

The logo for Empiored, featuring the word "Empiored" in a stylized, italicized font. The letter "i" has a white dot, and the "o" has a white shape inside it. The logo is set against a yellow background that is part of a larger graphic design.

*Empiored*

A long-exposure photograph of a city at night, showing light trails from traffic on a highway in the foreground and a brightly lit city skyline in the background. The lights are warm yellow and orange, with some blue highlights from modern buildings.

# Annual Report

**FOR THE YEAR ENDED 30 JUNE 2018**  
EMPIRED LIMITED ABN 81 090 503 843

# Contents

Corporate Directory	4
Chairman & CEO Review	5
Directors' Report	9
Operating & Financial Review	11
Remuneration Report (Audited)	16
1. Corporate Information	31
2. Summary Of Significant Accounting Policies	31
3. Segment Reporting	41
4. Revenue	42
5. Administration Expenses	42
6. Employee Benefits Expense	42
7. Finance Expenses	43
8. Income Tax	43
9. Earnings Per Share	46
10. Cash & Cash Equivalents	47
11. Trade & Other Receivables	48
12. Other Current Assets	48
13. Property, Plant & Equipment	49
14. Intangible Assets	51
15. Employee Benefits	53
16. Trade & Other Payables	54
17. Borrowings	55
18. Provisions	57
19. Reserves	57
20. Issued Capital	58
21. Dividends	59
22. Financial Risk Management Objectives & Policies	59
23. Financial Instruments	63
24. Commitments & Contingencies	65
25. Investment In Controlled Entity	66
26. Auditors' Remuneration	66
27. Parent Entity	67
28. Related Party Transactions	68
29. Events After the Reporting Date	68
Directors' Declaration	69
Independant Auditor's Report	71
Shareholder Analysis	75
Other Information for Shareholders	77

# Corporate Directory

## Directors

Thomas Stianos (Non-Executive Chairman)  
John Bardwell (Non-Executive Director)  
Richard Bevan (Non-Executive Director)  
Chris Ryan (Non-Executive Director)  
Russell Baskerville (Managing Director & CEO)

## Company Secretary

David Hinton

## Country of Incorporation

Australia

## Company Domicile & Legal Form

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

## Company Number

A.C.N: 090 503 843

## Registered Office

Level 7  
The Quadrant  
1 William Street  
Perth WA 6000  
Telephone No: +618 6333 2200  
Fax No: +618 6333 2323

## Legal Advisers

Jackson McDonald Lawyers  
Level 17, 225 St Georges Terrace  
Perth WA 6000

## Auditors

Grant Thornton Audit Pty Ltd  
Level 43, 152 -158 St Georges Terrace  
Perth WA 6000

## Share Register

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000

## Principal Places of Business

### Perth

Level 7, The Quadrant  
1 William Street  
Perth WA 6000

### Wellington

Level 4, Press Hall  
80 Willis Street  
Wellington 6011

### Seattle

Suite 100  
2035 158th Court NE  
Bellevue, WA, 98008  
USA

### Melbourne

Level 5  
257 Collins Street  
Melbourne VIC 3000

### Sydney

Level 12  
9 Hunter Street  
Sydney NSW 2000

### Adelaide

Level 2  
8 Leigh Street  
Adelaide SA 5000

### Brisbane

Level 11  
79 Adelaide Street  
Brisbane QLD 4000

## Website

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

## ASX Code

EPD

# Chairman & CEO Review

*To our fellow Shareholders,*

On behalf of your board of Directors, we are delighted to present to you Empired's 2018 annual report. The year has seen expansion of our services to address high growth markets and ensure comprehensive digital solution offerings, improvements to our employee and client engagement scores and importantly pleasing growth combined with record financial results despite a difficult year in New Zealand.

The headline results for the year include revenue of \$174m up 4%, underlying EBITDA \$17m up 10%, NPAT \$4.9m up 54% and operating cash flow of \$15.5m up from \$9.8m in the prior year. Net debt was reduced from \$13.8m at 30 June 2017 to \$9.3m at 30 June 2018, with reduced gearing the balance sheet is strengthened for an exciting growth period ahead.

During the year we experienced an acute decline in work volumes from the New Zealand public sector as a result of a protracted election period and subsequent change of government. The impact was a 9% reduction in revenue year on year from NZ, however a clear focus on commercial drivers by NZ management ensured profit margins were maintained.

In contrast, the Australian operations grew 12%, the strongest organic growth rate experienced in the past 10 years. This result was led by a recovering Western Australian resources sector where WA experienced 10% growth and was complemented by our increasing market penetration across the East Coast up 14%.

Our Digital Transformation Solutions (circa 63% of Revenue) were by far our strongest growth services line that grew revenue 23% during the year in Australia. The growth was underpinned by exceptional demand for modern applications, data analytics, digital and UX, and services relating to the Microsoft Dynamics platform.

We continued to make investments in software and Intellectual Property in order to differentiate our solutions, reduce risk and decrease time to value for our clients, whilst continuing to build Empired's SaaS annuity revenue. Investment in our Cohesion platform was a focus



**Thomas Stianos**  
NON-EXECUTIVE CHAIRMAN



**Russell Baskerville**  
MANAGING DIRECTOR & CEO

throughout the year where we see a large opportunity across Australia and New Zealand with a differentiated Enterprise Content Management SaaS offering.

We are seeing a strengthening Australian economic climate, particularly in WA, and remain cautiously optimistic of these economic indicators. Our view is that Empired is well positioned in the IT services market which continues to experience global growth with organisations turning to data and technology in order to transform their businesses and gain a competitive advantage in a modern digital world.

In recent years, we have seen a rapid consolidation of the Australian IT Services landscape, with a number of our direct local competitors being acquired by large international companies. Empired has clearly demonstrated that we possess the capability, balance sheet strength and depth and quality of talent required to compete and win against these larger players. Our combination of local management, knowledge, people and differentiated solutions make Empired the IT provider of choice for leading commercial and public-sector clients across our key markets.

With the recovery in New Zealand well underway, our Australian operations performing strongly and our solutions aligned to high growth segments of the market, we are confident that we have set ourselves up for a watershed 2019 year.

### Continuing to focus on our people

Our people are critical to our success. If our people are highly engaged, well credentialed and provided with the right tools and environment we will provide higher quality services and solutions to our clients, grow faster and be more profitable.

Talent acquisition and staff engagement was a key focus for management in 2018. Last year we spoke briefly about our 'Thinking Forward' framework designed to drive a level of customer intimacy and personal accountability, and the formation of our Business Leadership Group (BLG) designed to bring strong cross discipline collaboration and local accountability for our customers' outcomes. These initiatives were further embedded across our company this year resulting in increased customer satisfaction and improved engagement of our people.

Our over-arching people engagement approach titled 'Completely Compelling Organisation' encourages and supports our leaders to do everything in our power to ensure that our people consistently grow their capabilities and are challenged to take advantage of the opportunities offered. Ultimately this will result in our people and prospective talent in the market seeing our organisation as a completely compelling place to work.

Within the framework we set out a number of commitments to our people under five pillars. As leaders we commit to provide Meaningful Work, Outstanding Management, Empowering Environment, Personal Growth and Belief in our Mission. These are not just words on a page, each pillar has a range of program initiatives that are being driven across Empired and are built into regular performance coaching.

We are confident that our investments in our people are differentiating Empired in a competitive talent market and we are very proud to say that our employee engagement score and client satisfaction scores have trended upward throughout the 2018 financial year.

### A scalable platform with operational leverage

We have continued to enhance our operating model and strengthen all of the key ingredients that ensure we can maintain growth in a controlled, predictable manner whilst improving our profit margins over time.

Our operational platform includes a range of integrated business systems managing operational processes including opportunity identification, sales management, contract, risk and operational delivery through to strong financial controls. These systems underpin our business and we believe allow our business to scale multiple times from its current size with limited additional investments.

The physical platform is geared for growth and is able to support increased staff numbers and higher revenues in all our major locations. After a relatively capital intensive period we have established these facilities and are at the completion of this cycle.

Empired's sales and management structure also allows for considerable expansion of clients, revenue and billable-staff numbers with limited additional expenses.

FY18 started to leverage some of this operational capacity with modestly improved EBITDA margins and we are confident that as revenue grows our platform will ensure strengthening margins over time.

### Shifting toward Industry alignment & IP enabled

We see a clear trend by our customers and the broader market toward buying specialist solutions and experience underpinned by industry know-how and differentiated software IP.

Empired has started to organise itself around industry, 'package' a range of industry based digital solutions, create industry based 'points-of-view' and 'thought leadership' and design the front end of our business to be equipped to engage in a deep industry conversation. We need to be able to clearly articulate our knowledge of a particular sector and demonstrate how our solutions solve key industry challenges or provide new products, services and channels to market.

Complementing this and allowing us to further differentiate our position in the market is the incorporation into these solutions of Empired's own software IP, solution accelerators and industry based global leading ISV (Independent Software Vendor) partners.

In 2018, we made significant investments in our Cohesion platform. We developed an application store called 'Resource Hub' which allows users the ability to select additional modules and services through the Cohesion interface. A range of new modules were developed and made available through the 'Resource Hub' where we have gained strong commercial up-take. Further, significant work was undertaken in readiness for making Cohesion available on the Microsoft cloud platforms (both Microsoft Azure and Microsoft Office 365) and its launch in the Australian market resulting in Empired being selected to be the preferred partner for the secure Microsoft Canberra Data Centre. During the year, Cohesion achieved Microsoft Co-Sell status, enabling the Microsoft sales organisation to sell Cohesion and receive sales quota retirement.

In June 2018, Intergen, our New Zealand operations won the Microsoft Country Partner of the Year for New Zealand and in July the company was awarded the Microsoft Dynamics Inner Circle for 2017.

We are confident that the investments we are making will position Empired ahead of its competition and ensure our clients view us as the digital transformation partner of choice.

### A year of growth awaits!

Whilst cautious, we believe the Australian market is in good shape and that the New Zealand market opportunities continue to strengthen.

Digital transformation is all around us, data and digital based products and services are infiltrating our lives in almost every manner imaginable. With exponential growth in data, a proliferation of low cost high powered devices and the availability of high speed, highly reliable connectivity we find every government, education and corporate organisation across the globe in some way dealing with digital change. We believe organisations that embrace these changes will thrive and become the global leaders of tomorrow.

It is an exciting market to be a part of with IDC predicting "By the End of 2019, Digital Spending will reach \$1.7 Trillion globally, a 42% increase from 2017" as digital transformation continues to drive new revenues from "Future of Commerce" business models.

We are confident that the investments Empired is making today across many aspects of its business will position it ahead of its competition and ensure it participates in an exciting, high growth, global market and secures its place in the digital world of tomorrow.

We would like to extend our appreciation to our shareholders, partners and clients. The year saw Empired make significant progress on its strategic priorities, deliver exceptional solutions to our clients and deliver a solid financial performance. This is only possible with the tireless support, passion and loyalty our staff and we would like to extend a special thank you to each and every one of them.

We look forward to working together with all of our stakeholders in what is shaping up to be an exceptional year ahead.

