 July 2013 and 31 July 2014 are conditional on Conducive achieving 100% of EBIT targets in each full year period. These payments are scaled back on a linear basis if performance is between 100% and 50% of the EBIT forecast for each respective period. Any performance below 50% EBIT forecast will result in no payment being due for the period.

The vendors of Conducive are contracted for a minimum term of 3 years with their share consideration escrowed in three equal tranches, each tranche being released from escrow at the end of each full year following completion.

Conducive is based in Western Australia and employs 54 staff. Conducive provides a broad range of Application and Consulting services to large corporate clients, with specialist skills in the energy and natural resources sectors.

The acquisition of Conducive will enhance the Company's applications capability. It will also significantly expand the addressable market for multi-year Managed Services contracts. Further it enhances the Company's value proposition to existing clients, and allows for Conducive's customer base to access the Company's full suite of capability.

It is expected that the majority of the purchase price will represent goodwill and other intangible assets which are not practicable to reliably measure until after completion of the acquisition and the purchase price allocation exercise.

No amounts of revenue or profit or loss of the acquiree has been included in the consolidated statement of comprehensive income for the current reporting period. It is not practicable to estimate the impact of the acquisition upon the revenues or profit of the Consolidated Group for the 2013 financial year until after completion of the transaction and the related accounting entries.

25 AUDITORS' REMUNERATION

	2012 *$*	*2011* *$*
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	59,036	46,467
• 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	-	-
	59,036	46,467

26 KEY MANAGEMENT PERSONNEL

(a) Directors

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

M Ashton
R Bevan
J Bardwell
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
R McCready	Chief Operating Officer

(c) Remuneration of Key Management Personnel

Information regarding key management personnel compensation for the year ended 30 June 2012 is provided in the remuneration section of the directors' report on pages 17 to 21.

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 2012	*Balance at beg of period 01-Jul-11*	*Granted as Remuneration*	*Options Exercised*	*Net Change Other*	*Balance at end of period 30-Jun-12*	*Not Vested & Not Exercisable*	*Vested & Exercisable*
Directors							
R. Baskerville	2,850,000	-	-	(300,000)	2,550,000	-	2,550,000
M. Ashton	1,000,000	-	(166,666)	(233,334)	600,000	-	600,000
R. Bevan	500,000	-	-	(250,000)	250,000	-	250,000
J. Bardwell	500,000	-	-	-	500,000	500,000	-
Executives							
M. Waller	1,464,038	-	(21,346)	(292,692)	1,150,000	750,000	400,000
R McCready	-	750,000	-	-	750,000	750,000	-
Total	6,314,038	750,000	(188,012)	(1,076,026)	5,800,000	2,000,000	3,800,000

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
J. Bardwell	-	500,000	-	-	500,000	500,000	-
Executives							
M. Waller	1,064,038	750,000	(100,000)	(250,000)	1,464,038	750,000	714,038
R McCready	-	-	-	-	-	-	-
Total	6,864,038	1,250,000	(100,000)	(1,700,000)	6,314,038	4,650,000	1,664,038

26 KEY MANAGEMENT PERSONNEL (continued)

(e) Shareholdings of Directors and Executives

Shares held in Empired Limited

30 June 2012	*Balance 01-Jul-11*		*Granted as Remuneration*		*On Exercise of Options*		*Net Change Other*		*Balance 30-June-12*	
	Ord	*Pref*	*Ord*	*Pref*	*Ord*	*Pref*	*Ord*	*Pref*	*Ord*	*Pref*
Directors										
R. Baskerville	9,013,233	-	-	-	-	-	-	-	9,013,233	-
M. Ashton	175,000	-	-	-	166,666	-	-	-	341,666	-
R. Bevan	-	-	-	-	-	-	-	-	-	-
J. Bardwell	4,000,000	-	-	-	-	-	99,904	-	4,099,904	-
Total	13,188,233	-	-	-	166,666	-	99,904	-	13,454,803	-

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	-	-	-	-	-	-	-	-	-	-
J. Bardwell	3,739,744	-	-	-	-	-	260,256	-	4,000,000	-
Total	12,898,677	-	-	-	-	-	289,556	-	13,188,233	-

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 2012	*Balance 01-Jul-11*		*Granted as Remuneration*		*On Exercise of Options*		*Net Change Other*		*Balance 30-June-12*	
	Ord	*Pref*	*Ord*	*Pref*	*Ord*	*Pref*	*Ord*	*Pref*	*Ord*	*Pref*
Specified Executives										
M. Waller	1,950,724	-	-	-	21,346	-	(270,000)	-	1,702,070	-
R. McCready	-	-	-	-	-	-	200,000	-	200,000	-
Total	1,950,724	-	-	-	21,346	-	(70,000)	-	1,902,070	-

26 KEY MANAGEMENT PERSONNEL (continued)

(e) Shareholdings of Directors and Executives

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	-
R. McCready	-	-	-	-	-	-	-	-	-	-
Total	2,012,124	-	-	-	100,000	-	(161,400)	-	1,950,724	-

27 DIVIDENDS

	2012 ($)	2011 ($)
(a) Distributions Paid		
2012 final franked dividend of nil cents (2011: 0 cents)	-	-
Interim franked dividend of nil cents (2011: 0 cents)	-	-
	-	-
(b) Franking Credit Balance		
Balance of franking account at year end at 30% available to the shareholders of Empired Limited for subsequent financial years	142,994	75,028

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.