*Yours faithfully,*

**Thomas Stianos**

NON-EXECUTIVE CHAIRMAN

**Russell Baskerville**

MANAGING DIRECTOR & CEO



# 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 2018.

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

## DIRECTORS

NAME	AGE	EXPERIENCE & SPECIAL RESPONSIBILITIES
<p><b>Thomas Stianos</b> Non-Executive Chairman</p>	64	<p>Mr Stianos joined the board as a Non-Executive on 29 November 2016 and was appointed Chairman on 1 July 2018. He is widely recognised as one of the most successful and experienced leaders in the IT industry. Mr Stianos was previously the Managing Director of SMS Management &amp; Technology Limited.</p> <p>He has also previously held senior positions with the Department of Premier and Cabinet, Department of Justice, and Department of Treasury &amp; Finance. Mr Stianos holds a Bachelor of Applied Science from the University of Melbourne.</p> <p><b>Other current directorships of listed entities:</b></p> <ul style="list-style-type: none"> <li>» Inabox Group Limited</li> <li>» Gale Pacific Limited</li> </ul> <p><b>Previous directorships (last 3 years):</b></p> <ul style="list-style-type: none"> <li>» SMS Management &amp; Technology Limited</li> </ul>
<p><b>Russell Baskerville</b> Managing Director &amp; CEO</p>	40	<p>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, IPOs, capital raisings, divestments, mergers and acquisitions.</p> <p>Mr Baskerville has been the Managing Director of Empired for ten 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 developed and commercialised a SaaS delivered eRecruitment tool prior to the company being acquired by Thomson Reuters.</p> <p><b>Previous directorships of listed entities (last 3 years):</b></p> <ul style="list-style-type: none"> <li>» None</li> </ul>
<p><b>Richard Bevan</b> Non-Executive Director</p>	52	<p>Mr Bevan joined the board as a Non-Executive director on 31 January 2008 with corporate and senior management experience including various directorship's and CEO/MD roles in ASX listed and private companies, and was appointed Chairman on 29 November 2016 to 30 June 2018. Mr Bevan brings experience in the execution and integration of mergers, acquisitions and other major corporate transactions.</p> <p>Mr Bevan has been involved in a number of businesses in areas as diverse as healthcare, construction and engineering, resources and information services. Mr Bevan's roles within these businesses have included strategic operational management, implementing organic growth strategies, business integration and raising capital in both public and private markets.</p> <p><b>Other current directorships:</b></p> <ul style="list-style-type: none"> <li>» Cassini Resources Limited</li> </ul>



NAME	AGE	EXPERIENCE & SPECIAL RESPONSIBILITIES
<p><b>John Bardwell</b> Non-Executive Director</p>	58	<p>Mr Bardwell has had a long career in the financial services and IT sectors through a variety of senior leadership positions. Mr Bardwell's previous executive experience includes Head of IT Services at Bankwest, Managed Services Director at Unisys West and as the General Manager of Delivery Services at Empired Ltd prior to his appointment to the Board as a non-executive Director on 26 November 2011.</p> <p>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.</p> <p>Mr Bardwell is a Board Member of Swancare Group, a specialist provider of retirement living and aged-care services, where he is also Chair of the Business Development Committee.</p> <p><b>Previous directorships (last three years):</b></p> <p>» None</p>
<p><b>Chris Ryan</b> Non-Executive Director</p>	55	<p>Mr Ryan joined the Board on 1 May 2015. He has had extensive executive and corporate advisory experience in Human Resources across a broad range of industries. This includes 10 years leading the Group HR function for diversified industrial business Wesfarmers, where he led the people aspects of major acquisitions and integrations, including the Coles Group transaction.</p> <p>Through his advisory practice Mr Ryan advises Boards and CEOs on HR strategy, executive remuneration and executive talent management. Previously he has been an independent director of ASX listed Resource Development Group.</p> <p>Mr Ryan holds a Bachelor of Business, is a graduate member of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and a Fellow of the Australian Human Resources Institute. He holds the honorary title of Adjunct Professor with Curtin University Business School where he pursues the connection of industry with education, and is a member of the Advisory Board of the University's School of Management.</p> <p><b>Previous directorships (last three years):</b></p> <p>» None</p>

## COMPANY SECRETARY

NAME	AGE	EXPERIENCE & SPECIAL RESPONSIBILITIES
<p><b>David Hinton</b> CFO &amp; Company Secretary</p>	55	<p>Mr Hinton joined Empired in May 2016. He has had over 10 years experience in the technology sector having previously held the position of CFO and Company Secretary of ASX listed Amcom Telecommunications. Prior to Amcom he held a senior executive role in a large diversified listed company and also worked at Ernst &amp; Young.</p> <p>Mr Hinton holds a Bachelor of Business degree, is a Fellow of the Institute of Chartered Accountants and is a graduate of the Australian Institute of Company Directors and is a member of the Governance Institute of Australia. He is also Finance Director of not for profit Auspire - Australia Day Council WA.</p>

## DIRECTORS MEETINGS

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

NAME OF DIRECTOR	No. of Directors Meetings held while a Director	No. of Meetings Directors attended as a Director during the year ended 30 June 2018	No. of Audit Committee Meetings held while a Director	No. of Audit Committee meetings attended during the year ended 30 June 2018
Russell Baskerville	12	12	2	2
Thomas Stianos	12	12	2	2
Richard Bevan	12	12	2	2
John Bardwell	12	12	2	2
Chris Ryan	12	12	2	2

## OPERATING & FINANCIAL REVIEW

### Review of operations

Empired Limited is an international IT Services Provider with a broad range of capabilities and a reputation for delivering enterprise class IT services and solutions. Established in 1999, Empired is a publicly listed company (ASX: EPD) formed in Western Australia.

With a team of over 1,000 people located across Australia, New Zealand and USA, Empired has built a reputation for service excellence and is a leading provider of business technology solutions to both government and private sectors. We work with clients to deliver high quality solutions to meet their business requirements.

Our flexible service delivery approach has enabled Empired to secure clients that range from medium size entities through to large enterprise and Government agencies.

The business operates as two segments:

- Australia
- New Zealand – which includes USA

### Review of financial results

Revenue overall increased by 4% to \$174.3m.

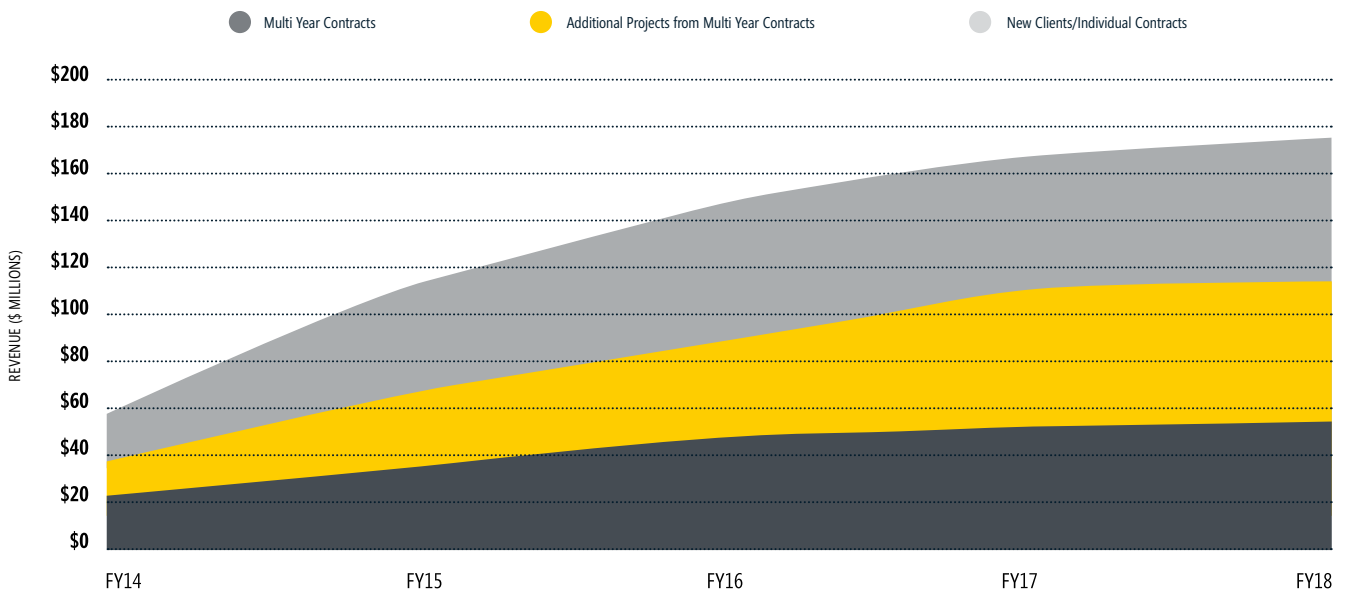
Earnings before interest, tax depreciation and amortisation (EBITDA) for the financial year increased by 7% to \$16.4m and after adjusting for once off costs the company reported underlying EBITDA of \$17m.

The profit after tax for the year was \$4.9m compared to the previous year of \$3.2m. Included in the previous year was a non-cash loss on disposal of assets of \$1.0m pre-tax resulting from a re-location of the Wellington operations and the write-off of legacy assets.

**Review of financial results (continued)**

The financial results are summarised in the following table:

\$M	1H 18	2H 18	2018	2017
Revenue	85.0	89.3	174.3	167.4
Other income	-	-	-	0.7
EBITDA	6.7	9.7	16.4	15.4
<b>EBITDA Underlying</b>	<b>7.3</b>	<b>9.7</b>	<b>17.0</b>	<b>15.4</b>
Depreciation & amortisation	(4.2)	(3.9)	(8.2)	(8.2)
Loss on disposal of assets	-	-	-	(1.0)
EBIT	2.5	5.8	8.3	6.2
Interest (net)	(0.5)	(0.8)	(1.3)	(2.3)
Net profit before tax	1.9	5.0	6.9	3.9
Income tax	(0.4)	(1.6)	(2.0)	(0.7)
<b>Net profit after tax</b>	<b>1.5</b>	<b>3.4</b>	<b>4.9</b>	<b>3.2</b>
EBITDA / Revenue %	8%	11%	9%	9%
Basic EPS (cents)			3.06	2.42



## Operating results by Segment

\$M	1H 18	2H 18	2018	2017
Revenue Australia	56.4	60.3	116.7	104.4
Revenue New Zealand	29.3	30.0	59.2	64.9
Inter-segment	(0.6)	(0.9)	(1.6)	(1.9)
<b>Segment Revenue</b>	<b>85.0</b>	<b>89.3</b>	<b>174.3</b>	<b>167.4</b>
EBITDA Australia	4.3	6.7	11.1	10.6
EBITDA New Zealand	2.4	3.0	5.4	4.7
Segment EBITDA	6.7	9.7	16.4	15.4

For the financial year ended 30 June 2018 the Australian segment increased revenue by 12% to \$116.7m and recorded a Segment EBITDA of \$11.1m. The revenue for the New Zealand Segment decreased by 9% to \$59.2m and reported a Segment EBITDA of \$5.4m. The New Zealand Segment revenue was adversely impacted by the disruption to Public Sector IT spending due to the protracted election period and then change of government. Based upon recent sales activity we do expect improved revenue levels in 2019.

## Cash flow

The following table summarises the cash flow for the financial year ended 30 June 2018:

\$M	1H 18	2H 18	2018	2017
<b>EBITDA</b>	<b>6.7</b>	<b>9.7</b>	<b>16.4</b>	<b>15.4</b>
Non cash items	0.3	0.1	0.4	0.2
Tax paid	(0.3)	(0.5)	(0.8)	(0.7)
Dividends – associate	-	-	-	0.1
Working capital	(1.5)	1.0	(0.5)	(5.2)
<b>Operating cash flow</b>	<b>5.2</b>	<b>10.3</b>	<b>15.5</b>	<b>9.8</b>
Interest paid (net)	(0.7)	(0.7)	(1.4)	(2.0)
Purchases of P&E and intangibles	(3.7)	(5.1)	(8.9)	(10.9)
Acquisitions (inc deferred consideration)	-	-	-	(8.7)
Equity raising	-	-	-	15.1
Repayment of borrowings	(2.0)	(2.4)	(4.4)	(11.3)
Proceeds from borrowings	0.1	13.2	13.3	4.0
<b>Change in cash</b>	<b>(1.1)</b>	<b>15.3</b>	<b>14.2</b>	<b>(4.0)</b>

Operating cash flow for the financial year ended 30 June 2018 was \$15.5m compared to \$9.8m the previous financial year.

Payments for the purchases of plant & equipment and intangibles reduced from \$10.9m to \$8.9m.

## Financial position and capital structure

The balance sheet as at 30 June 2018 is summarised below:

\$M	June 2018	Dec 2017	June 2017
Cash	13.4	2.2	2.0
Receivables & WIP	36.0	29.8	32.5
Other	2.4	2.2	2.4
<b>Current Assets</b>	<b>51.7</b>	<b>34.1</b>	<b>36.8</b>
Plant & Equipment	16.9	18.6	21.0
Intangibles and other	64.7	62.8	61.3
<b>Non Current Assets</b>	<b>81.6</b>	<b>81.4</b>	<b>82.2</b>
Trade & other payables	22.7	16.5	18.8
Borrowings	2.4	8.1	6.7
Provisions & other	8.6	7.3	9.2
<b>Current Liabilities</b>	<b>33.7</b>	<b>31.8</b>	<b>34.7</b>
Borrowings	20.3	7.5	9.1
Other	3.0	3.5	4.0
<b>Non Current Liabilities</b>	<b>23.3</b>	<b>11.0</b>	<b>13.1</b>
<b>Net Assets/Equity</b>	<b>76.4</b>	<b>72.7</b>	<b>71.3</b>
Net debt (Nd)	9.3	13.5	13.8
Gearing (Nd/Nd+Equity)	11%	16%	16%

Net debt reduced during the financial year from \$13.8m to \$9.3m with gearing reducing from 16% to 11%.

Bank debt facilities were re-financed during the year. The impact was to lower debt amortisation, lengthen maturity and reduce the overall cost of funding. This has had a positive impact on the current ratio.

### Risk

As part of the planning process the Company has identified the risks that could potentially have an adverse impact on the performance of the Company. The Company has in place policies and procedures to monitor and manage these risks which can be broadly categorised as:

- General macro economic risks
- Business risks
- Operational risks
- Financial risks

Commentary on strategy and prospects is included in the Chairman and CEO Review.

## Dividends

The directors do not recommend payment of a dividend (2017: nil).

## Likely Developments

Any likely developments are disclosed in the Chairman and CEO Review.

## Performance Rights Granted to Directors and Officers

Executive Officers were granted 1,500,000 Performance Rights under the Long Term Incentive Plan. Information relating to the grants is detailed in the notes to the financial statements.

## Significant changes in the state of affairs

Nil

## Auditor

The lead auditor's Independence Declaration for the year ended 30 June 2018 has been received and can be found on page 70 of the financial report.

## Non-Audit Services

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of the type of non-audit service provided means that auditor independence was not compromised.

Grant Thornton received or are due to receive \$21,460 for the provision of tax compliance services.

## Indemnification and insurance of directors and officers

During the year, Empired Limited paid a premium to insure directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The Company has agreed, to the extent permitted by law, to indemnify each Director and Company Secretary of the Company against any and all reasonable liabilities incurred in respect of or arising out of any act in the course of their role as an officer of the Company.

The Company has not agreed to indemnify the auditor of the Company, however a controlled entity has provided an indemnity to the auditor of that controlled entity for losses arising from false or misleading information provided or third party claims except to the extent such amounts are determined to have been caused by the auditor's fraud.

## Significant events after the reporting date

There have been no events to report subsequent to reporting date.

## REMUNERATION REPORT (AUDITED)

The Directors of Empired Limited present the Remuneration Report ("the Report") for the Company and its controlled entities for the year ended 30 June 2018 ("FY18"). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

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

### Linking remuneration 'at risk' to Company performance

The Group recorded a profit after tax of \$4.9m for the year ended 30 June 2018 compared to \$3.1m in the previous financial year, an increase of 54%. Earnings per share increased 26% to 3.06 cents per share.

### 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 to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 27 November 2014 when shareholders approved an aggregate remuneration of \$500,000 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, the Executive Director and other Key Management Personnel for the period ended 30 June 2018 is detailed in the table in Section E.

## 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. The table in Section E below details the fixed and variable components of the executives of the company.

## Fixed Remuneration

### *Objective*

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

### *Structure*

Senior executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. 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 the table in Section E.



## Variable Remuneration – Short Term Incentive (STI)

### *Objective*

The objective of the STI program is to link the achievement of the Group's performance and 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 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 revenue, profitability, 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 2018 financial year an STI of \$265,631, representing 50% of the STI opportunity, will be paid to Key Management Personnel in FY2019 (2017: nil). The remaining 50% of the STI opportunity lapses.

## 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.

### *Structure*

LTI grants to executives are delivered in the form of performance rights.

The table in Sections F and G provide details of performance rights granted and the value of equity instruments granted and lapsed during the year. The performance rights were issued for nil consideration. Each performance right entitles the holder to subscribe for one fully paid ordinary share in the entity based on achieving vesting conditions at a nil exercise price, and up to 1.5 ordinary shares should Stretch Performance Measures be achieved.

During the financial year, 2,075,000 Performance Rights were issued under the Long Term Incentive Plan on terms and conditions determined and approved by the Board of Directors. The number of Performance Rights offered is based upon the share price of the company at the time of Board approval.

The vesting conditions selected are designed to align remuneration with the creation of shareholder value over the long-term. The performance measures that have been chosen are:

- Basic Earnings per Share (EPS) with targets set as a growth percentage of the current year budget. Due to their sensitive nature, EPS targets are disclosed retrospectively should the Performance Rights vest.
- Relative Total Shareholder Return which compares the Total Shareholder Return (TSR) of the company measured from 1 July 2017 to 30 June 2020 and ranks it on a percentile basis with the constituents of the S&P/ASX 200 Industrial Index.
- Sustainability measure to be determined and assessed by the Board.

NUMBER	Performance Measures	% Vesting <sup>(1)</sup>	Vesting Dates
413,400	<b>FY 2019 EPS</b>		30 August 2020
	Below Threshold	0%	
	Threshold achieved	50%	
	Target achieved	100%	
413,400	Stretch achieved	150%	30 August 2020
	<b>FY 2020 EPS</b>		
	Below Threshold	0%	
	Threshold achieved	50%	
834,800	Target achieved	100%	30 August 2020
	Stretch achieved	150%	
	<b>Relative TSR</b>		
	Below 50th percentile - Threshold	0%	
413,400	50th Percentile Threshold achieved	50%	30 August 2020
	75th Percentile Target achieved	100%	
	85th Percentile Stretch achieved	150%	
	<b>Sustainability</b>	100%	

<sup>(1)</sup>Vesting to occur on a pro-rata basis

Should an employee leave Empired then Performance Rights are retained on a pro-rata basis for the duration of employment completed during the term of the Performance Right, except where continuing employment is a vesting condition or where employment is summarily terminated.

Where Performance Rights vest the holder of the Performance Right has until 30 September 2022 to exercise the Performance Right.

Should the Directors consider that a Change of Control in the company has occurred or is likely to occur then Performance Rights will automatically vest on the basis one fully paid ordinary share for each Performance Right held with Board discretion to provide up to 1.5 fully paid ordinary shares for each Performance Right held.

### Consequence of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following metrics in respect of the current financial year and the previous three financial years:

ITEM	2018	2017	2016	2015
EPS (cents)	3.06	2.42	(1.47)	4.82
Dividends (cents per share)	-	-	-	-
Total Comprehensive Income (\$000)	4,685	3,122	(1,545)	5,233
Share price (\$)	0.51	0.54	0.34	0.77

### C. Key management personnel

#### (i) Directors

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

**T Stianos** – Non-Executive Chairman

**R Bevan** – Non-Executive Director

**J Bardwell** – Non-Executive Director

**C Ryan** – Non-Executive Director

**R Baskerville** – Managing Director

#### (ii) 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:

**S Bright** – Chief Operating Officer

**D Hinton** – Chief Financial Officer and Company Secretary

#### (iii) Remuneration of Key Management Personnel

Information regarding key management personnel compensation for the year ended 30 June 2018 is provided in the table in Section E of this remuneration report.

## D. Service Agreements

### **Russell Baskerville – Managing Director**

- Terms of Agreement – commenced 1 July 2005, until terminated by either party, with six months notice.
- Fees – fixed remuneration \$600,000 per annum with an STI cash bonus of 50% of base fees and LTI bonus of 75%# of base fees.

### **Thomas Stianos – Non-Executive Chairman**

- Terms of Agreement – appointed 29 November 2016.
- Fee – fixed \$120,000 per annum.

### **Richard Bevan – Non Executive Director**

- Terms of Agreement – appointed 31 January 2008
- Fee – fixed \$90,000 per annum.

### **John Bardwell – Non-Executive Director**

- Terms of Agreement – appointed 26 September 2011.
- Fee – fixed \$75,000 per annum.

### **Chris Ryan – Non-Executive Director**

- Terms of Agreement – appointed 1 May 2015.
- Fee – fixed \$75,000 per annum.

### **David Hinton – Chief Financial Officer & Company Secretary**

- Terms of Agreement – commenced 12 April 2016, until terminated by either party, with three months notice.
- Salary – fixed remuneration \$433,500 per annum with an STI cash bonus target of 25% of base fees and LTI bonus target of 40%# of base fees.

### **Simon Bright – Chief Operating Officer**

- Terms of Agreement – commenced 1 July 2016, until terminated by either party, with three months notice.
- Salary – fixed remuneration NZ\$469,200 per annum with an STI cash bonus target of 30% of base fees and LTI bonus target of 40%# of base fees.

#As provided by the Empired Long Term Incentive Plan Rules, should stretch targets be achieved then the LTI benefit could be 50% higher.

## E. Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of Empired Limited are shown in the table below:

\$	Year	SHORT TERM BENEFITS			POST EMPLOYMENT	Share-based Payments <sup>(1)</sup>	Total	% Performance Related	% of STI achieved
		Salary & Fees	Non-cash benefits	Cash STI	Superannuation				
<b>NON-EXECUTIVE DIRECTORS</b>									
<b>T. Stianos</b>	2018	54,795	-	-	5,205	-	60,000	-	-
	2017	32,379	-	-	3,076	-	35,455	-	-
<b>R. Bevan</b>	2018	82,192	-	-	7,808	-	90,000	-	-
	2017	70,984	-	-	6,743	-	77,727	-	-
<b>C. Ryan</b>	2018	60,000	-	-	-	-	60,000	-	-
	2017	60,000	-	-	-	-	60,000	-	-
<b>J. Bardwell</b>	2018	54,795	-	-	5,205	-	60,000	-	-
	2017	54,795	-	-	5,205	-	60,000	-	-
<b>EXECUTIVE DIRECTORS</b>									
<b>R. Baskerville</b>	2018	600,000	11,579	149,679	-	54,801	816,059	25.1%	50.0%
	2017	525,000	15,076	-	-	139,016	679,092	20.5%	-
<b>KEY MANAGEMENT</b>									
<b>D. Hinton</b>	2018	388,128	12,633	52,388	36,872	36,646	526,667	16.1%	50%
	2017	365,297	15,076	-	34,703	23,335	438,411	5.3%	-
<b>S. Bright</b>	2018	418,804	12,179	63,564	8,420	37,998	540,965	18.8%	50.0%
	2017	408,073	3,716	-	30,318	48,335	490,442	9.9%	-

<sup>(1)</sup> In the form of Performance Rights

## F. Directors' and Key Management Personnel Equity Holdings

### Shares held in Empired Limited

All equity transactions with directors and executives, other than those arising from the vesting of performance rights and as part of remuneration, have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

	Balance 01 Jul 17	Vesting of Performance Rights	Net Change Other	Balance 30 June 18
<b>DIRECTORS</b>				
<b>R. Baskerville</b>	8,686,300	409,322	-	9,095,622
<b>T. Stianos</b>	143,200	-	-	143,200
<b>R. Bevan</b>	79,800	-	-	79,800
<b>C. Ryan</b>	17,000	-	43,000	60,000
<b>J. Bardwell</b>	4,099,904	-	-	4,099,904
<b>Total</b>	<b>13,026,204</b>	<b>409,322</b>	<b>43,000</b>	<b>13,478,526</b>
<b>KEY MANAGEMENT</b>				
<b>D. Hinton</b>	52,093	-	-	52,093
<b>S. Bright</b>	150,877	100,000	(100,000)	150,877
<b>Total</b>	<b>202,970</b>	<b>100,000</b>	<b>(100,000)</b>	<b>202,970</b>

### Performance Rights held in Empired Limited

Performance rights are issued for nil consideration and do not have an exercise price. The movements and balances of performance rights for the financial year are summarised in the below table.

	Balance 01 Jul 17	Granted as remuneration	Lapsed	Vested	Balance 30 June 18
<b>DIRECTORS</b>					
<b>R. Baskerville</b>	1,988,097	852,000	(236,949)	(409,322)	2,193,826
<b>KEY MANAGEMENT</b>					
<b>D. Hinton</b>	484,848	318,000	-	-	802,848
<b>S. Bright</b>	559,848	330,000	-	(100,000)	798,848
<b>Total</b>	<b>1,044,696</b>	<b>648,000</b>	<b>-</b>	<b>(100,000)</b>	<b>1,592,696</b>

## F. Directors' and Key Management Personnel Equity Holdings (continued)

Performance Rights granted to the Executive Team are under the Company's Long Term Incentive Plan. Refer to the notes to the financial statements for more detail regarding the plan.