	2012 $	2011 $
Statement of financial position		
Current assets	13,170,876	8,526,897
Total assets	20,197,993	13,004,499
Current liabilities	9,296,975	7,611,058
Total liabilities	10,812,996	8,550,651
Issued capital	6,456,310	2,849,315
Employee equity reserve	407,336	356,527
Retained profits	2,521,351	1,248,006
Total equity	9,384,997	4,453,848

	2012 $	2011 $
Statement of comprehensive income		
Profit for year	1,273,344	201,872
Other comprehensive income	-	-
Total comprehensive income	1,273,344	201,872

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 2012 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
29th of August 2012


EMPIRED

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594 ACN 130 913 594

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 info.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 2012, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Director - Audit & Assurance

Perth, 29 August 2012

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594 ACN 130 913 594

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 info.wa@au.gt.com
W www.grantthornton.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 2012, 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 2012 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 19 to 25 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 29 August 2012

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 2012.

A. Distribution of Shareholding

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS	%
1 - 1,000	9	0.01
1.001 - 5,000	27	0.15
5,001 - 10,000	39	0.53
10,001 - 100,000	169	11.12
100,001 - MAX	85	88.2
TOTAL	**329**	**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	12.58
Mr. John Bardwell	4,099,904	6.92
Mr. Gregory Leach	3,544,225	5.96

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	12.58
Zero Nominees Pty Ltd	4,380,000	7.40
Mr Gregory David Leach	3,504,225	5.92
Navigator Australia Ltd <MLC Investment Sett A/c>	3,488,115	5.89
Mr John Alexander Bardwell	3,000,000	5.07
Mr David John Cawthorn	2,000,000	3.38
Ms Kym Garreffa	1,306,167	2.21
Uniplex Constructions Pty Ltd <Wesville Super Fund A/c>	1,166,707	1.97
Cornela Pty Ltd <MacLiver Family Fund A/c>	1,153,764	1.95
Mr John Alexander Bardwell & Mrs Paola Bardwell <Bardwell	1,099,904	1.86
Ice Cold Investments Pty Ltd	1,000,000	1.69
TT Nicholas Pty Ltd <Superannuation A/c>	1,000,000	1.69
Mr Mark Waller <ME Waller Family A/c>	898,267	1.52
Westrade Resources Pty Ltd <Sheppad Super Fund A/c>	800,000	1.35
Mr Kevin Peter Flynn	762,732	1.29
Uniplex Constructions Pty Ltd <Wesvilee Super Fund A/c>	735,707	1.24
Baystreet Pty Ltd <Trading A/c>	700,000	1.18
Three Zebras Pty Ltd <Judd Family A/c>	700,000	1.18
Mr. Mark Robert Diamond+Mrs Jacqueline Marie Diamond <Mark Diamond Super Fund A/c>	696,167	1.18
Mr Mark Edward Waller	659,990	1.11
TOTAL	36,501,804	61.64

The twenty members holding the largest number of shares together held a total of 61.6% of issued capital.

D. Issued Capital

(i) Ordinary Shares

The fully paid issued capital of the company consisted of 59,218,049 shares held by 329 shareholders.

Each share entitles the holder to one vote.

The number of shareholdings held in less than marketable parcels is 15.

(ii) Unquoted Equity

The options issued under the company share options plans consisted of 7,053,696 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

Telephone + 61 8 9223 1234

H. Other Offices

The other offices are:

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

OTHER INFORMATION FOR SHAREHOLDERS

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

SHAREHOLDER COMMUNICATIONS

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

– The annual report is distributed to shareholders who elect to receive the document. A copy of the full annual report is available free of charge, upon request, from the Company. The Board ensures that the annual report includes relevant information about the operation of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act;

– The half-year report contains summarised financial information and a review of the operations of the Company during the period. The half-year financial report is prepared in accordance with the requirements of Accounting Standards and the Corporations Act, and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange; and

– The Company's internet website at www.empired.com is regularly updated and provides details of recent material announcements by the Company to the stock exchange, annual reports and general information on the Company and its business. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

INTERNET ACCESS TO INFORMATION

Empired maintains a comprehensive Investor Relations section on its website at
www.empired.com/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 2012 Annual General Meeting of Empired Limited will be held in the:

The Melbourne Hotel
942 Hay Street, Perth WA 6000
at 11am on Monday, 19 November 2012

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
Level 13, Septimus Roe Square
256 Adelaide Terrace
PERTH WA 6000
Telephone No: +618 9223 1234
Fax No: +618 9223 1230

MELBOURNE
Level 8, 31 Queen Street
MELBOURNE VIC 3000
Telephone No: +613 8610 0700
Fax No: +613 8610 0701

Empired