Performance Rights granted as part of remuneration:

2018	Grant date	Number granted as remuneration	Average Value per right at grant date	Value of rights granted during the year
<b>NON-EXECUTIVE DIRECTORS</b>				
T. Stianos	-	-	-	-
R. Bevan	-	-	-	-
C. Ryan	-	-	-	-
J. Bardwell	-	-	-	-
<b>EXECUTIVE DIRECTORS</b>				
R. Baskerville	6/12/2017	852,000	\$0.49	\$291,299
<b>KEY MANAGEMENT</b>				
D. Hinton	14/09/2017	318,000	\$0.63	\$138,847
S. Bright	14/09/2017	330,000	\$0.63	\$143,972
<b>2017</b>				
<b>NON-EXECUTIVE DIRECTORS</b>				
T. Stianos	-	-	-	-
R. Bevan	-	-	-	-
C. Ryan	-	-	-	-
J. Bardwell	-	-	-	-
<b>EXECUTIVE DIRECTORS</b>				
R. Baskerville	09/12/2016	1,193,182	\$0.48	\$275,482
<b>KEY MANAGEMENT</b>				
D. Hinton	01/11/2016	484,848	\$0.42	\$106,026
S. Bright	01/11/2016	484,848	\$0.42	\$106,026

## G. Performance Hurdles for Performance Rights vested during the financial year

The Company from time to time grants Performance Rights to executives under the Empired Executive Long Term Incentive Plan. In the case of grants to the Managing Director, shareholder approval is sought at the Annual General Meeting prior to Performance Rights being granted. As stated in the applicable Notice of Meeting, to convene the members meeting to approve the grant of Performance Rights, the details of the performance hurdles are not disclosed. Should the performance hurdle be satisfied then the Company will disclose the details in the subsequent Remuneration Report.

During the financial year 1,471,301 Performance Rights vested and a corresponding number of ordinary shares were issued as a result of achieving the relevant performance hurdle as follows:

PERFORMANCE HURDLE	ACHIEVED	NO. OF PERFORMANCE RIGHTS
FY17 Basic EPS hurdle for 90% vesting 2.3c and 2.54c for 100% vesting	3.2 cents <sup>(1)</sup>	866,769
Employment post acquisition of Intergen Ltd		250,000
Intergen Ltd EBITDA to March 2015 NZD 1.5m	NZD 0.8m <sup>(2)</sup>	125,000
Intergen Ltd EBITDA to March 2016 NZD 2.0m	NZD 4.5m	125,000
Sustainability - as determined by the Board		104,532
<b>Total</b>		<b>1,471,301</b>

<sup>(1)</sup>FY17 Basic EPS was 2.4 cents and after adjusting for loss on disposal of assets EPS was 3.2 cents

<sup>(2)</sup>Condition waived

## H. Use of Remuneration Advisors

The Independent Directors approved the engagement of BDO Remuneration and Reward Pty Ltd to provide benchmarking analysis and to provide remuneration recommendations regarding the remuneration of the Managing Director and Chief Executive Officer and the Non-Executive Directors.

Both BDO Remuneration and Reward Pty Ltd and the Independent Directors are satisfied the advice received is free from undue influence from the KMP to whom the remuneration recommendations may apply.

The remuneration recommendations were provided as an input into decision making only and other factors were also taken into consideration in making remuneration decisions.

The fees paid to BDO Remuneration and Reward Pty Ltd were \$7,950 and the advisor was not engaged to provide any other services to the Company.

## I. Voting and comments made at the company's 2017 Annual General Meeting

The company did not receive any specific feedback at the AGM on its remuneration report.

End of Remuneration Report.

Signed in accordance with a resolution of directors.



**Russell Baskerville**  
MANAGING DIRECTOR & CEO

13th August 2018



## Corporate Governance Statement



The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Empired Limited and its Controlled Entities ("the Group") have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ended 30 June 2018 was approved by the Board on 9 August 2018. The Corporate Governance Statement is available on Empired's website at [www.empired.com/Investor-Centre/Corporate-Governance/](http://www.empired.com/Investor-Centre/Corporate-Governance/).

# Consolidated Statement of Profit or Loss & Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018	2017
		\$	\$
<b>Continuing operations</b>			
Revenue	4	174,310,863	167,391,710
Cost of Services		(114,055,464)	(111,866,357)
<b>Gross profit</b>		<b>60,255,399</b>	<b>55,525,353</b>
Other Income	4	37,909	663,721
Administration expenses	5	(44,816,968)	(41,327,154)
Marketing expenses		(796,427)	(452,917)
Occupancy expenses		(5,556,385)	(5,679,393)
Finance expenses	7	(1,348,691)	(2,269,575)
Loss on disposal of assets		(14,361)	(982,904)
Other expenses		(831,763)	(1,583,551)
<b>Profit before income tax from continuing operations</b>		<b>6,928,713</b>	<b>3,893,580</b>
Income tax expense	8	(2,046,403)	(732,450)
<b>Profit from continuing operations for the year</b>		<b>4,882,310</b>	<b>3,161,130</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(196,813)	(38,674)
<b>Total comprehensive income for the year</b>		<b>4,685,497</b>	<b>3,122,456</b>
<b>Earnings per share (cents per share):</b>			
Basic earnings per share	9	3.06	2.42
Diluted earnings per share	9	2.96	2.33

# Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018	2017
ASSETS		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	10	13,364,679	2,004,385
Trade and other receivables	11	25,092,381	23,027,144
Work in progress		10,894,165	9,452,907
Other current assets	12	2,352,168	2,352,211
<b>Total Current Assets</b>		<b>51,703,393</b>	<b>36,836,647</b>
<b>Non-current assets</b>			
Plant and equipment	13	16,949,293	20,965,878
Intangible assets	14	62,712,777	58,052,451
Other receivables	11	-	33,424
Deferred tax asset	8	2,004,609	3,191,630
<b>Total Non-Current assets</b>		<b>81,666,679</b>	<b>82,243,383</b>
<b>TOTAL ASSETS</b>		<b>133,370,072</b>	<b>119,080,030</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	22,247,580	18,334,643
Income tax payable		502,472	526,278
Borrowings	17	2,381,231	6,720,722
Provisions	18	6,254,407	5,854,399
Unearned revenue		2,293,310	3,278,063
<b>Total Current Liabilities</b>		<b>33,679,000</b>	<b>34,714,105</b>
<b>Non-current liabilities</b>			
Borrowings	17	20,327,773	9,057,872
Provisions	18	2,988,001	4,028,337
<b>Total Non-Current Liabilities</b>		<b>23,315,774</b>	<b>13,086,209</b>
<b>TOTAL LIABILITIES</b>		<b>56,994,774</b>	<b>47,800,314</b>
<b>NET ASSETS</b>		<b>76,375,298</b>	<b>71,279,716</b>
<b>EQUITY</b>			
Issued capital	20	54,204,746	54,204,746
Reserves	19	2,285,107	2,071,835
Retained profits		19,885,445	15,003,135
<b>TOTAL EQUITY</b>		<b>76,375,298</b>	<b>71,279,716</b>

# Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018	2017
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		188,570,926	185,368,794
Payments to suppliers and employees		(172,221,895)	(174,888,578)
Income tax paid		(812,491)	(713,221)
Dividends received from associate		-	75,943
<b>Net cash flows from operating activities</b>	<b>10 (b)</b>	<b>15,536,540</b>	<b>9,842,938</b>
<b>Cash flows from investing activities</b>			
Purchase of intangibles		(8,153,440)	(7,269,413)
Purchase of plant and equipment		(735,158)	(3,681,756)
Deferred payment in relation to business acquisition of prior years		-	(8,954,103)
Proceeds from sale of associate		-	231,024
<b>Net cash flows used in investing activities</b>		<b>(8,888,598)</b>	<b>(19,674,248)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(1,349,361)	(2,048,298)
Proceeds from issue of shares		-	16,000,000
Payment of capital raising costs		-	(862,761)
Repayment of borrowings		(3,396,923)	(3,344,633)
Repayment of finance lease liabilities		(998,186)	(7,910,326)
Proceeds from finance leases		-	2,194,991
Proceeds from borrowings		13,285,957	1,900,605
<b>Net cash flows from financing activities</b>		<b>7,541,487</b>	<b>5,929,578</b>
Net increase/(decrease) in cash and cash equivalents		14,189,429	(3,901,732)
Effect of exchange rate fluctuations on cash held		20,163	86,131
Cash and cash equivalents at beginning of period		(844,913)	2,970,688
<b>Cash and cash equivalents at end of period</b>	<b>10 (a)</b>	<b>13,364,679</b>	<b>(844,913)</b>

## Consolidated Statement of Changes in Equity

### For the year ended 30 June 2018

	Issued Capital	Retained Profits	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 30 June 2016</b>	<b>38,783,679</b>	<b>11,842,005</b>	<b>138,811</b>	<b>1,640,206</b>	<b>52,404,701</b>
Profit for the year	-	3,161,130	-	-	3,161,130
Other comprehensive loss	-	-	(38,674)	-	(38,674)
Share-based payments	-	-	-	331,492	331,492
Issue of shares	16,025,000	-	-	-	16,025,000
Capital raising costs	(603,933)	-	-	-	(603,933)
<b>Balance at 30 June 2017</b>	<b>54,204,746</b>	<b>15,003,135</b>	<b>100,137</b>	<b>1,971,698</b>	<b>71,279,716</b>
Profit for the year	-	4,882,310	-	-	4,882,310
Other comprehensive loss	-	-	(196,813)	-	(196,813)
Share-based payments	-	-	-	410,085	410,085
<b>Balance at 30 June 2018</b>	<b>54,204,746</b>	<b>19,885,445</b>	<b>(96,676)</b>	<b>2,381,783</b>	<b>76,375,298</b>

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

The financial report of Empired Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 13 August 2018.

Empired Limited, whose shares are publicly traded on the Australian Securities Exchange, is a company incorporated in Australia. The financial report includes the consolidated financial statements and notes of Empired Limited and controlled entities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Empired Limited is a for-profit entity for the purpose of preparing the financial statements.

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) New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for the current reporting period, however there was no need to change accounting policies or make retrospective adjustments as a result of adopting these standards. Information on these new standards is presented below.

#### **AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses**

AASB 2016-1 amends AASB 112 *Income Taxes* to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

#### **AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

AASB 2016-2 amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017.

The adoption of these standards has not had a material impact on the Group.

### (c) Impact of standards issued but not yet applied

New and revised accounting standards and amendments that are currently issued for future reporting periods that are relevant to the Company include:

#### **AASB 9 Financial Instruments (December 2014)**

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

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:

- Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- 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.

- Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- 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.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - » the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
  - » 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.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

The Company is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

#### **AASB 15 Revenue from Contracts with Customers**

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands disclosures about revenue.

The estimated potential impact of the impending change, based upon current Group business operations, would be to defer the recognition of revenue and costs on specific revenue streams of the Group and recognise that revenue as performance obligations are satisfied taking into consideration the core principles of AASB 15.

The estimated potential financial impact on revenue and after tax profit for the year ended 30 June 2018, based upon current Group business operations, is a reduction of \$91,000 and \$26,000 respectively.

The effective date is for annual reporting periods beginning on or after 1 July 2018.

#### **AASB 16 Leases**

AASB 16 replaces AASB 117 *Leases* and some lease-related Interpretations. In summary, AASB 16:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The estimated impact of this impending change as at 30 June 2018 can be summarised as follows: introduction of a right-of-use asset of \$20.3m, an increase in lease liabilities of \$20.3m, a reduction in provisions of \$3.4m and a derecognition of deferred tax assets of \$1.0m.

This preliminary assessment is indicative and has not taken fully into consideration the transitional arrangements or practical expedients available under AASB 16. The assessment is also based upon current information that may by its nature change between this reporting date and the application date of AASB 16.

The effective date is for annual reporting periods beginning on or after 1 July 2019.

#### **(d) Basis of consolidation**

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2018. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

#### **Business Combinations**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any

asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

#### **(e) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

- Leased Equipment 3 years
- Leasehold Improvements 5 – 20 years
- Furniture & Fittings 1–15 years
- Computer Hardware 1–8 yrs

#### **Impairment**

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognised.



**(f) Borrowing costs**

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

**(g) Goodwill**

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

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

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is not amortised.

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.

**(h) Intangible Assets Other Than Goodwill**

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

- Software 1–7 years
- Other 3–7 years

**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 profit or loss through the 'amortisation expenses' line item.

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

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

**Research and development costs**

Research costs are expensed as incurred.

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

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

**Software**

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

Amortisation is calculated on a straight-line basis depending on the useful life of the asset.

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

**(i) 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.

### (j) Operating segments

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.

### (k) Financial instruments

#### **Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### **Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at Fair Value Through Profit or Loss ('FVTPL')

- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

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

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### **(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. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments.

#### **(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).

#### **Classification and subsequent measurement of financial liabilities**

The Group's financial liabilities include borrowings and trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

#### **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 profit or loss and other comprehensive income.

#### **(l) Trade and other receivables**

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

An 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.

#### **(m) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank, 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.

#### **(n) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in profit or loss when the liabilities are derecognised and as well as through the amortisation process.

#### **(o) Provisions**

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

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

#### **(p) Employee benefits**

##### **(i) Short-term employee benefits**

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

**(ii) Other long-term employee benefits**

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds published by Milliman Australia/G100 that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur. The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

**(q) Share-based payment transactions**

The Group provides remuneration to certain 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').

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 measured using a variation of the binomial option pricing model that takes into account the terms and conditions on which the instruments were granted and the current likelihood of achieving the specified target. Further, the cost of equity-settled transactions is recognised, together with a corresponding increase in the Employee Equity Benefits Reserve, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired

and 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.

**(r) Employee share schemes**

There were no shares issued under the Employee Share Ownership Plan during the financial year.

**(s) 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 consolidated profit or loss on a straight-line basis over the lease term.

#### **(t) 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. Stage completion or percentage completion method is used to determine earned revenue for services that have fixed revenue.

##### **Maintenance, hosting and support fees**

Revenue from maintenance, hosting and support is recognised and brought to account over the time it is earned. Revenue not yet earned 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.

#### **(u) Foreign currency transactions**

The consolidated financial statements are presented in Australian Dollars ('\$AUD'), which is also the functional currency of the Parent Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the \$AUD are translated into \$AUD upon

consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into \$AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into \$AUD at the closing rate. Income and expenses have been translated into \$AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

#### **(v) 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 profit or loss.

#### **(w) Other taxes**

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

#### **(x) Work in progress and unearned revenue**

When the outcome of a contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the ratio of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as "work in progress" on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as Trade Receivables within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as "unearned revenue".

Progress billings not yet paid by customers are included within "trade and other receivables".

**(y) 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 14.

**(ii) Share based payments**

The Group 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 measured by using a variation of the binomial option pricing model that takes into account the terms and conditions on which the instruments were granted and the current likelihood of achieving the specified target. 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.

**(iii) Long service leave provision**

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

The Group uses the high quality corporate bond rate as the discount rate when measuring its Australian dollar dominated long term employee benefits.

**(iv) Estimation of useful lives of assets**

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### 3. SEGMENT REPORTING

Management identifies its operating segments based on the Group's geographical presence, which represent the main products and services provided by the Group. The Group's two operating segments are:

- Australia
- New Zealand

The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

2018	Australia	New Zealand	Elimination	Total
<b>Revenue</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
From external customers	116,056,995	58,253,868	-	174,310,863
From other segment	618,968	960,252	(1,579,220)	-
<b>Total</b>	<b>116,675,963</b>	<b>59,214,120</b>	<b>(1,579,220)</b>	<b>174,310,863</b>
Segment profit (EBITDA)	11,062,236	5,351,882	-	16,414,118
Segment assets	96,367,754	37,002,318	-	133,370,072
Segment non-current assets	56,716,370	24,950,309	-	81,666,679
2017	Australia	New Zealand	Elimination	Total
<b>Revenue</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
From external customers	104,020,398	63,371,312	-	167,391,710
From other segment	379,730	1,499,691	(1,879,421)	-
<b>Total</b>	<b>104,400,128</b>	<b>64,871,003</b>	<b>(1,879,421)</b>	<b>167,391,710</b>
Segment profit (EBITDA)	10,625,304	4,744,459	-	15,369,763
Segment assets	81,592,798	37,487,232	-	119,080,030
Segment non-current assets	56,299,976	25,943,407	-	82,243,383

The Group's segment operating EBITDA reconciles to the Group's profit before tax as presented in the financial statements as follows:

	2018	2017
	<b>\$</b>	<b>\$</b>
Total reporting segment operating EBITDA	16,414,118	15,369,763
<b>Less:</b>		
Finance costs (net)	(1,310,782)	(2,251,636)
Depreciation and amortisation expenses	(8,160,262)	(8,241,643)
Loss on disposal of assets	(14,361)	(982,904)
<b>Group profit before tax</b>	<b>6,928,713</b>	<b>3,893,580</b>



**4. REVENUE**

	2018	2017
<b>Sales Revenue</b>	<b>\$</b>	<b>\$</b>
Services revenue	157,092,408	152,586,167
Product and license revenue	17,218,455	14,805,543
<b>Total sales revenue</b>	<b>174,310,863</b>	<b>167,391,710</b>
<b>Other Income</b>		
Share of associate profit	-	92,259
Profit on sale of associate	-	21,476
Interest	37,909	17,939
Vendor warranty claim	-	532,047
<b>Total other income</b>	<b>37,909</b>	<b>663,721</b>
<b>Total revenue and other income</b>	<b>174,348,772</b>	<b>168,055,431</b>

**5. ADMINISTRATION EXPENSES**

	2018	2017
Employee benefits (not included in cost of sales)	28,217,426	25,202,104
Depreciation expenses	4,571,722	4,360,445
Amortisation expenses	3,588,540	3,881,198
Other administration expenses	8,439,280	7,883,407
<b>Total</b>	<b>44,816,968</b>	<b>41,327,154</b>

**6. EMPLOYEE BENEFITS EXPENSE**

	2018	2017
Employee benefits included in cost of sales	95,751,863	96,531,367
Employee benefits included in administration expenses	28,217,426	25,202,104
<b>Total</b>	<b>123,969,289</b>	<b>121,733,471</b>

## 7. FINANCE EXPENSES

	2018	2017
Interest expenses – bank borrowings	1,308,425	1,526,645
Interest expenses – finance leases and hire purchase	40,266	208,891
Interest expenses – other	-	534,039
<b>Total</b>	<b>1,348,691</b>	<b>2,269,575</b>

## 8. INCOME TAX

### (a) Income tax expense

	2018	2017
<b>The major components of income tax expense are:</b>	<b>\$</b>	<b>\$</b>
Current income tax payable	857,149	541,217
Current income tax payable – prior year adjustment	-	(114,885)
Deferred income tax relating to origination and reversal of temporary differences	1,365,204	469,981
Under provision in respect of prior years	(175,950)	(163,863)
<b>Income tax expense reported in profit or loss</b>	<b>2,046,403</b>	<b>732,450</b>

### (b) Amounts charged (credited) directly to equity

	2018	2017
	<b>\$</b>	<b>\$</b>
Capital raising costs	-	258,828
<b>Total</b>	<b>-</b>	<b>258,828</b>

**8. INCOME TAX (CONTINUED)****(c) Reconciliation of tax expense to accounting profit**

	2018	2017
	\$	\$
Accounting profit before income tax	6,928,713	3,893,580
At Australia's statutory income tax rate of 30%	2,079,518	1,178,240
<b>Adjust for tax effect of:</b>		
Tax rate differential	(102,038)	(88,456)
Non-deductible expenses	215,743	235,819
Foreign exchange differences	(36,949)	(6,716)
R&D offset income tax variance	-	(196,801)
Under provision in respect of prior years	(183,780)	(278,747)
Other income for income tax purposes	73,909	(89,338)
Equity accounted earnings	-	(21,551)
<b>Income tax expense</b>	<b>2,046,403</b>	<b>732,450</b>

**(d) Recognised deferred tax assets and liabilities**

Deferred income tax balances relate to the following:

	Opening Balance	Recognised in Profit and Loss	Recognised in Other Comprehensive Income	Exchange Differences	Closing Balance
<b>30 JUNE 2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deferred tax liabilities</b>					
Work in Progress	2,606,793	267,465	-	-	2,874,258
Fixed Assets	3,369,352	(338,302)	-	(604)	3,030,446
Trade and other receivables	-	24,495	-	-	24,495
Other	49,470	(24,621)	-	-	24,849
<b>Gross deferred tax liabilities</b>	<b>6,025,615</b>	<b>(70,963)</b>	<b>-</b>	<b>(604)</b>	<b>5,954,048</b>
<b>Deferred tax assets</b>					
Provisions	3,269,110	(101,508)	-	(543)	3,167,059
Equity raising costs	331,361	(137,901)	-	-	193,460
Borrowing costs	7,397	(4,128)	-	-	3,269
R&D Tax Offsets carried forward	4,840,625	(740,585)	-	-	4,100,040
Trade and other receivables	18,845	(16,345)	-	(18)	2,482
Other	2,602	9,431	-	481	12,514
Tax losses	747,305	(269,182)	-	1,710	479,833
<b>Gross deferred tax assets</b>	<b>9,217,245</b>	<b>(1,260,218)</b>	<b>-</b>	<b>1,630</b>	<b>7,958,657</b>
	<b>3,191,630</b>	<b>(1,189,255)</b>	<b>-</b>	<b>2,234</b>	<b>2,004,609</b>

## 8. INCOME TAX (CONTINUED)

### (d) Recognised deferred tax assets and liabilities (continued)

	Opening Balance	Recognised in Profit and Loss	Recognised in Other Comprehensive Income	Exchange Differences	Closing Balance
30 JUNE 2017	\$	\$	\$	\$	\$
<b>Deferred tax liabilities</b>					
Work in Progress	2,771,901	(165,108)	-	-	2,606,793
Fixed Assets	3,350,180	16,286	-	2,886	3,369,352
Other	17,477	33,393	-	(1,400)	49,470
<b>Gross deferred tax liabilities</b>	<b>6,139,558</b>	<b>(115,429)</b>	<b>-</b>	<b>1,486</b>	<b>6,025,615</b>
<b>Deferred tax assets</b>					
Provisions	3,527,140	(258,070)	-	40	3,269,110
Equity raising costs	201,917	(129,384)	258,828	-	331,361
Borrowing costs	8,466	(1,069)	-	-	7,397
R&D Tax Offsets carried forward	3,949,233	891,392	-	-	4,840,625
Trade and other receivables	41,596	(22,262)	-	(489)	18,845
Other	16,615	(13,840)	-	(173)	2,602
Tax losses	1,640,554	(888,315)	-	(4,934)	747,305
<b>Gross deferred tax assets</b>	<b>9,385,521</b>	<b>(421,548)</b>	<b>258,828</b>	<b>(5,556)</b>	<b>9,217,245</b>

### (e) Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Empired Limited and its 100% Australian owned 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.

## 9. 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 company by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares on issue 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:

	2018	2017
	\$	\$
Net profit attributable to ordinary equity holders of the parent	4,882,310	3,161,130

	2018	2017
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	159,751	130,498
<i>Effect of Dilution:</i>		
Performance rights	5,184	5,024
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>164,935</b>	<b>135,522</b>

## 10. CASH & CASH EQUIVALENTS

### (a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash at bank and in hand net of bank overdraft. Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2018	2017
	\$	\$
Cash at bank and in hand	13,364,679	2,004,385
Bank overdraft ( <i>note 17</i> )	-	(2,849,298)
	<b>13,364,679</b>	<b>(844,913)</b>

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

	2018	2017
	\$	\$
Profit after income tax	4,882,310	3,161,130
Finances expenses (net)	1,310,782	2,251,637
Depreciation and amortisation	8,160,262	8,241,643
Loss on disposal of assets	14,361	982,904
Share payment expense	410,096	356,492
Equity accounted earnings from associate	-	(92,259)
Dividend received from associate	-	75,943
Profit on sale of associate	-	(21,476)
<b>Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:</b>		
Increase in receivables	(2,077,534)	(855,131)
(Increase) / decrease in work in progress	(1,441,258)	946,117
Decrease / (increase) in prepayments and other receivables	890,795	(217,747)
Increase / (decrease) in trade creditors and other payables	3,824,789	(3,186,459)
Decrease in lease incentives	(934,895)	(808,505)
Decrease in unearned revenue	(984,753)	(875,345)
Decrease in deferred tax asset	1,187,021	54,333
Increase / (decrease) in provision for employee entitlements	294,564	(170,339)
<b>Net cash from operating activities</b>	<b>15,536,540</b>	<b>9,842,938</b>

### (c) Non cash transactions

During the period the Group acquired \$259,726 (2017: \$1,025,045) of plant and equipment and intangibles under finance leases not involving cash.

**11. TRADE & OTHER RECEIVABLES**

	2018	2017
<b>Current</b>	<b>\$</b>	<b>\$</b>
Gross trade receivables	25,104,980	22,911,739
Provision for doubtful debts	(165,920)	(50,213)
Other receivables	153,321	165,618
	<b>25,092,381</b>	<b>23,027,144</b>
<b>Non-current</b>		
Other receivables	-	33,424

Trade receivables are non-interest bearing and are generally on 30-day terms. A provision for impairment is recognised when there is objective evidence that an amount is considered not collectible.

**12. OTHER CURRENT ASSETS**

	2018	2017
	<b>\$</b>	<b>\$</b>
Prepayments	2,352,168	2,352,211

**13. PROPERTY, PLANT & EQUIPMENT**

	2018	2017
<b>Leasehold improvements</b>	<b>\$</b>	<b>\$</b>
At cost	6,015,328	6,062,054
Accumulated depreciation	(2,059,565)	(1,518,972)
<b>Total lease improvements</b>	<b>3,955,763</b>	<b>4,543,082</b>
<b>Computer hardware</b>		
At cost	21,073,555	20,505,974
Accumulated depreciation	(9,599,274)	(5,877,590)
<b>Total computer hardware</b>	<b>11,474,281</b>	<b>14,628,384</b>
<b>Equipment &amp; Fittings</b>		
At cost	2,603,290	2,627,798
Accumulated depreciation	(1,088,516)	(840,105)
<b>Total Equipment &amp; Fittings</b>	<b>1,514,774</b>	<b>1,787,693</b>
<b>Leased equipment</b>		
At cost	39,506	39,506
Accumulated depreciation	(35,031)	(32,787)
<b>Total leased equipment</b>	<b>4,475</b>	<b>6,719</b>
<b>Total property, plant &amp; equipment</b>	<b>16,949,293</b>	<b>20,965,878</b>



**13. PROPERTY, PLANT & EQUIPMENT (CONTINUED)**

<b>2018</b>	<b>Leased equipment</b>	<b>Leasehold improvements</b>	<b>Computer hardware</b>	<b>Furniture, Equipment &amp; Fittings</b>	<b>Total</b>
<b>Gross carrying amount</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance 1 July 2017	39,506	6,062,054	20,505,974	2,638,019	29,245,553
Additions	-	3,815	673,190	58,153	735,158
Disposals	-	(29,917)	(1,607)	(2,487)	(34,011)
Exchange differences	-	(20,624)	(104,002)	(90,395)	(215,021)
<b>Balance 30 June 2018</b>	<b>39,506</b>	<b>6,015,328</b>	<b>21,073,555</b>	<b>2,603,290</b>	<b>29,731,679</b>
<b>Depreciation &amp; impairment</b>					
Balance 1 July 2017	(32,787)	(1,518,972)	(5,877,590)	(850,326)	(8,279,675)
Disposals	-	15,564	1,257	1,559	18,380
Depreciation	(2,244)	(556,586)	(3,736,521)	(276,371)	(4,571,722)
Exchange differences	-	429	13,580	36,622	50,631
<b>Balance 30 June 2018</b>	<b>(35,031)</b>	<b>(2,059,565)</b>	<b>(9,599,274)</b>	<b>(1,088,516)</b>	<b>(12,782,386)</b>
<b>Carrying amount 30 June 2018</b>	<b>4,475</b>	<b>3,955,763</b>	<b>11,474,281</b>	<b>1,514,774</b>	<b>16,949,293</b>
<b>2017</b>	<b>Leased equipment</b>	<b>Leasehold improvements</b>	<b>Computer hardware</b>	<b>Furniture, Equipment &amp; Fittings</b>	<b>Total</b>
<b>Gross carrying amount</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance 1 July 2016	3,022,624	6,350,867	17,315,643	1,926,525	28,615,659
Additions	-	578,994	2,990,574	1,036,688	4,606,256
Transfers	(1,095,169)	-	1,095,169	-	-
Disposals	(1,868,756)	(861,395)	(887,864)	(325,118)	(3,943,133)
Exchange differences	(19,193)	(6,412)	(7,548)	(76)	(33,229)
<b>Balance 30 June 2017</b>	<b>39,506</b>	<b>6,062,054</b>	<b>20,505,974</b>	<b>2,638,019</b>	<b>29,245,553</b>
<b>Depreciation &amp; impairment</b>					
Balance 1 July 2016	(1,217,049)	(1,565,323)	(3,795,738)	(898,362)	(7,476,472)
Disposals	1,768,190	543,694	999,412	233,537	3,544,833
Transfers	(542,127)	-	542,127	-	-
Depreciation	(49,441)	(501,286)	(3,629,230)	(180,488)	(4,360,445)
Exchange differences	7,640	3,943	5,839	(5,013)	12,409
<b>Balance 30 June 2017</b>	<b>(32,787)</b>	<b>(1,518,972)</b>	<b>(5,877,590)</b>	<b>(850,326)</b>	<b>(8,279,675)</b>
<b>Carrying amount 30 June 2017</b>	<b>6,719</b>	<b>4,543,082</b>	<b>14,628,384</b>	<b>1,787,693</b>	<b>20,965,878</b>

## 14. INTANGIBLE ASSETS

	2018	2017
<b>Goodwill</b>	<b>\$</b>	<b>\$</b>
Cost	46,446,049	46,446,049
Net carrying value	<b>46,446,049</b>	<b>46,446,049</b>
<b>Software</b>		
Cost	24,486,954	16,280,368
Amortisation	(8,291,525)	(4,825,446)
Net carrying value	<b>16,195,429</b>	<b>11,454,922</b>
<b>Other</b>		
Cost	480,562	486,483
Amortisation	(409,263)	(335,003)
Net carrying value	<b>71,299</b>	<b>151,480</b>
<b>Total intangibles</b>	<b>62,712,777</b>	<b>58,052,451</b>

	Goodwill	Software	Other	Total
<b>Year end 30 June 2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	46,446,049	11,454,922	151,480	58,052,451
Additions	-	8,332,703	-	8,332,703
Amortisation charge	-	(3,511,144)	(77,396)	(3,588,540)
Exchange differences	-	(81,052)	(2,785)	(83,837)
<b>Closing value at 30 June 2018</b>	<b>46,446,049</b>	<b>16,195,429</b>	<b>71,299</b>	<b>62,712,777</b>
<b>Year end 30 June 2017</b>				
Balance at the beginning of the year	46,446,049	8,419,848	238,458	55,104,355
Additions	-	7,369,267	-	7,369,267
Disposals	-	(531,793)	-	(531,793)
Amortisation charge	-	(3,795,268)	(85,930)	(3,881,198)
Exchange differences	-	(7,132)	(1,048)	(8,180)
<b>Closing value at 30 June 2017</b>	<b>46,446,049</b>	<b>11,454,922</b>	<b>151,480</b>	<b>58,052,451</b>

Intangible assets, other than goodwill, have finite lives and are required to be amortised over their expected lives. Goodwill has an infinite life. Goodwill assumptions have been detailed below. No impairment was recorded.

## 14. INTANGIBLE ASSETS (CONTINUED)

### Goodwill

Goodwill acquired through business combinations with indefinite lives are allocated to the Australian and New Zealand cash generating units (CGUs), which are also the operating and reportable segments for impairment testing. The carrying amount of goodwill allocated to each CGU is as follows:

	2018	2017
	\$	\$
Australia	27,105,898	27,105,898
New Zealand	19,340,151	19,340,151
<b>Total carrying amount of goodwill</b>	<b>46,446,049</b>	<b>46,446,049</b>

The Group performed the annual impairment test in June 2018. The Group considers the relationship between its equity market capitalisation and the net assets as shown on the balance sheet, among other factors, when reviewing for indicators of impairment. No indicators of impairment are noted. In considering the carrying value of goodwill, the Directors have adopted a value in use methodology to determine the recoverable amounts of each CGU which confirms that no impairment charge is necessary.

The recoverable amount of each CGU has been determined based on a value in use calculation that uses the cash flow budgets over a one year period, followed by an extrapolation of expected cash flows for the CGUs over a four year period using the growth rates determined by management and the assumptions outlined below. The present value of the expected cash flows and a terminal value for each segment is determined by applying a suitable discount rate.

### Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for each CGU is most sensitive to the following assumptions:

- Gross profit margins - are based upon FY19 budgets and margins achieved in the current year. Gross profit margins are the most sensitive variable to the value in use calculation. However, a reasonable possible change is not likely to cause a material impairment.
- Cost price inflation – has been based upon publicly available inflationary data.
- Growth rate estimates – consistent with published industry research have been adopted. It is acknowledged that technological change, macro-economic factors and action of competitors can have an impact on growth rate assumptions. Growth rates for revenue and costs have been assumed post year 3 at 3%.
- Discount rates – represent the current market risks, taking into consideration the time value of money and specific risks not incorporated in the cash flow forecasts. The discount rate is based upon the weighted average cost of capital (WACC). WACC is assessed taking into account the expected return on investment by investors, the cost of debt servicing plus beta factors for industry risk. The Directors have adopted a WACC of 14.6% which is applied to the pre-tax cash flows after replacement capital expenditure of each CGU.

## 15. EMPLOYEE BENEFITS

The total expense relating to equity-settled share-based payment transactions in 2018 was \$410,085 (2017: \$331,492).

During 2018 certain employees were eligible to participate in the Company's Performance Rights Plan. Each performance right granted under this plan is subject to both a performance criteria and a vesting period. At termination of a performance rights holder's employment, unvested performance rights are retained on a pro-rata basis with the balance forfeited. Each performance right is issued for nil consideration, with each performance right converting to one fully paid ordinary share upon vesting. The performance rights are unquoted. There are no voting or dividend rights attaching to the performance rights. Performance rights vest upon a change of control in the Company.

The following summarises the number and movement in performance rights for the reporting periods:

	2018	2017
	No.	No.
Outstanding at the beginning of the year	5,023,659	5,584,076
Granted during the year	2,075,000	3,411,975
Forfeited during the year	(443,192)	(1,847,392)
Vested during the year	(1,471,301)	(2,125,000)
<b>Outstanding at the end of the year</b>	<b>5,184,166</b>	<b>5,023,659</b>

A summary of the performance criteria and vesting dates is as follows:

Number of Performance Rights	Vesting Date	Hurdle Description
98,505	1 July 2018	FY18 Basic EPS
98,505	1 July 2018	Relative Total Shareholder Return
49,278	1 July 2018	Sustainability measure
587,576	31 August 2019	FY18 Basic EPS
587,576	31 August 2019	FY19 Basic EPS
1,175,150	31 August 2019	Relative Total Shareholder Return
587,576	31 August 2019	Sustainability measure
398,400	30 August 2020	FY19 Basic EPS
398,400	30 August 2020	FY20 Basic EPS
804,800	30 August 2020	Relative Total Shareholder Return
398,400	30 August 2020	Sustainability measure
<b>5,184,166</b>		

### 15. EMPLOYEE BENEFITS (CONTINUED)

The fair values of the performance rights is measured using a variation of the binomial option pricing model that takes into account the terms and conditions on which the instruments were granted and the current likelihood of achieving the specified target. The following principal assumptions were used in the valuation of performance rights issued in the financial year:

TRANCHE	1	2
Grant date	14/09/2017	6/12/2017
Vesting period ends	30/08/2020	30/08/2020
Share price at date of grant	\$0.63	\$0.49
Term	3 yrs	3 yrs
Fair value at grant date	\$547,183	\$291,299
Performance rights granted	1,223,000	852,000

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time. No special features inherent to the options granted were incorporated into measurement of fair value.

### 16. TRADE & OTHER PAYABLES

	2018	2017
	\$	\$
Trade payables	10,744,831	8,671,125
Other payables	11,502,749	9,663,518
<b>Total</b>	<b>22,247,580</b>	<b>18,334,643</b>

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

	2018	2017
	\$	\$
Owing to directors and director related entities	55,000	60,740

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

## 17. BORROWINGS

	2018	2017
<b>Current – designated at amortised cost:</b>	<b>\$</b>	<b>\$</b>
Obligations under bank loan	1,200,000	1,941,201
Obligations under NZ-Dollar bank loan	640,559	1,110,329
Obligations under NZ-Dollar bank overdraft ( <i>note10(a)</i> )	-	2,849,298
Obligations under finance leases and hire purchase contracts	245,935	622,999
Obligations under premium funding contracts	294,737	196,895
<b>Total</b>	<b>2,381,231</b>	<b>6,720,722</b>

	2018	2017
<b>Non-current – Designated at amortised cost:</b>	<b>\$</b>	<b>\$</b>
Obligations under bank loan	17,445,255	5,723,440
Obligations under NZ-Dollar bank loan	2,882,518	3,321,913
Obligations under finance leases and hire purchase contracts	-	12,519
<b>Total</b>	<b>20,327,773</b>	<b>9,057,872</b>

### Summary of facilities

At reporting date, the following financing facilities were available:

	2018	2017
	<b>\$</b>	<b>\$</b>
Bank overdraft	-	12,000,000
Facility used at reporting date	-	(2,849,298)
Facility unused at reporting date	-	<b>9,150,702</b>
Bank loans	22,989,396	12,174,664
Facility used at reporting date	(22,168,332)	(12,096,883)
Facility unused at reporting date	<b>821,064</b>	<b>77,781</b>
Bank guarantees	3,500,000	3,500,000
Facility used at reporting date	(2,573,283)	(1,784,047)
Facility unused at reporting date	<b>926,717</b>	<b>1,715,953</b>
Bank finance leases	4,000,000	5,000,000
Facility used at reporting date	-	-
Facility unused at reporting date	<b>4,000,000</b>	<b>5,000,000</b>

## 17. BORROWINGS (CONTINUED)

### Summary of covenants

During the financial year the company re-financed its bank debt facilities. The bank debt facilities comprise:

- non-revolving term debt of \$10,123,077 maturing in February 2021 with quarterly principal repayments;
- borrowing base of \$13,000,000 maturing in February 2020;
- bank guarantee facility of \$3,500,000 maturing in February 2021; and
- lease facility of \$4,000,000 with a 3 year term.

The term debt, borrowing base and bank guarantee facilities can be drawn in Australian or New Zealand dollars.

The bank facilities are subject to the customary borrowing terms and conditions of a bank facility of this kind.

The financial covenants that apply include debt service coverage ratio, leverage ratio and maximum borrowing base utilisation as a percentage of certain trade debtors.

### Security arrangements

Security for the above bank facilities has been provided as follows:

- Registered General Security Interest provided by Empired Limited and Intergen Limited;
- Specific Security deed over the shares in the subsidiaries of Empired Limited; and
- Cross guarantee and indemnity provided by each group entity.

**18. PROVISIONS**

	Lease Incentives	Annual Leave	Long Service Leave	Total
Year end 30 June 2018	\$	\$	\$	\$
Balance at the beginning of the year	4,335,168	4,321,525	1,226,043	9,882,736
Increase in discounting	-	(491)	-	(491)
Additional provisions	-	6,979,661	333,500	7,313,161
Amounts used	(934,893)	(6,947,550)	(70,555)	(7,952,998)
<b>Closing value at 30 June 2018</b>	<b>3,400,275</b>	<b>4,353,145</b>	<b>1,488,988</b>	<b>9,242,408</b>

	2018	2017
Analysis of total provisions: Current	\$	\$
Provision for Annual Leave	4,353,145	4,321,525
Provision for Long Service Leave	945,979	566,319
Provision for Lease Incentives	955,283	966,555
<b>Total</b>	<b>6,254,407</b>	<b>5,854,399</b>
Analysis of total provisions: Non-current		
Provision for Long Service Leave	543,009	659,724
Provision for Lease Incentives	2,444,992	3,368,613
<b>Total</b>	<b>2,988,001</b>	<b>4,028,337</b>

**19. RESERVES**

	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Total Reserves
	\$	\$	\$
Opening balance as at 1 July 2016	138,811	1,640,206	1,779,017
Exchange differences arising on translation of foreign operations	(38,674)	-	(38,674)
Share-based payments	-	331,492	331,492
Closing balance as at 30 June 2017	100,137	1,971,698	2,071,835
Exchange differences arising on translation of foreign operations	(196,813)	-	(196,813)
Share-based payments	-	410,085	410,085
<b>Closing balance as at 30 June 2018</b>	<b>(96,676)</b>	<b>2,381,783</b>	<b>2,285,107</b>



**20. ISSUED CAPITAL**

	2018	2017
	\$	\$
Ordinary Shares fully paid	54,204,746	54,204,746

	No.	Value (\$)
<b>Movement in ordinary shares on issue</b>		
At 1 July 2016	120,048,538	38,783,679
Issue of ordinary shares (net of issue costs)	38,558,080	15,421,067
At 30 June 2017	158,606,618	54,204,746
Issue of ordinary shares (net of issue costs)	1,471,301	-
<b>At 30 June 2018</b>	<b>160,077,919</b>	<b>54,204,746</b>

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

On 28 August 2017, the company issued 971,301 ordinary shares for the vesting of Performance Rights.

On 1 November 2017, the company issued 500,000 ordinary shares for the vesting of Performance Rights.

**Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and convertible performance rights, supported by financial assets. There are no externally imposed capital requirements, except for the covenants on the bank facilities.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratios for the years ended 30 June 2018 and 30 June 2017 are as follows:

	Note	Consolidated Group 2018	Consolidated Group 2017
		\$	\$
Total Borrowings	17	22,709,004	15,778,594
Less cash and cash equivalents	10(a)	(13,364,679)	(2,004,385)
Net Debt		9,344,325	13,774,209
Issued Capital		54,204,746	54,204,746
<b>TOTAL CAPITAL</b>		<b>63,549,071</b>	<b>67,978,955</b>
Gearing ratio		11%	16%

## 21. DIVIDENDS

	2018	2017
(a) Distributions Paid	\$	\$
Final franked dividend of nil cents (2017: 0 cents)	-	-
Interim franked dividend of nil cents (2017: 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	24,841	24,841

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

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

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 Group's cash balances and bank borrowings at variable interest rates. Finance leases and hire purchase agreements entered into are purchased at fixed interest rates. Cash balances are disclosed at note 10. Refer to note 23 for detail of the Group's exposure to interest rate risks on financial assets and liabilities.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2017: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year \$		Equity \$	
	+1%	-1%	+1%	-1%
30 June 2018	(65,410)	65,410	-	-
30 June 2017	(96,419)	96,419	-	-

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

### Foreign currency risk

The Group has exposure to foreign currency risk as a result of its New Zealand, USA and Singapore based subsidiaries having trade debtors and trade creditors denominated in a currency other than the functional currency. Trade creditor transactions for Australian subsidiaries 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 Group.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into \$AUD at the closing rate:

	NZD \$		USD \$		SGD \$	
	2018	2017	2018	2017	2018	2017
Financial Assets	9,629,754	14,652,546	570,376	645,772	49,312	898,240
Financial Liabilities	(5,143,590)	(9,497,896)	-	(23,111)	(23,261)	(14,305)
<b>Net exposure</b>	<b>4,486,164</b>	<b>5,154,650</b>	<b>570,376</b>	<b>622,661</b>	<b>26,051</b>	<b>883,935</b>

The following table illustrates the sensitivity of profit in regards to the Group's financial assets and financial liabilities and the NZD/AUD exchange rate, USD/AUD exchange rate and SGD/AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the AUD/NZD exchange rate, a +/- 10% change of the AUD/USD exchange rate, and a +/- 10% change of the AUD/SGD exchange rate (2017: 10%). These percentages have been determined based on the average market volatility in exchange rates in the previous twelve (12) months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date. There is no effect on equity.

If the AUD had strengthened against the respective currencies by 10% (2017: 10%) then this would have had the following impact:

	NZD	USD	SGD
	\$	\$	\$
30 June 2018	448,616	57,038	2,605
30 June 2017	515,465	62,266	88,394

**22. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)**

If the \$AUD had weakened against the respective currencies by 10% (2017: 10%) then this would have had the following impact:

	NZD	USD	SGD
	\$	\$	\$
30 June 2018	(448,616)	(57,038)	(2,605)
30 June 2017	(515,465)	(62,266)	(88,394)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

**Commodity price risk**

The Group's exposure to price risk is minimal.

**Credit risk**

The Group trades only with recognised, creditworthy third parties.

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

There are no material 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 Chief Financial Officer.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, 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.

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

### Exposure to credit risk

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

	2018	2017
	\$	\$
Cash and cash equivalents (note 10)	13,364,679	2,004,385
Trade and other receivables (note 11)	25,092,381	23,027,144
<b>Total</b>	<b>38,457,060</b>	<b>25,031,529</b>

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

	2018	2017
	\$	\$
Not past due	21,357,492	18,085,187
Past due 0-30 days	2,297,151	2,189,813
Past due 31-60 days	764,590	1,427,883
Past due 60 days	519,827	1,158,643
<b>Total</b>	<b>24,939,060</b>	<b>22,861,526</b>

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

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long term debt. The Group manages liquidity risk by forecasting and monitoring cash flows on a continuing basis.

As at 30 June 2018, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	0-12 Months	1-5 years	5+ years
30 June 2018	\$	\$	\$
Insurance premium funding loan	306,847	-	-
Bank borrowings and overdraft	2,848,672	21,223,430	-
Finance leases and hire purchase obligations	254,551	-	-
Trade and other payables	22,247,580	-	-
<b>Total</b>	<b>25,657,650</b>	<b>21,223,430</b>	-

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (CONTINUED)

### Liquidity risk (continued)

This compares to the maturity of the Group's financial liabilities in the previous reporting periods as follows:

	0–12 Months	1–5 years	5+ years
<b>30 June 2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Insurance premium funding loan	205,213	-	-
Bank borrowings and overdraft	5,900,828	9,045,353	-
Finance leases and hire purchase obligations	636,504	12,519	-
Trade and other payables	18,860,921	-	-
<b>Total</b>	<b>25,603,466</b>	<b>9,057,872</b>	<b>-</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

## 23. 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:

2018	Floating interest rate	Fixed interest rate	Non-interest bearing	Carrying amount as per balance sheet	Weighted average effective interest rate
<b>i) Financial Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
Cash and cash equivalents	13,364,679	-	-	13,364,679	1.25%
Trade and other receivables	-	-	25,092,381	25,092,381	
<b>Total financial assets</b>	<b>13,364,679</b>	<b>-</b>	<b>25,092,381</b>	<b>38,457,060</b>	
<b>ii) Financial liabilities – at amortised cost</b>					
Trade and other payables	-	-	22,247,580	22,247,580	
Finance leases and hire purchase obligations	-	245,935	-	245,935	4.84%
Insurance premium funding loan	-	294,737	-	294,737	4.75%
Bank Loans	24,072,102	-	-	24,072,102	4.00%
<b>Total financial liabilities</b>	<b>24,072,102</b>	<b>540,672</b>	<b>22,247,580</b>	<b>46,860,354</b>	

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

<b>2017</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Carrying amount as per balance sheet</b>	<b>Weighted average effective interest rate</b>
<b>i) Financial Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
Cash and cash equivalents	2,004,385	-	-	2,004,385	1.00%
Trade and other receivables	-	-	23,027,144	23,027,144	
<b>Total financial assets</b>	<b>2,004,385</b>	<b>-</b>	<b>23,027,144</b>	<b>25,031,529</b>	
<b>ii) Financial liabilities – at amortised cost</b>					
Trade and other payables	-	-	18,860,921	18,860,921	
Finance leases and hire purchase obligations	-	635,518	-	635,518	5.35%
Insurance premium funding loan	-	205,213	-	205,213	5.8%
Bank Loans	14,946,181	-	-	14,946,181	5.36%
<b>Total financial liabilities</b>	<b>14,946,181</b>	<b>840,731</b>	<b>18,860,921</b>	<b>34,647,833</b>	

## 24. COMMITMENTS & CONTINGENCIES

No contingent assets as at 30 June 2018.

### Commitments for expenditure

#### Leases & Hire Purchase

The consolidated entity has various computer equipment on hire purchase arrangements.

	2018	2017
	\$	\$
Not later than one year	254,551	636,504
Later than one year but not later than five years	-	12,519
Less: unexpired charges	(8,616)	(13,505)
<b>Total</b>	<b>245,935</b>	<b>635,518</b>
Current	245,935	622,999
Non Current	-	12,519
<b>Total</b>	<b>245,935</b>	<b>635,518</b>

#### Operating leases

Office premises are leased under non-cancellable operating leases. Their commitment can be seen below:

	2018	2017
Minimum lease payments under non-cancellable operating leases according to the time expected to elapse to the date of payment:	\$	\$
Not later than one year	5,194,852	5,158,496
Later than one year but not later than five years	14,563,884	17,348,386
Later than five years	3,010,675	5,872,384
<b>Total</b>	<b>22,769,411</b>	<b>28,379,266</b>

### Contingent Liabilities

#### Bank guarantees

	2018	2017
	\$	\$
Bank guarantees outstanding at year end	2,573,283	1,784,047



**25. INVESTMENT IN CONTROLLED ENTITY**

	Country of Incorporation	% Equity Interest	
		2018	2017
		%	%
Tusk Technologies Pty Ltd	Australia	100	100
Conducive Pty Ltd	Australia	100	100
OBS Pty Ltd	Australia	100	100
eSavvy Pty Ltd	Australia	100	100
i5 Software Pty Ltd	Australia	100	100
Intergen Business Solutions Pty Ltd	Australia	100	100
Intergen Limited	New Zealand	100	100
Intergen X4 Holdings Limited	New Zealand	100	100
Intergen USA Limited	New Zealand	100	100
Intergen ESS Limited <sup>(a)</sup>	New Zealand	100	100
Empired Singapore Pte Ltd	Singapore	100	100
Intergen North America Limited	USA	100	100

(a) acts as trustee for the Intergen Limited Employee Share Scheme Trust

**26. AUDITORS' REMUNERATION**

	2018	2017
Amounts received or due and receivable by auditors of the parent entity:	\$	\$
<b>Audit and review of financial statements</b>		
Grant Thornton Australia	167,221	152,817
Overseas Grant Thornton network firms	88,182	30,853
<b>Remuneration for audit and review of financial statements</b>	<b>255,403</b>	<b>183,670</b>
<b>Other Services</b>		
Grant Thornton Australia:		
Taxation compliance	14,950	38,350
Overseas Grant Thornton network firms:		
Taxation compliance	6,510	3,901
<b>Total other services remuneration</b>	<b>21,460</b>	<b>42,251</b>
<b>Total auditor's remuneration</b>	<b>276,863</b>	<b>225,921</b>

## 27. PARENT ENTITY

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was Empired Limited.

	2018	2017
<b>Statement of financial position</b>	<b>\$</b>	<b>\$</b>
Current assets	38,968,038	21,404,989
Total assets	86,948,970	72,269,788
Current liabilities	26,123,081	22,102,122
<b>Total liabilities</b>	<b>47,494,549</b>	<b>35,909,230</b>
Issued capital	54,204,744	54,204,744
Employee equity benefits reserve	2,381,783	1,971,697
Accumulated losses	(17,132,106)	(19,815,883)
<b>Total equity</b>	<b>39,454,421</b>	<b>36,360,558</b>
<b>Statement of profit or loss and other comprehensive income</b>		
Profit / (loss) after tax	2,683,777	(990,901)
Other comprehensive income	-	-
<b>Total comprehensive income / (loss)</b>	<b>2,683,777</b>	<b>(990,901)</b>

The Parent Entity has issued the following guarantees in relation to the debts of its subsidiaries:

1. Pursuant to Class Order 98/1418, Empired Limited and OBS Pty Ltd have entered into a deed of cross guarantee on or about 14 November 2013. The effect of the deed is that Empired Limited has guaranteed to pay any deficiency in the event of winding up of OBS Pty Ltd. OBS Pty Ltd has also given a similar guarantee in the event that Empired Limited is wound up. The Closed Group financial information is not disclosed as it is not materially different to the above information for Empired Limited, the Parent Entity.
2. Empired Limited, eSavvy Pty Ltd, Conducive Pty Ltd, OBS Pty Ltd, i5 Software Pty Ltd, Tusk Technologies Pty Ltd, Intergen Business Solutions Pty Ltd and Intergen Limited have entered into a cross guarantee and indemnity in favour of the senior lender to the Group in respect to bank facilities provided to the Group by the senior lender.

## 28. RELATED PARTY TRANSACTIONS

The Group's related parties includes its associate, subsidiaries and key management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

### Transactions with key management personnel

Key management of the Group are the executive members of Empired's Board of Directors and members of the Executive Team. Key management personnel remuneration includes the following expenses:

	2018	2017
	\$	\$
Short-term employee benefits	1,886,549	1,495,601
Post-employment benefits	58,305	74,840
Share-based payment	129,445	210,686
<b>Total compensation paid to key management personnel</b>	<b>2,074,299</b>	<b>1,781,127</b>

## 29. EVENTS AFTER THE REPORTING DATE

No significant non-adjusting events have occurred between the reporting date and the date of authorisation.

## Directors' Declaration

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

1. In the opinion of the directors,
  - (a) the financial statements and notes of Empired Limited for the financial year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the Board



**Russell Baskerville**  
MANAGING DIRECTOR

13th of August 2018



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## 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 2018, 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.

A handwritten signature in black ink, appearing to read "L A Stella".

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A handwritten signature in black ink, appearing to read "L A Stella".

L A Stella  
Partner – Audit & Assurance

Perth, 13 August 2018

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Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# Independent Auditor's Report

To the Members of Empired Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Empired Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition - Note (t) and Note 4</b></p> <p>For the year ended 30 June 2018, the group recognised \$174,310,863 (2017: \$167,391,710) in revenue for fixed price and variable consideration service contracts. Revenue is recognised in accordance with AASB 118 "Revenue" or AASB 111 "Construction Projects" depending on the nature of the transaction.</p> <p>Revenue derived from the delivery of services may be complex and involve significant management judgement due to revenue being recognised in accordance with the percentage of completion accounting for fixed price contracts. The audit team is required to obtain sufficient audit evidence as to whether the assumptions used by management to recognise revenue are reasonable and accurate in accordance with ISA 540 Auditing for Accounting Estimates.</p> <p>This area is a key audit matter due to the complexity associated with service revenue as well as the presumed risk of fraud in revenue.</p>	<p>Our procedures for significant revenue streams included, amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding and documenting the design and processes of key controls and testing their operational effectiveness on revenue recognition;</li> <li>• Testing a sample of fixed price contracts to supporting documentation and assessing management estimates are accurately recorded in the correct accounting period in accordance with the percentage of completion method in AASB 111 "Construction contracts";</li> <li>• Reviewing a sample of fixed price contracts to gain an understanding of each project's stage of completion and progress against budgeted expectation;</li> <li>• Testing a sample of variable priced contracts to supporting documentation to determine revenue recognised has been accurately recorded in the correct period; and</li> <li>• Assessing adequacy of presentation and disclosures in the financial statements.</li> </ul>
<p><b>Carrying value of intangible assets - Note 2(g) and Note 14</b></p> <p>The Group has recorded goodwill totalling \$46,446,049 (2017: \$46,446,049) at 30 June 2018 across two Cash Generating Units (CGU). Goodwill is required to be assessed for impairment annually by management as prescribed in AASB 136 "Impairment of Assets".</p> <p>Management test each CGU for impairment by comparing their carrying amounts against their recoverable amounts determined by either, the greater of its fair value less costs to sell and its value in use.</p> <p>This area is a key audit matter due to the significant balance carried by the Company that management have assess using estimates and judgement. The Company use the discounting cash flow model (value in use) to determine their recoverable value, in doing so, consider the following key inputs;</p> <ul style="list-style-type: none"> <li>• forecasted budgeted financial performance</li> <li>• estimated growth rates</li> <li>• working capital adjustments</li> <li>• estimated capital expenditure</li> <li>• discount rate</li> <li>• terminal value</li> </ul> <p>These estimates and judgements required specific valuation expertise and analysis.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Enquiring with management to obtain and document an understanding of management's process and controls related to the assessment of impairment, including management's identification of CGUs and the calculation of the recoverable amount for each CGU;</li> <li>• Evaluating the value-in-use models against the requirements of AASB 136 "Impairment of Assets", including consultation with our valuations experts;</li> <li>• Reviewing management's value-in-use calculations to: <ul style="list-style-type: none"> <li>○ Test the mathematical accuracy of the calculations;</li> <li>○ Evaluate management's ability to perform accurate estimates;</li> <li>○ Test forecast cash inflows and outflows to be derived by the CGUs assets; and</li> <li>○ Agree discount rates applied to forecast future cash flows.</li> </ul> </li> <li>• Performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; and</li> <li>• Assessing the adequacy of financial report disclosures.</li> </ul>



### **Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors' 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

#### **Opinion on the remuneration report**

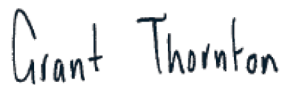
We have audited the Remuneration Report included in pages 14 to 22 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Empired Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.



**Responsibilities**

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.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



L A Stella  
Partner – Audit & Assurance

Perth, 13 August 2018

## Shareholding Analysis

In accordance with Listing Rule 4.10 of ASX Limited, the Directors provide the following shareholding information which was applicable as at 30th June 2018.

### a. Distribution of Shareholding

SIZE OF SHAREHOLDING	Number of shareholders	%
1 – 1,000	137	0.04
1001 – 5,000	458	0.88
5001 – 10,000	322	1.53
10001 – 100,000	565	12.15
100,001 – max	131	85.40
<b>Total</b>	<b>1,613</b>	<b>100.00</b>

### 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 of shares held	%
National Nominees Ltd ACF Australian Ethical Investment Limited	26,281,919	16.42
Tiga Trading Pty Ltd	18,489,373	11.55
Microequities Asset Management Pty Ltd	11,610,994	7.25
Baskerville Investments Pty Ltd	7,450,059	6.21
Washington H.Soul Pattinson And Company Limited <sup>#</sup>	8,154,966	5.09
Pengana Capital Ltd <sup>#</sup>	8,154,966	5.09

<sup>#</sup>Relevant interest over the same shares in Empired

### c. Twenty Largest Shareholders

NAME	Number of shares held	%
NATIONAL NOMINEES LIMITED	31,683,800	19.79
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,710,411	12.93
UBS NOMINEES PTY LTD	19,239,373	12.02
BASKERVILLE INVESTMENTS PTY LTD	9,125,283	5.7
BNP PARIBAS NOMS PTY LTD <DRP>	8,421,591	5.26
MR JOHN ALEXANDER BARDWELL	4,099,904	2.56
MR MARK EDWARD WALLER	2,407,121	1.5
MR AND MRS PAYNE + BRANDONS TRUSTEE COMPANY LTD <THE PAYNE FAMILY A/C>	1,670,517	1.04
GABRIELLA NOMINEES PTY LTD <ERROL WILFRED LEVITT A/C>	1,650,000	1.03
PJTR PTY LTD	1,487,809	0.93
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,421,000	0.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,367,236	0.85
MR TONY JOHN ALAN STEWART	1,134,921	0.71
UNIPLEX CONSTRUCTIONS PTY LTD <WESVILLE SUPER FUND A/C>	1,065,500	0.67
ICE COLD INVESTMENTS PTY LTD	1,000,000	0.62
MS SARAH LOUISE MCCREADY	975,000	0.61
NEWECOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	925,634	0.58
MS KRISTY CHRISTOPHERSEN <CHRISTOPHERSEN A/C>	800,000	0.50
MR GLENN THOMAS BASKERVILLE	668,397	0.42
MR STUART MARK STRICKLAND <J&S STRICKLAND FAMILY A/C>	666,667	0.42
<b>Total</b>	<b>110,520,164</b>	<b>69.03</b>

The twenty members holding the largest number of shares together held a total of 69.02% of issued capital.

### d. Issued Capital

#### (i) Ordinary Shares

The fully paid issued capital of the company consisted of 160,077,919 shares held by 1,613 shareholders.

Each share entitles the holder to one vote.

The number of shareholdings held in less than marketable parcels is 103.

#### (ii) Unquoted Equity

No options were issued in the year under the company share options plan.

1,471,301 performance rights were issued under the company's LTI plan.

Options do not have any voting rights.

### e. On-Market Buy-Back

There is currently an on-market buy-back in place.

### f. Company Secretary

The Company Secretary is Mr David Hinton.

### g. Registered Office

The registered office of Empired Ltd is:

Level 7, The Quadrant  
1 William Street  
Perth WA 6000  
Telephone +61 8 6333 2200

## Other Information for Shareholders

In accordance with Listing Rule 4.10 of the ASX 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](http://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/](http://www.empired.com/Investors/)

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

## Other Information for Shareholders

### **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 11, 172 St Georges Terrace  
Perth WA 6000  
Telephone +61 8 9323 2000  
Facsimile +61 8 9323 2033  
Website [www-au.computershare.com/investor](http://www-au.computershare.com/investor)

### **ANNUAL GENERAL MEETING**

The 2018 Annual General Meeting of Empired Limited will be held at:

Canning Room, Adina Apartment Hotel  
33 Mounts Bay Road  
Perth

11am on **Wednesday, 28 November 2018**

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 Securities 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 11, 172 St Georges Terrace  
Perth, WA 6000

A nighttime photograph of a city skyline. On the left, a tall skyscraper is under construction, with two large cranes visible against the dark sky. The building's windows are illuminated from within, and some floors are lit up. To the right, several other skyscrapers are lit up, with some having glowing signs. In the foreground, a curved road or highway is visible, with light trails from cars and streetlights. The overall scene is a vibrant urban landscape at night.

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

*Empired*